



吉林九台農村商業銀行股份有限公司\*  
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED\*

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

Stock Code : 6122

# 2022

## Interim Report

*\*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.*





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# Chapter 1 Definitions and Glossary

In this interim report, unless the context otherwise requires, the following terms shall have the meanings set out below:

“Anci District Huimin Village and Township Bank”	Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 6, 2011, in which the Bank holds a 51.00% equity interest. The remaining 56 shareholders hold 49.00% equity interest in Anci District Huimin Village and Township Bank
“Anping Huimin Village and Township Bank”	Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 24, 2013, in which the Bank holds a 28.17% equity interest. The remaining 83 shareholders hold 71.83% equity interest in Anping Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 25.98% equity interest in Anping Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Anping Huimin Village and Township Bank. Anping Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Articles of Association”	the articles of association of the Bank
“Baicheng Taobei Huimin Village and Township Bank”	Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 23, 2015, in which the Bank holds a 49.00% equity interest. The remaining 18 shareholders hold 51.00% equity interest in Baicheng Taobei Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 14.00% equity interest in Baicheng Taobei Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Baicheng Taobei Huimin Village and Township Bank. Baicheng Taobei Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Bank”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, including its predecessors, but excluding its subsidiaries

## Chapter 1 Definitions and Glossary

“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Jilin Bureau”	the China Banking and Insurance Regulatory Commission Jilin Bureau (中國銀行保險監督管理委員會吉林監管局)
“Changbai Mountain Rural Commercial Bank”	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 16 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank
“Changchun Gaoxin Huimin Village and Township Bank”	Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 24, 2013, in which the Bank holds a 40.00% equity interest. The remaining 12 shareholders hold 60.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 16.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Changchun Gaoxin Huimin Village and Township Bank. Changchun Gaoxin Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Changchun Nanguan Huimin Village and Township Bank”	Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 11, 2011, in which the Bank holds a 51.20% equity interest. The remaining 34 shareholders hold 48.80% equity interest in Changchun Nanguan Huimin Village and Township Bank

## Chapter 1 Definitions and Glossary

“Da’an Huimin Village and Township Bank”	Da’an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 26, 2011, in which the Bank holds a 51.46% equity interest. The remaining 13 shareholders hold 48.54% equity interest in Da’an Huimin Village and Township Bank
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Fuyu Huimin Village and Township Bank”	Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2015, in which the Bank holds a 42.85% equity interest. The remaining 42 shareholders hold 57.15% equity interest in Fuyu Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 13.41% equity interest in Fuyu Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Fuyu Huimin Village and Township Bank. Fuyu Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Gaomi Huimin Village and Township Bank”	Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on May 25, 2011, in which the Bank holds a 56.70% equity interest. The remaining 46 shareholders hold 43.30% equity interest in Gaomi Huimin Village and Township Bank
“Group”	the Bank and its consolidated subsidiaries
“Guangzhou Huangpu Huimin Village and Township Bank”	Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司) (formerly known as Guangzhou Luogang Huimin Village Bank Co., Ltd. 廣州蘿崗惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 7, 2014, in which the Bank holds a 51.00% equity interest. The remaining 7 shareholders hold 49.00% equity interest in Guangzhou Huangpu Huimin Village and Township Bank

## Chapter 1 Definitions and Glossary

“H Shares”	the ordinary shares issued by the Bank in Hong Kong with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars
“Hanshan Huimin Village and Township Bank”	Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 30, 2010, in which the Bank holds a 78.51% equity interest. The remaining 34 shareholders hold 21.49% equity interest in Hanshan Huimin Village and Township Bank
“Heyang Huimin Village and Township Bank”	Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 42.68% equity interest. The remaining 35 shareholders hold 57.32% equity interest in Heyang Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 14.02% equity interest in Heyang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Heyang Huimin Village and Township Bank. Heyang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huadian Huimin Village and Township Bank”	Huadian Huimin Village Bank Co., Ltd. (樅甸惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 29, 2013, in which the Bank holds a 51.00% equity interest. The remaining 17 shareholders hold 49.00% equity interest in Huadian Huimin Village and Township Bank

## Chapter 1 Definitions and Glossary

“Huidong Huimin Village and Township Bank”	Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 21, 2014, in which the Bank holds a 35.00% equity interest. The remaining 11 shareholders hold 65.00% equity interest in Huidong Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 30.00% equity interest in Huidong Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Huidong Huimin Village and Township Bank. Huidong Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“IFRS”	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Jilin Chuanying Huimin Village and Township Bank”	Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 21, 2016, in which the Bank holds a 46.00% equity interest. The remaining 27 shareholders hold 54.00% equity interest in Jilin Chuanying Huimin Village and Township Bank. The Bank and another shareholder (holding 5.00% equity interest in Jilin Chuanying Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Chuanying Huimin Village and Township Bank. Jilin Chuanying Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Jilin Fengman Huimin Village and Township Bank”	Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 46.00% equity interest. The remaining 16 shareholders hold 54.00% equity interest in Jilin Fengman Huimin Village and Township Bank. The Bank and another shareholder (holding 4.50% equity interest in Jilin Fengman Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Fengman Huimin Village and Township Bank. Jilin Fengman Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary



## Chapter 1 Definitions and Glossary

“Jilin Gongzhuling Rural Commercial Bank”	Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 20.20% equity interest. The remaining 532 shareholders hold 79.80% equity interest in Jilin Gongzhuling Rural Commercial Bank
“Jilin Jiuyin Financial Leasing Co., Ltd.”	Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 20, 2017, in which the Bank holds a 30.29% equity interest. The remaining 10 shareholders hold 69.71% equity interest in Jilin Jiuyin Financial Leasing. The Bank and 6 other shareholders (holding an aggregate of 29.71% equity interest in Jilin Jiuyin Financial Leasing) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jilin Jiuyin Financial Leasing. Jilin Jiuyin Financial Leasing is deemed to be under the Bank's control and to be the Group's subsidiary
“Jingmen Dongbao Huimin Village and Township Bank”	Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 21, 2011, in which the Bank holds a 33.15% equity interest. The remaining 15 shareholders hold 66.85% equity interest in Jingmen Dongbao Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 18.92% equity interest in Jingmen Dongbao Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jingmen Dongbao Huimin Village and Township Bank. Jingmen Dongbao Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
“Jiutai Longjia Village and Township Bank”	Jiutai Longjia Village Bank Co., Ltd. (九台龍嘉村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2010, in which the Bank holds a 15.00% equity interest. The remaining 10 shareholders hold 85.00% equity interest in Jiutai Longjia Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 40.00% equity interest in Jiutai Longjia Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jiutai Longjia Village and Township Bank. Jiutai Longjia Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary

## Chapter 1 Definitions and Glossary

“Latest Practicable Date”	September 15, 2022, being the latest practicable date for ascertaining certain information in this interim report before its publication
“Leizhou Huimin Village and Township Bank”	Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on March 25, 2015, in which the Bank holds a 17.87% equity interest. The remaining 28 shareholders hold 82.13% equity interest in Leizhou Huimin Village and Township Bank. The Bank and 7 other shareholders (holding an aggregate of 33.82% equity interest in Leizhou Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Leizhou Huimin Village and Township Bank. Leizhou Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Liaoyuan Rural Commercial Bank”	Liaoyuan Rural Commercial Bank Co., Ltd. (遼源農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 15, 2012, in which the Bank holds a 34.36% equity interest. The remaining 14 shareholders hold 65.64% equity interest in Liaoyuan Rural Commercial Bank. The Bank and 5 other shareholders (holding an aggregate of 17.09% equity interest in Liaoyuan Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Liaoyuan Rural Commercial Bank. Liaoyuan Rural Commercial Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Lingshui Huimin Village and Township Bank”	Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司) (formerly known as Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20.00% equity interest. The remaining 26 shareholders hold 80.00% equity interest in Lingshui Huimin Village and Township Bank. The Bank and 6 other shareholders (holding an aggregate of 32.60% equity interest in Lingshui Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Lingshui Huimin Village and Township Bank. Lingshui Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary

## Chapter 1 Definitions and Glossary

“Lujiang Huimin Village and Township Bank”	Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 60.00% equity interest. The remaining 49 shareholders hold 40.00% equity interest in Lujiang Huimin Village and Township Bank
“non-performing loans”	non-performing loans, and for the purpose of this interim report, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system the Bank and each subsidiary adopted pursuant to applicable PRC guidelines
“non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Qianan Huimin Village and Township Bank”	Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 45.25% equity interest. The remaining 23 shareholders hold 54.75% equity interest in Qianan Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 6.40% equity interest in Qianan Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Qianan Huimin Village and Township Bank. Qianan Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary

## Chapter 1 Definitions and Glossary

“Qingdao Jimo Huimin Village and Township Bank”	Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司) (formerly known as Qingdao Jimo Jingdu Village and Township Bank Co., Ltd. (青島即墨京都村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on October 14, 2008, in which the Bank holds a 59.00% equity interest. The remaining 5 shareholders hold 41.00% equity interest in Qingdao Jimo Huimin Village and Township Bank
“Qingdao Pingdu Huimin Village and Township Bank”	Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2010, in which the Bank holds a 58.82% equity interest. The remaining 92 shareholders hold 41.18% equity interest in Qingdao Pingdu Huimin Village and Township Bank
“Qingyuan Qingxin Huimin Village and Township Bank”	Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 23, 2014, in which the Bank holds a 53.53% equity interest. The remaining 13 shareholders hold 46.47% equity interest in Qingyuan Qingxin Huimin Village and Township Bank
“Reporting Period”	the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)
“RMB” or “Renminbi”	the lawful currency of the PRC
“Sanya Huimin Village and Township Bank”	Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司) (formerly known as Sanya Phoenix County Village and Township Bank Co., Ltd. (三亞鳳凰村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20.00% equity interest. The remaining 33 shareholders hold 80.00% equity interest in Sanya Huimin Village and Township Bank. The Bank and 13 other shareholders (holding an aggregate of 38.50% equity interest in Sanya Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Sanya Huimin Village and Township Bank. Sanya Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary

## Chapter 1 Definitions and Glossary

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Shares
“Shuangcheng Huimin Village and Township Bank”	Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 25, 2010, in which the Bank holds a 62.26% equity interest. The remaining 28 shareholders hold 37.74% equity interest in Shuangcheng Huimin Village and Township Bank
“Songyuan Ningjiang Huimin Village and Township Bank”	Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 19, 2011, in which the Bank holds a 40.80% equity interest. The remaining 109 shareholders hold 59.20% equity interest in Songyuan Ningjiang Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 10.13% equity interest in Songyuan Ningjiang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Songyuan Ningjiang Huimin Village and Township Bank. Songyuan Ningjiang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Supervisor(s)”	the supervisor(s) of the Bank
“Taonan Huimin Village and Township Bank”	Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 11, 2015, in which the Bank holds a 40.83% equity interest. The remaining 16 shareholders hold 59.17% equity interest in Taonan Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 19.99% equity interest in Taonan Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Taonan Huimin Village and Township Bank. Taonan Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary

## Chapter 1 Definitions and Glossary

“three rurals”	a short term for the issues related to agriculture, rural areas and rural households
“Tianjin Binhai Huimin Village and Township Bank”	Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 11, 2014, in which the Bank holds a 47.00% equity interest. The remaining 75 shareholders hold 53.00% equity interest in Tianjin Binhai Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 6.99% equity interest in Tianjin Binhai Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Tianjin Binhai Huimin Village and Township Bank. Tianjin Binhai Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Tongcheng Huimin Village and Township Bank”	Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 19, 2012, in which the Bank holds a 75.76% equity interest. The remaining 32 shareholders hold 24.24% equity interest in Tongcheng Huimin Village and Township Bank
“Wenan County Huimin Village and Township Bank”	Huimin Village Bank of Wenan (文安縣惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2011, in which the Bank holds a 36.00% equity interest. The remaining 64 shareholders hold 64.00% equity interest in Wenan County Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 15.99% equity interest in Wenan County Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Wenan County Huimin Village and Township Bank. Wenan County Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Wuchang Huimin Village and Township Bank”	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on November 11, 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank

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“Wuhua Huimin Village and Township Bank”

Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 13, 2014, in which the Bank holds a 39.23% equity interest. The remaining 43 shareholders hold 60.77% equity interest in Wuhua Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 17.52% equity interest in Wuhua Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Wuhua Huimin Village and Township Bank. Wuhua Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary

“Yun'an Huimin Village and Township Bank”

Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 27, 2014, in which the Bank holds a 61.00% equity interest. The remaining 5 shareholders hold 39.00% equity interest in Yun'an Huimin Village and Township Bank

*In this interim report:*

- 1. any discrepancies in any table between totals and sums of the amounts listed are due to rounding; and*
- 2. if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

# Chapter 2 Company Profile

## I. 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 (高兵)

### Authorized Representatives:

Gao Bing (高兵), Lau Kwok Yin (劉國賢)

### Board Secretary:

Yuan Chunyu (袁春雨)

### Joint Company Secretaries:

Yuan Chunyu (袁春雨), Lau Kwok Yin (劉國賢)

### Registered Office Address of the Bank:

No. 504 Xinhua Main Street  
Jiutai District, Changchun  
Jilin Province, the PRC

### Principal Office Address of the Bank:

No. 2559 Wei Shan Road  
High-tech Zone, Changchun  
Jilin Province, the PRC



## Chapter 2 Company Profile

### Customer Service Hotline:

+86 (431) 96888

### Telephone:

+86 (431) 8925 0628

### Facsimile:

+86 (431) 8925 0628

### Company Website:

[www.jtnsh.com](http://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](http://www.hkexnews.hk)  
The Bank's website at [www.jtnsh.com](http://www.jtnsh.com)

### Listing Place:

The Stock Exchange of Hong Kong Limited

### 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

## Chapter 2 Company Profile

### **PRC Legal Adviser:**

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

### **Hong Kong Legal Adviser:**

Clifford Chance  
27/F, Jardine House  
1 Connaught Place  
Central, Hong Kong

### **Auditors:**

#### ***Domestic Auditor:***

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

#### ***International Auditor:***

SHINEWING (HK) CPA Limited  
17/F, Chubb Tower, Windsor House  
311 Gloucester Road, Causeway Bay  
Hong Kong

### II. HISTORY OF THE BANK

On December 15, 2008, upon the approval of the CBIRC Jilin Bureau, the Bank was promoted and established as a joint stock commercial bank named “Jilin Jiutai Rural Commercial Bank Corporation Limited” (吉林九台農村商業銀行股份有限公司) by qualified natural person shareholders of the former Jiutai Rural Credit Cooperative (九台市農村信用合作聯社), newly introduced natural person shareholders and legal person shareholders. On December 16, 2008, the Bank was formally incorporated.

The Bank’s current registered address is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin Province, the PRC. The Bank has established a place of business in Hong Kong at Room 15, 11th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong and registered as a non-Hong Kong company in Hong Kong on February 17, 2016 under Part XVI of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Bank appointed Mr. Lau Kwok Yin (劉國賢) as the Bank’s authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is at 40th Floor, Dah Sing Financial Centre, 248 Queen’s Road East, Wanchai, Hong Kong. As the Bank was established in the PRC, the Bank’s corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC.

The Bank’s H Shares were listed on the Main Board of the Hong Kong Stock Exchange on January 12, 2017.

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

## Chapter 2 Company Profile

### III. MAJOR AWARDS AND RECOGNITIONS IN THE FIRST HALF OF 2022

The Group has won numerous awards and recognitions in the first half of 2022 attributable to its outstanding business performance and management ability, mainly including the following:

Unit	Awards/Recognitions	Organizer
Jiutai Rural Commercial Bank	Top 300 Trading Banks in Interbank RMB Market in 2021 (2021年度銀行間本幣市場交易300強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
Jiutai Rural Commercial Bank	Top 100 Banks in Interbank RMB and Foreign Exchange Market in 2021 (2021年度銀行間人民幣外匯市場100強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
Jiutai Rural Commercial Bank	The Most Socially Responsible Listed Company Award (最具社會責任上市公司)	“The 6th Golden Share Listed in Hong Kong” Award by zhitongcaijing.com and 10jqka.com.cn (智通財經、同花順財經「第六屆金港股」評選)
Jiutai Rural Commercial Bank	Top 100 Chinese Banks in 2022 (2022年中國銀行業100強)	China Banking Association (中國銀行業協會)
Jiutai Rural Commercial Bank	Top 1,000 World Banks in 2022 (2022年世界銀行1,000強)	The Banker, a U.K. magazine (英國《銀行家》雜誌)
Jiutai Rural Commercial Bank – Online comprehensive financial service platform	Outstanding Innovative Cases Award for IT Systems (IT架構創新優秀案例獎)	“The 3rd Session of Outstanding Digital Transformation Cases Award for Small and Medium Financial Institutions” by Fintech Innovation in China (金科創新社「第三屆中小金融機構數智化轉型優秀案例」評選)
Jiutai Rural Commercial Bank	Enterprise with Outstanding Contribution During the Pandemic Control Period in Jilin Province in 2022 (2022年吉林省疫情防控期間捐贈工作突出貢獻企業)	Jilin Province People’s Government (吉林省人民政府)

## Chapter 2 Company Profile

Unit	Awards/Recognitions	Organizer
Baicheng Taobei Huimin Village and Township Bank	Baicheng Labour Day Award (白城市五一勞動獎狀)	Baicheng Federation of Trade Unions (白城市總工會)
Gaomi Huimin Village and Township Bank	Pioneer Unit for Supporting Economic Development for 2021 (2021年度支持經濟發展工作先鋒單位)	Gaomi Municipal Committee of the Communist Party of China and Gaomi Municipal People's Government (高密市委、市政府)
Huidong Huimin Village and Township Bank	Advanced Unit for Green Financing in the Banking Industry for 2021 (2021年度銀行業綠色金融先進集體)	Banking Association of Huizhou City (惠州市銀行業協會)
Lujiang Huimin Village and Township Bank	Advanced Unit for Supporting Local Economic Development for 2021 (2021年度支持地方經濟發展先進單位)	Lujiang County People's Government (廬江縣人民政府)

## Chapter 3 Financial Summary

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022	2021	Change in percentage (%)	Year ended December 31, 2021
<b>Operating results</b>				
Interest income	6,759.5	5,686.7	18.9	12,524.3
Interest expenses	(3,811.9)	(2,971.4)	28.3	(6,347.9)
<b>Net interest income</b>	<b>2,947.6</b>	2,715.3	8.6	6,176.4
Fee and commission income	63.1	64.0	(1.4)	169.4
Fee and commission expenses	(32.7)	(30.6)	6.9	(96.7)
<b>Net fee and commission income</b>	<b>30.4</b>	33.4	(9.0)	72.7
Net trading gains (losses)	65.4	(72.3)	(190.5)	1.0
Dividend income	21.4	32.9	(35.0)	57.0
Net gains arising from investment securities	32.3	22.4	44.2	87.3
Losses on deemed partial disposal of subsidiaries/associates	—	—	—	(46.5)
Net exchange gains	4.9	7.5	(34.7)	11.3
Other operating income, net	49.8	12.8	289.1	3.1
<b>Operating income</b>	<b>3,151.8</b>	2,752.0	14.5	6,362.3
Operating expenses	(1,322.1)	(1,251.6)	5.6	(3,073.9)
Impairment losses on assets	(1,048.4)	(801.1)	30.9	(1,569.4)
<b>Operating profit</b>	<b>781.3</b>	699.3	11.7	1,719.0
Share of results of associates	(6.4)	(8.9)	(28.1)	28.5
<b>Profit before tax</b>	<b>774.9</b>	690.4	12.2	1,747.5
Income tax expense	(121.3)	(177.9)	(31.8)	(457.5)
<b>Profit for the period/end of year</b>	<b>653.6</b>	512.5	27.5	1,290.0
<b>Profit for the year attributable to:</b>				
— Owners of the Bank	732.1	434.3	68.6	1,129.4
— Non-controlling interests	(78.5)	78.2	(200.4)	160.6
<b>Profit for the period/end of year</b>	<b>653.6</b>	512.5	27.5	1,290.0
Basic earnings per share (RMB)	0.14	(restated) 0.09	55.6	(restated) 0.22
Diluted earnings per share (RMB)	0.14	0.09	55.6	0.22

## Chapter 3 Financial Summary

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As at June 30, 2022</b>	As at December 31, 2021	Change in percentage (%)	
<b>Major indicators of assets/liabilities</b>				
Total assets	<b>259,460.1</b>	234,140.2	10.8	
Of which: loans and advances to customers	<b>168,340.3</b>	152,642.7	10.3	
Total liabilities	<b>241,005.0</b>	216,365.2	11.4	
Of which: deposits from customers	<b>222,010.8</b>	196,959.4	12.7	
Total equity	<b>18,455.1</b>	17,775.0	3.8	
<b>Profitability indicators (%)</b>				
	<b>Six months ended June 30, 2022</b>	2021	Change in percentage (%)	
Return on assets <sup>(1)(15)</sup>	<b>0.53%</b>	0.50%	6.0	
Return on capital <sup>(2)(15)</sup>	<b>7.22%</b>	6.34%	13.9	
Net interest spread <sup>(3)(15)</sup>	<b>2.29%</b>	2.52%	(9.1)	
Net interest margin <sup>(4)(15)</sup>	<b>2.39%</b>	2.65%	(9.8)	
Net fee and commission income to operating income ratio <sup>(5)</sup>	<b>0.96%</b>	1.21%	(20.7)	
Cost-to-income ratio <sup>(6)</sup>	<b>40.64%</b>	44.24%	(8.1)	
<b>Capital adequacy indicators (%)</b>				
	<b>As at June 30, 2022</b>	As at December 31, 2021	Change in percentage (%)	As at June 30, 2021
Core tier-one capital adequacy ratio <sup>(7)</sup>	<b>8.51%</b>	8.83%	(3.6)	8.51%
Tier-one capital adequacy ratio <sup>(8)</sup>	<b>8.60%</b>	8.96%	(4.0)	8.61%
Capital adequacy ratio <sup>(9)</sup>	<b>11.25%</b>	11.63%	(3.3)	10.67%
Shareholders' equity to total assets ratio	<b>7.11%</b>	7.59%	(6.3)	7.53%
<b>Assets quality indicators (%)</b>				
Non-performing loan ratio <sup>(10)</sup>	<b>1.96%</b>	1.88%	4.3	1.89%
Provision coverage ratio <sup>(11)</sup>	<b>165.54%</b>	157.33%	5.2	157.21%
Provision to total loan ratio <sup>(12)</sup>	<b>3.24%</b>	2.95%	9.8	2.96%
<b>Other indicators<sup>(13)</sup> (%)</b>				
Loan to deposit ratio <sup>(14)</sup>	<b>79.00%</b>	81.22%	(2.7)	85.67%

## Chapter 3 Financial Summary

### Notes:

- (1) Calculated by dividing the net profit for the period/year by the average balance of total assets at the beginning and the end of that period/year.
- (2) Calculated by dividing the net profit for the period/year by the average balance of total equity at the beginning and at the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets\*100%.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets\*100%.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets\*100%.
- (10) Non-performing loan ratio = non-performing loans and advances to customers/gross loans and advances to customers\*100%.
- (11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers\*100%.
- (12) Provision to total loan ratio = provision for impairment losses on loans/gross loans and advances to customers\*100%.
- (13) These indicators refer to the ratios we report to the CBIRC and calculated in accordance with PRC GAAP and relative requirements of the CBIRC regarding the financial data.
- (14) According to the revised PRC Commercial Banking Law which became effective on October 1, 2015, loan to deposit ratio is no longer applicable to the PRC Commercial Banks as a regulatory ratio.
- (15) Ratios for the six months ended June 30, 2021 and 2022 are calculated on an annualized basis.



# Chapter 4 Management Discussion and Analysis

## 1 Environment and Outlook

During the first half of 2022, confronting with complicated international environment, China faced significant challenges in promoting its reform, development and stabilization. As the pandemic situation saw gradual improvement, the Chinese government implemented a series of policies and measures to stabilize the macro economy and economic growth of China recovered steadily.

In the second half of the year, despite various uncertain factors affecting the development, the outlook of macro economy in China remains positive with steady growth. According to the meeting of the Political Bureau of the CPC Central Committee held on July 28, 2022, active macro policy shall be in place to expand demands, and the fiscal and monetary policy shall satisfy the social needs effectively with reasonable and sufficient liquidity. Following the implementation of policies to stabilize growth, the economy is expected to recover and improve steadily. In addition, a number of financial regulations have been launched, directing the banking industry to increase support to key fields and weak sectors including the medium-, small- and micro-sized enterprises, rural revitalization and green transformation by enhancing the quality and efficiency of services. Guidelines for banks to strengthen data management are also formulated in order to promote the development and security of the financial industry.

Looking forward, the Bank will strictly adhere to the national policy and focus on regional development. Aiming to pursue steady growth, the Bank will exert efforts in consolidating its principal businesses and foundation, promoting transformation to enhance quality, and establishing the “Four in One Mechanism” which integrates the finance for three rurals, community finance, cooperation platform and charity works in order to expand its scale at a cost-effective manner rapidly with high quality and increase revenue under controllable risk. The Bank will strive to write a new chapter of high-quality development.

## 2 Development Strategies

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

## Chapter 4 Management Discussion and Analysis

### 3 Overall Business Review

In the first half of 2022, in the face of complex economic and financial conditions and the pandemic prevention and control measures, the Group put effort into both pandemic control and business development in compliance with the decisions and planning of the Central Committee of the Chinese Communist Party, the State Council, the provincial-level committee of the Chinese Communist Party and the provincial government. Principal business maintained its stable growth.

The Group recorded a total operating income of RMB3,151.8 million for the six months ended June 30, 2022, representing an increase of 14.5% as compared to RMB2,752.0 million for the six months ended June 30, 2021. The Group's net profit increased by 27.5% from RMB512.5 million for the six months ended June 30, 2021 to RMB653.6 million for the six months ended June 30, 2022. The net interest income of the Group increased by 8.6% from RMB2,715.3 million for the six months ended June 30, 2021 to RMB2,947.6 million for the six months ended June 30, 2022.

As at June 30, 2022, the Group's total assets amounted to RMB259,460.1 million, representing an increase of 10.8% as compared with the beginning of the year; net loans and advances to customers amounted to RMB168,340.3 million, representing an increase of 10.3% as compared with the beginning of the year; the non-performing loan ratio was 1.96%, representing an increase of 0.08 percentage point as compared with the beginning of the year; total deposits from customers amounted to RMB217,528.1 million, representing an increase of 12.6% as compared with the beginning of the year.

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022	2021	Change in amount	Change in percentage (%)
Interest income	6,759.5	5,686.7	1,072.8	18.9
Interest expense	(3,811.9)	(2,971.4)	(840.5)	28.3
<b>Net interest income</b>	<b>2,947.6</b>	2,715.3	232.3	8.6
Fee and commission income	63.1	64.0	(0.9)	(1.4)
Fee and commission expenses	(32.7)	(30.6)	(2.1)	6.9
<b>Net fee and commission income</b>	<b>30.4</b>	33.4	(3.0)	(9.0)
Net trading gains (losses)	65.4	(72.3)	137.7	(190.5)
Dividend income	21.4	32.9	(11.5)	(35.0)
Net gains arising from investment securities	32.3	22.4	9.9	44.2
Net exchange gains	4.9	7.5	(2.6)	(34.7)
Other operating income, net	49.8	12.8	37.0	289.1
<b>Operating income</b>	<b>3,151.8</b>	2,752.0	399.8	14.5
Operating expenses	(1,322.1)	(1,251.6)	(70.5)	5.6
Impairment losses on assets	(1,048.4)	(801.1)	(247.3)	30.9
<b>Operating profit</b>	<b>781.3</b>	699.3	82.0	11.7
Share of results of associates	(6.4)	(8.9)	2.5	(28.1)
<b>Profit before tax</b>	<b>774.9</b>	690.4	84.5	12.2
Income tax expense	(121.3)	(177.9)	56.6	(31.8)
<b>Profit for the period</b>	<b>653.6</b>	512.5	141.1	27.5
<b>Profit for the period attributable to:</b>				
— Owners of the Bank	732.1	434.3	297.8	68.6
— Non-controlling interests	(78.5)	78.2	(156.7)	(200.4)
<b>Profit for the period</b>	<b>653.6</b>	512.5	141.1	27.5

In the first six months of 2022, the Group's operating income was RMB3,151.8 million, representing a year-on-year increase of 14.5%; profit before tax was RMB774.9 million, representing a year-on-year increase of 12.2%; profit for the period was RMB653.6 million, representing a year-on-year increase of 27.5%. It was mainly due to the increase in net interest income as a result of the steady growth in credit scale as the Group focused on regional development and adhered to its market positioning in response to the national policies and strictly implemented the regulatory requirement, and further increased credit to support the real economic development, rural revitalization and services for the "three rurals" and medium-, small- and micro-sized enterprises, as well as the increase in net trading gains as the Group continued to diversify its fund utilization channels based on market condition so to improve the fund utilization efficiency, which was partially offset by the increases in operating expenses and impairment losses on assets.

## Chapter 4 Management Discussion and Analysis

### (i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 98.7% and 93.5% of operating income for the six months ended June 30, 2021 and 2022, respectively. The table below sets forth the interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2022	2021	Change in amount	
Interest income	6,759.5	5,686.7	1,072.8	18.9
Interest expense	(3,811.9)	(2,971.4)	(840.5)	28.3
<b>Net interest income</b>	<b>2,947.6</b>	<b>2,715.3</b>	<b>232.3</b>	<b>8.6</b>

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	171,652.8	5,757.1	6.71	144,393.4	4,575.3	6.34
Investment securities and other financial assets <sup>(1)</sup>	32,122.2	664.3	4.14	28,253.7	841.9	5.96
Deposits with banks	13,791.7	95.1	1.38	11,854.1	96.1	1.62
Financial assets held under resale agreements	10,398.1	115.0	2.21	3,225.1	51.0	3.16
Deposits with the central bank <sup>(2)</sup>	17,298.5	110.3	1.28	16,162.3	105.3	1.30
Placements with banks and other financial institutions	936.9	17.7	3.78	810.1	17.1	4.22
<b>Total interest-earning assets</b>	<b>246,200.2</b>	<b>6,759.5</b>	<b>5.49</b>	<b>204,698.7</b>	<b>5,686.7</b>	<b>5.56</b>

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	215,492.5	3,445.6	3.20	163,093.3	2,453.5	3.01
Financial assets sold under repurchase agreements	5,145.2	44.7	1.74	6,282.3	64.7	2.06
Deposits from banks	6,913.2	113.8	3.29	9,478.5	155.4	3.28
Debt securities issued <sup>(3)</sup>	6,110.0	142.0	4.65	6,091.8	124.3	4.08
Placements from banks	1,569.1	22.3	2.84	7,860.3	135.1	3.44
Borrowing from the central bank	2,896.3	31.9	2.20	2,123.9	25.4	2.39
Lease liabilities	479.8	11.6	4.84	549.3	13.0	4.73
<b>Total interest-bearing liabilities</b>	<b>238,606.1</b>	<b>3,811.9</b>	<b>3.20</b>	195,479.4	2,971.4	3.04
<b>Net interest income</b>		<b>2,947.6</b>			2,715.3	
<b>Net interest spread<sup>(4)</sup></b>			<b>2.29</b>			2.52
<b>Net interest margin<sup>(5)</sup></b>			<b>2.39</b>			2.65

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.

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022 vs 2021		Net increase/ (decrease) <sup>(3)</sup>
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	
<b>Interest-earning Assets</b>			
Loans and advances to customers	914.3	267.5	1,181.8
Investment securities and other financial assets	80.0	(257.6)	(177.6)
Deposits with banks	13.4	(14.4)	(1.0)
Financial assets held under resale agreements	79.3	(15.3)	64.0
Deposits with the central bank	7.2	(2.2)	5.0
Placements with banks and other financial institutions	2.4	(1.8)	0.6
<b>Changes in interest income</b>	<b>1,096.6</b>	<b>(23.8)</b>	<b>1,072.8</b>
<b>Interest-bearing Liabilities</b>			
Deposits from customers	837.8	154.3	992.1
Financial assets sold under repurchase agreements	(9.9)	(10.1)	(20.0)
Deposits from banks	(42.2)	0.6	(41.6)
Debt securities issued	0.4	17.3	17.7
Placements from banks	(89.4)	(23.4)	(112.8)
Borrowing from the central bank	8.5	(2.0)	6.5
Lease liabilities	(1.7)	0.3	(1.4)
<b>Changes in interest expense</b>	<b>703.5</b>	<b>137.0</b>	<b>840.5</b>
<b>Changes in net interest income</b>	<b>393.1</b>	<b>(160.8)</b>	<b>232.3</b>

Notes:

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

## Chapter 4 Management Discussion and Analysis

### (ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022		2021	
	Amount	% of total	Amount	% of total
Loans and advances to customers	5,757.1	85.2	4,575.3	80.5
Investment securities and other financial assets	664.3	9.8	841.9	14.8
Deposits with banks	95.1	1.4	96.1	1.7
Financial assets held under resale agreements	115.0	1.7	51.0	0.9
Deposits with the central bank	110.3	1.6	105.3	1.8
Placements with banks and other financial institutions	17.7	0.3	17.1	0.3
<b>Total</b>	<b>6,759.5</b>	<b>100.0</b>	5,686.7	100.0

The Group's interest income increased by 18.9% from RMB5,686.7 million for the six months ended June 30, 2021 to RMB6,759.5 million for the six months ended June 30, 2022, primarily due to the increase in the average balance of interest earning assets from RMB204,698.7 million for the six months ended June 30, 2021 to RMB246,200.2 million for the six months ended June 30, 2022, partially offset by the decrease in the average yield of interest earning assets from 5.56% for the six months ended June 30, 2021 to 5.49% for the six months ended June 30, 2022. The increase in the average balance of interest earning assets was primarily due to the increase in loans as the Group focused on its principal business and further increased credit to support the development of the real economy and the resumption of production and operation of enterprises affected by the pandemic as well as the steady growth in the scale and trading volume of treasury operations as the Group continuously strengthened its fund utilization based on changes in market conditions to increase capital gains. The decrease in the average yield of interest earning assets was primarily due to the decrease in market capital interest rate, partially offset by the increase in the average yield of loans and advances to customers resulting from increase in the proportion of mid-to-long term loans.

## Chapter 4 Management Discussion and Analysis

### (A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 80.5% and 85.2% of the Group's total interest income for the six months ended June 30, 2021 and 2022, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,					
	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	144,555.3	4,902.7	6.78	114,509.1	3,539.6	6.18
Retail loans	27,092.4	854.3	6.31	27,882.0	1,001.4	7.18
Discounted bills	5.1	0.1	3.92	2,002.3	34.3	3.43
<b>Gross loans and advances to customers</b>	<b>171,652.8</b>	<b>5,757.1</b>	<b>6.71</b>	<b>144,393.4</b>	<b>4,575.3</b>	<b>6.34</b>

Interest income from loans and advances to customers constitutes the largest portion of the interest income of the Group, which increased by 25.8% from RMB4,575.3 million for the six months ended June 30, 2021 to RMB5,757.1 million for the six months ended June 30, 2022. The increase was primarily due to the increase in the average balance of loans and advances to customers from RMB144,393.4 million for the six months ended June 30, 2021 to RMB171,652.8 million for the six months ended June 30, 2022, and the increase in the average yield of such assets from 6.34% for the six months ended June 30, 2021 to 6.71% for the six months ended June 30, 2022. The increase in the average balance of such assets was primarily due to the fact that the Group continued to increase credit to support the regional economic revitalization and rural revitalization in order to facilitate the development of real economy effectively, and provided assistance to the production and operation of enterprises affected by the pandemic through measures such as increasing credit extension and postponement of principal and interest repayment. The increase in the average yield of such assets was primarily due to the increase in the proportion of mid-to-long term loans.



## Chapter 4 Management Discussion and Analysis

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

Interest income from investment securities and other financial assets decreased by 21.1% from RMB841.9 million for the six months ended June 30, 2021 to RMB664.3 million for the six months ended June 30, 2022. The decrease in average balance of such assets was mainly due to the decrease in the average yield of investment securities and other financial assets from 5.96% for the six months ended June 30, 2021 to 4.14% for the six months ended June 30, 2022, partially offset by the increase in the average balance of such assets from RMB28,253.7 million for the six months ended June 30, 2021 to RMB32,122.2 million for the six months ended June 30, 2022. The increase in the average balance of such assets was primarily due to the reasonable increase in the investments of debt securities by the Group according to the market change and liquidity adequacy level, partially offset by the decrease in the investments of asset management plans and trust plans. The decrease in the average yield of such assets was primarily due to the changes in maturity mix of investment assets and market interest rate.

### **(C) Interest income from deposits with banks**

Interest income from deposits with banks decreased by 1.0% from RMB96.1 million for the six months ended June 30, 2021 to RMB95.1 million for the six months ended June 30, 2022. The decrease in average balance of such assets was mainly due to the decrease in the average yield of deposits with banks from 1.62% for the six months ended June 30, 2021 to 1.38% for the six months ended June 30, 2022, partially offset by the increase in the average balance of such assets from RMB11,854.1 million for the six months ended June 30, 2021 to RMB13,791.7 million for the six months ended June 30, 2022. The increase in the average balance of such assets was primarily due to the reasonable increase in the scale of deposits with banks by the Group according to its operating needs and liquidity adequacy level to enhance the utilization efficiency of funds. The decrease in the average yield of such assets was primarily due to the change in market interest rate.

## Chapter 4 Management Discussion and Analysis

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

Interest income from financial assets held under resale agreements increased by 125.5% from RMB51.0 million for the six months ended June 30, 2021 to RMB115.0 million for the six months ended June 30, 2022. The increase in the average balance of such assets was mainly due to the increase in the average balance of financial assets held under resale agreements from RMB3,225.1 million for the six months ended June 30, 2021 to RMB10,398.1 million for the six months ended June 30, 2022, partially offset by the decrease in the average yield of such assets from 3.16% for the six months ended June 30, 2021 to 2.21% for the six months ended June 30, 2022. The increase in the average balance of such assets was primarily due to the reasonable increase in the scale of financial assets held under resale agreements by the Group according to the needs of business operation to enhance the utilization efficiency of funds. The decrease in the average yield of such assets was primarily due to the change in market interest rate.

### ***(E) Interest income from deposits with the central bank***

Interest income from deposits with the central bank increased by 4.7% from RMB105.3 million for the six months ended June 30, 2021 to RMB110.3 million for the six months ended June 30, 2022. The increase in the average balance of deposits with the central bank was primarily due to the increase in the average balance of deposits with central bank from RMB16,162.3 million for the six months ended June 30, 2021 to RMB17,298.5 million for the six months ended June 30, 2022, partially offset by the decrease in average yield of such assets from 1.30% for the six months ended June 30, 2021 to 1.28% for the six months ended June 30, 2022. The increase in the average balance of deposits with central bank was primarily due to the increase in the contribution to statutory deposit reserve as a result of the increase in deposits from customers of the Group. The decrease in the average yield of such assets was primarily due to the change in the structure of statutory deposit reserve and surplus deposit reserve.

## Chapter 4 Management Discussion and Analysis

### (F) Interest income from placements with banks and other financial institutions

Interest income from placements with banks and other financial institutions increased by 3.5% from RMB17.1 million for the six months ended June 30, 2021 to RMB17.7 million for the six months ended June 30, 2022, primarily due to the increase in the average balance of placements with banks and other financial institutions from RMB810.1 million for the six months ended June 30, 2021 to RMB936.9 million for the six months ended June 30, 2022, which was partially offset by the decrease in the average yield of such assets from 4.22% for the six months ended June 30, 2021 to 3.78% for the six months ended June 30, 2022. The increase in the average balance of placements with banks and other financial institutions was primarily due to the reasonable increase in the scale of placements with banks and other financial institutions by the Group in order to improve the fund utilization efficiency. The decrease in the average yield of such assets was primarily due to the decrease in market interest rate.

### (iii) Interest expenses

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022		2021	
	Amount	% of total	Amount	% of total
Deposits from customers	3,445.6	90.4	2,453.5	82.6
Financial assets sold under repurchase agreements	44.7	1.2	64.7	2.2
Deposits from banks	113.8	3.0	155.4	5.2
Debt securities issued	142.0	3.7	124.3	4.2
Placements from banks	22.3	0.6	135.1	4.5
Borrowings from the central bank	31.9	0.8	25.4	0.9
Lease liabilities	11.6	0.3	13.0	0.4
<b>Total</b>	<b>3,811.9</b>	<b>100.0</b>	2,971.4	100.0

## Chapter 4 Management Discussion and Analysis

### (A) Interest expenses on deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			2021		
	2022		Average	Average	Interest	Average
	Average	Interest	yield	balance	income	yield
	balance	income	(%)			(%)
<b>Corporate deposits</b>						
Time	10,078.8	109.3	2.17	7,536.0	127.2	3.38
Demand	47,201.3	606.2	2.57	36,399.5	430.6	2.37
<b>Subtotal</b>	<b>57,280.1</b>	<b>715.5</b>	<b>2.50</b>	43,935.5	557.8	2.54
<b>Retail deposits</b>						
Time	141,910.8	2,616.8	3.69	100,912.4	1,732.8	3.43
Demand	16,301.6	113.3	1.39	18,245.4	162.9	1.79
<b>Subtotal</b>	<b>158,212.4</b>	<b>2,730.1</b>	<b>3.45</b>	119,157.8	1,895.7	3.18
<b>Total deposits from customers</b>	<b>215,492.5</b>	<b>3,445.6</b>	<b>3.20</b>	163,093.3	2,453.5	3.01

Interest expenses on deposits from customers increased by 40.4% from RMB2,453.5 million for the six months ended June 30, 2021 to RMB3,445.6 million for the six months ended June 30, 2022, primarily due to the increase in the average balance of deposits from customers from RMB163,093.3 million for the six months ended June 30, 2021 to RMB215,492.5 million for the six months ended June 30, 2022 and the increase in the average cost of such liabilities from 3.01% for the six months ended June 30, 2021 to 3.20% for the six months ended June 30, 2022. The increase in the average balance of such liabilities was primarily due to the steady growth in deposits driven by the Group's efforts in enhancing services, enriching service channels, promoting the development of "community finance", strengthening customer acquisition and adopting targeted marketing. The increase in the average cost of such liabilities was primarily due to the liberalization of interest rate and changes in the types and maturity mix of deposits.

## Chapter 4 Management Discussion and Analysis

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

Interest expenses on financial assets sold under repurchase agreements decreased by 30.9% from RMB64.7 million for the six months ended June 30, 2021 to RMB44.7 million for the six months ended June 30, 2022, primarily due to the decrease in the average balance of financial assets sold under repurchase agreements from RMB6,282.3 million for the six months ended June 30, 2021 to RMB5,145.2 million for the six months ended June 30, 2022 as well as the decrease in the average cost from 2.06% for the six months ended June 30, 2021 to 1.74% for the six months ended June 30, 2022. The decrease in the average balance of such liabilities was primarily due to the adjustment of liability structure by reducing the scale of such liabilities by the Group according to its operating needs. The decrease in the average cost of such liabilities was primary due to the decrease in market interest rate.

### ***(C) Interest expenses on deposits from banks***

Interest expenses on deposits from banks decreased by 26.8% from RMB155.4 million for the six months ended June 30, 2021 to RMB113.8 million for the six months ended June 30, 2022, mainly due to the decrease in the average balance of such liabilities from RMB9,478.5 million for the six months ended June 30, 2021 to RMB6,913.2 million for the six months ended June 30, 2022, partially offset by the increase in the average cost of such liabilities from 3.28% for the six months ended June 30, 2021 to 3.29% for the six months ended June 30, 2022. The decrease in the average balance of such liabilities was primarily due to the Group's efforts in optimizing its liability structure by increasing the core deposits steadily and adjusting the scale of such active liabilities. The increase in the average cost of such liabilities was primarily due to the change in maturity mix.

### ***(D) Interest expenses on debt securities issued***

Interest expenses on debt securities issued increased by 14.2% from RMB124.3 million for the six months ended June 30, 2021 to RMB142.0 million for the six months ended June 30, 2022, mainly due to the increase in the average balance of such liabilities from RMB6,091.8 million for the six months ended June 30, 2021 to RMB6,110.0 million for the six months ended June 30, 2022 as well as the increase in the average cost of such liabilities from 4.08% for the six months ended June 30, 2021 to 4.65% for the six months ended June 30, 2022. The increase in the average balance of such liabilities was primarily due to the issuance of RMB2 billion tier-two capital bonds with a term of 10 years in 2021. The increase in the average cost of such liabilities was primarily due to the change in the maturity mix.

## Chapter 4 Management Discussion and Analysis

### ***(E) Interest expenses on placements from banks and other financial institutions***

Interest expenses on placements from banks and other financial institutions decreased by 83.5% from RMB135.1 for the six months ended June 30, 2021 to RMB22.3 million for the six months ended June 30, 2022, which was primarily due to the decrease in the average balance of such liabilities from RMB7,860.3 million for the six months ended June 30, 2021 to RMB1,569.1 million for the six months ended June 30, 2022, and the decrease in the average cost of such liabilities from 3.44% for the six months ended June 30, 2021 to 2.84% for the six months ended June 30, 2022. The decrease in the average balance of such liabilities was primarily due to the decrease in placements from banks and other financial institutions by the Group based on the change in liquidity and liability management. The decrease in the average cost of such liabilities was primarily due to the decrease in market interest rate.

### ***(F) Interest expenses on borrowings from the central bank***

The interest expenses on borrowings from the central bank increased by 25.6% from RMB25.4 million for the six months ended June 30, 2021 to RMB31.9 million for the six months ended June 30, 2022, which was primarily due to the increase in the average balance of such liabilities from RMB2,123.9 million for the six months ended June 30, 2021 to RMB2,896.3 million for the six months ended June 30, 2022, partially offset by the decrease in the average cost of such liabilities from 2.39% for the six months ended June 30, 2021 to 2.20% for the six months ended June 30, 2022. The increase in the average balance of such liabilities was primarily due to the Group's efforts in supporting the "three rurals", medium-, small- and micro-sized enterprises and the development of real economy through providing agricultural and small-entity refinancing policy loans. The decrease in the average cost of such liabilities was primarily due to the reduction in the interest rate for small-entity refinancing policy loans by the central bank and the change in the maturity mix of other borrowings.

### **(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.

## Chapter 4 Management Discussion and Analysis

Net interest spread decreased by 0.23 percentage point from 2.52% for the six months ended June 30, 2021 to 2.29% for the six months ended June 30, 2022. Net interest margin decreased by 0.26 percentage point from 2.65% for the six months ended June 30, 2021 to 2.39% for the six months ended June 30, 2022, which was primarily due to the fact that the average yield of interest-earning assets decreased by 0.07 percentage point and the average cost of interest-bearing liabilities increased by 0.16 percentage point as compared with the same period of last year, respectively. The decrease in the average yield of interest-earning assets was primarily due to the decrease in the average yield of investment securities and other financial assets, deposits with banks, financial assets held under resale agreements and placements with banks resulting from changes in market interest rate, partially offset by the increase in the average yield of loans and advances to customers. The increase in the average cost of interest-bearing liabilities was primarily due to the increase in the average cost of deposits from customers resulting from the liberalization of interest rate and changes in the types and maturity mix of deposits as well as the increase in the average cost of debt securities issued resulting from changes in maturity mix, partially offset by the decrease in the average cost of financial assets sold under repurchase agreements, placements from banks, and borrowings from the central bank.

### (v) Non-interest income

#### (A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30			
	2022	2021	Change in amount	Change in percentage (%)
<b>Fee and commission income</b>				
Advisory fees	16.5	16.4	0.1	0.6
Syndicated loan service fees	7.8	22.6	(14.8)	(65.5)
Settlement and clearing fees	10.6	12.9	(2.3)	(17.8)
Agency services fees	5.1	7.4	(2.3)	(31.1)
Wealth management service fees	20.4	0.3	20.1	6,700.0
Bank card service fees	1.2	1.8	(0.6)	(33.3)
Others <sup>(1)</sup>	1.5	2.6	(1.1)	(42.3)
<b>Subtotal</b>	<b>63.1</b>	64.0	(0.9)	(1.4)
<b>Fee and commission expense</b>	<b>(32.7)</b>	(30.6)	(2.1)	6.9
<b>Net fee and commission income</b>	<b>30.4</b>	33.4	(3.0)	(9.0)

Note:

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

## Chapter 4 Management Discussion and Analysis

Net fee and commission income decreased by 9.0% from RMB33.4 million for the six months ended June 30, 2021 to RMB30.4 million for the six months ended June 30, 2022, primarily due to the decreases in income from syndicated loan service fees, income from settlement and clearing fees, agency services fees and income from bank card service fees, partially offset by the increase in income from wealth management service fees.

Advisory fees income increased by 0.6% from RMB16.4 million for the six months ended June 30, 2021 to RMB16.5 million for the six months ended June 30, 2022, which was primarily due to the increase in advisory services of the Group as affected by the increased market demand.

Syndicated loan service fees income decreased by 65.5% from RMB22.6 million for the six months ended June 30, 2021 to RMB7.8 million for the six months ended June 30, 2022, mainly due to the reduction in business volume of syndicated loan.

Settlement and clearing fees income decreased by 17.8% from RMB12.9 million for the six months ended June 30, 2021 to RMB10.6 million for the six months ended June 30, 2022, mainly due to the reduction in settlement business volume.

Agency service fees income decreased by 31.1% from RMB7.4 million for the six months ended June 30, 2021 to RMB5.1 million for the six months ended June 30, 2022, mainly due to the reduction in agency business volume.

Wealth management service fees income increased by 6,700.0% from RMB0.3 million for the six months ended June 30, 2021 to RMB20.4 million for the six months ended June 30, 2022, mainly due to the increase in the issuance scale of wealth management products.

Bank card service fees income decreased by 33.3% from RMB1.8 million for the six months ended June 30, 2021 to RMB1.2 million for the six months ended June 30, 2022, mainly due to the decrease in the transaction amount 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 6.9% from RMB30.6 million for the six months ended June 30, 2021 to RMB32.7 million for the six months ended June 30, 2022, which was mainly due to the increase in settlement business volume.



## Chapter 4 Management Discussion and Analysis

### **(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 44.2% from RMB22.4 million for the six months ended June 30, 2021 to RMB32.3 million for the six months ended June 30, 2022. The decrease was mainly due to the disposal of bond assets by the Group when opportunities arose according to its asset portfolio investment strategy and movement in market price of bonds.

### **(C) Dividend income**

Dividend income decreased by 35.0% from RMB32.9 million for the six months ended June 30, 2021 to RMB21.4 million for the six months ended June 30, 2022. The decrease was mainly due to the decrease in dividend income as a result of the decrease in the dividend payout ratio of non-controlling rural commercial banks.

### **(D) Net trading gains (losses)**

Net trading gains (losses) increased by 190.5% from RMB(72.3) million for the six months ended June 30, 2021 to RMB65.4 million for the six months ended June 30, 2022, mainly due to the expansion of monetary fund business and the significant increase in income from the recovery of certain financial assets held for trading on expiry during the period, partially offset by the losses on change in fair value.

### **(E) Net exchange gains**

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains decreased by 34.7% from RMB7.5 million for the six months ended June 30, 2021 to RMB4.9 million for the six months ended June 30, 2022, primarily due to the decrease in trading gains from foreign exchange and impact from the fluctuation of foreign exchange rate.

### **(F) Other operating income, net**

Other operating income, net mainly included non-recurring income such as government subsidies and insurance claim, net of non-recurring expenses such as charitable donation. Other operating income, net increased by 289.1% from RMB12.8 million for the six months ended June 30, 2021 to RMB49.8 million for the six months ended June 30, 2022, which was mainly due to the increase in net gain from the disposal of properties and equipment.

## Chapter 4 Management Discussion and Analysis

### (vi) Operating expenses

Operating expenses increased by 5.6% from RMB1,251.6 million for the six months ended June 30, 2021 to RMB1,322.1 million for the six months ended June 30, 2022. The increase was primarily due to the increases in staff costs, general management and administrative expenses, and taxes and surcharges, 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)	Six months ended June 30,			
	2022	2021	Change in amount	Change in percentage (%)
Staff costs	847.1	774.2	72.9	9.4
Premises and equipment expenses	283.4	296.3	(12.9)	(4.4)
General management and administrative expenses	150.4	146.9	3.5	2.4
Taxes and surcharges	41.2	34.2	7.0	20.5
<b>Total</b>	<b>1,322.1</b>	<b>1,251.6</b>	<b>70.5</b>	<b>5.6</b>

### (A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022	2021	Change in amount	Change in percentage (%)
Salaries and bonuses	589.1	525.8	63.3	12.0
Social insurance	137.9	131.3	6.6	5.0
Staff welfares	49.9	52.4	(2.5)	(4.8)
Housing allowances	59.6	53.8	5.8	10.8
Labor union and staff education expenses	10.6	10.9	(0.3)	(2.8)
<b>Total staff costs</b>	<b>847.1</b>	<b>774.2</b>	<b>72.9</b>	<b>9.4</b>

## Chapter 4 Management Discussion and Analysis

Staff costs increased by 9.4% from RMB774.2 million for the six months ended June 30, 2021 to RMB847.1 million for the six months ended June 30, 2022. The increase in staff costs was primarily due to the increase in the headcount of staff along with the opening of additional outlets, resulting in the increase in relevant expenses such as salaries and bonus of staff.

### **(B) Property and equipment expenses**

Property and equipment expenses decreased by 4.4% from RMB296.3 million for the six months ended June 30, 2021 to RMB283.4 million for the six months ended June 30, 2022. The decrease in property and equipment expenses was mainly due to the expiration of lease for certain properties, partially offset by the increase in depreciation fees of self-owned properties incurred for new outlets.

### **(C) General management and administrative expenses**

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash, repair expenses and others. General management and administrative expenses increased by 2.4% from RMB146.9 million for the six months ended June 30, 2021 to RMB150.4 million for the six months ended June 30, 2022. The increase in general management and administrative expenses was mainly due to the continuous expansion of business scale and increasing number of outlets of the Group.

### **(D) Taxes and surcharges**

Taxes and surcharges increased by 20.5% from RMB34.2 million for the six months ended June 30, 2021 to RMB41.2 million for the six months ended June 30, 2022. The increase in taxes and surcharges was primarily due to the year-on-year increase in tax surcharges as a result of the increase in value-added tax paid over the same period of last year by the Group.

## Chapter 4 Management Discussion and Analysis

### (vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022	2021	Change in amount	Change in percentage (%)
Loans and advances to customers	938.8	731.5	207.3	28.3
Financial assets at fair value through other comprehensive income	0.2	0.0	0.2	100.0
Financial assets at amortized cost	92.8	67.7	25.1	37.1
Deposits with banks	(1.0)	0.2	(1.2)	(600.0)
Placements with banks and other financial institutions	0.3	(0.7)	1.0	(142.9)
Other receivables and repossessed assets	5.2	(1.9)	7.1	(373.7)
Property and equipment	—	0.2	(0.2)	(100.0)
Provision for credit commitments and financial guarantees	8.8	4.1	4.7	114.6
Interest receivable	3.3	—	3.3	100.0
<b>Total</b>	<b>1,048.4</b>	<b>801.1</b>	<b>247.3</b>	<b>30.9</b>

Impairment losses on assets increased by 30.9% from RMB801.1 million for the six months ended June 30, 2021 to RMB1,048.4 million for the six months ended June 30, 2022, mainly due to the increase in the provision for impairment losses on financial assets at amortized costs, other receivables and repossessed assets and the provision for credit commitments and financial guarantees by using expected credit losses approach after taking into account of increases in loans and advances to customers and the corresponding provision for impairment loss on loans as well as the potential impacts on the Group caused by its response to the complicated economic environment.

### (viii) Income tax expense

Income tax expense decreased by 31.8% from RMB177.9 million for the six months ended June 30, 2021 to RMB121.3 million for the six months ended June 30, 2022. The decrease in income tax expense was primarily due to the increase in non-taxable income.

## Chapter 4 Management Discussion and Analysis

### (b) Analysis of the Consolidated Statement of Financial Position

#### (i) Assets

As of June 30, 2022 and December 31, 2021, the Group's total assets amounted to RMB259,460.1 million and RMB234,140.2 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) cash and deposits with the central bank; (iv) deposits with banks; (v) placements with banks and other financial institutions; and (vi) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
<b>Assets</b>				
Gross loans and advances to customers	171,857.4	66.2	156,850.2	67.0
Accrued interest for loans and advances to customers	2,057.7	0.8	420.6	0.2
Provision for impairment losses	(5,574.8)	(2.1)	(4,628.1)	(2.0)
Loans and advances to customers, net	168,340.3	64.9	152,642.7	65.2
Investment securities and other financial assets <sup>(1)</sup>	33,240.5	12.8	30,806.5	13.2
Cash and deposits with the central bank	36,695.3	14.1	30,998.0	13.2
Deposits with banks	11,076.1	4.3	10,866.7	4.6
Placements with banks and other financial institutions	641.8	0.2	135.0	0.1
Financial assets held under resale agreements	1,788.8	0.7	1,498.8	0.6
Other assets <sup>(2)</sup>	7,677.3	3.0	7,192.5	3.1
<b>Total assets</b>	<b>259,460.1</b>	<b>100.0</b>	<b>234,140.2</b>	<b>100.0</b>

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

## Chapter 4 Management Discussion and Analysis

### (A) Loans and advances to customers

As of June 30, 2022, the Group's gross loans and advances to customers was RMB171,857.4 million, representing an increase of 9.6% as compared to December 31, 2021. Net loans and advances to customers accounted for 64.9% of the Group's total assets, representing a decrease of approximately 0.3 percentage points as compared to December 31, 2021.

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Corporate loan and advances				
– Loan	141,323.4	82.2	126,768.5	80.8
– Finance leases loan	3,249.2	1.9	3,473.4	2.2
Retail loans	27,279.9	15.9	26,594.9	17.0
Discounted bills	4.9	0.0	13.4	0.0
<b>Gross loans and advances to customers</b>	<b>171,857.4</b>	<b>100.0</b>	156,850.2	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 64.1% and 65.0% of total assets as of June 30, 2022 and December 31, 2021, respectively.

The Group's corporate loans increased by 11.0% from RMB130,241.9 million as of December 31, 2021 to RMB144,572.6 million as of June 30, 2022, primarily due to the continuous increase in credit extension and improvement in credit supply by the Group with an aim to better serve the real economy. In particular, upon the outbreak of pandemic during the year, the Group increased credit support to enterprises to ease their difficulties, and stepped up services provided to enterprises engaged in essential supply and suffered from pandemic impacts while maintaining effective risk prevention, so as to satisfy the reasonable credit needs of enterprises.

## Chapter 4 Management Discussion and Analysis

The Group's retail loans mainly comprise of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. The Group's retail loans increased by 2.6% from RMB26,594.9 million as of December 31, 2021 to RMB27,279.9 million as of June 30, 2022, primarily due to the increase in retail loans as the Group expanded its retail business by improving the service quality, diversifying product portfolio and extending the coverage of inclusive finance in order to satisfy the reasonable credit needs of the agricultural sector, individual industrial and commercial households, personal businesses, personal consumption and talent entrepreneurs in the rural areas through multiple channels.

### Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 98.1% and 98.4% of gross loans and advances to customers as of June 30, 2022 and December 31, 2021, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Collateralized loans	65,161.9	37.9	65,738.2	41.9
Pledged loans	17,053.4	9.9	13,589.9	8.7
Guaranteed loans	86,353.4	50.3	74,951.2	47.8
Unsecured loans	3,288.7	1.9	2,570.9	1.6
<b>Gross loans and advances to customers</b>	<b>171,857.4</b>	<b>100.0</b>	156,850.2	100.0

Collateralized loans and pledged loans as a percentage of gross loans and advances to customers were 50.6% as of December 31, 2021 and 47.8% as of June 30, 2022, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of gross loans and advances to customers was 47.8% as of December 31, 2021 and 50.3% as of June 30, 2022.

## Chapter 4 Management Discussion and Analysis

The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2021 and June 30, 2022, unsecured loans represented 1.6% and 1.9% of gross loans and advances to customers.

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>June 30, 2022</b>	December 31, 2021
<b>As at the beginning of the period/year</b>	<b>4,628.1</b>	3,501.9
Charge for the period/year	<b>915.5</b>	1,171.0
Reverse for the period/year	<b>23.3</b>	61.0
Amounts written off as uncollectible	<b>(25.5)</b>	(113.9)
Recoveries of loans and advances previously written off	<b>3.3</b>	8.1
Changes arising from consolidation	<b>30.1</b>	—
<b>As of June 30/December 31</b>	<b>5,574.8</b>	4,628.1

Provision for impairment losses on loans and advances to customers increased by 20.5% from RMB4,628.1 million as of December 31, 2021 to RMB5,574.8 million as of June 30, 2022, primarily due to the fact that the Group conducted evaluation of future impairment by making use of the expected credit loss approach scientifically in view of the increase in loans and advances to customers and after fully consideration of the complicated economic condition and pandemic impacts.

### **(B) Investment securities and other financial assets**

As of June 30, 2022 and December 31, 2021, the Group had investment securities and other financial assets of RMB33,240.5 million and RMB30,806.5 million, respectively, representing 12.8% and 13.2% of its total assets, respectively.

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



## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
<b>Debt securities investments</b>				
Financial assets at fair value through other comprehensive income	8,801.3	26.5	4,938.0	16.0
Financial assets at amortized cost	10,518.5	31.6	9,711.0	31.5
<b>Subtotal</b>	<b>19,319.8</b>	<b>58.1</b>	14,649.0	47.5
<b>Asset management plans and trust plans</b>				
Asset management plans	4,158.0	12.5	6,178.0	20.1
Trust plans	6,251.3	18.8	6,646.9	21.6
<b>Subtotal</b>	<b>10,409.3</b>	<b>31.3</b>	12,824.9	41.7
<b>Funds</b>	<b>504.3</b>	<b>1.5</b>	504.7	1.6
<b>Subtotal</b>	<b>504.3</b>	<b>1.5</b>	504.7	1.6
<b>T+0 clearing and advances</b>	<b>0.0</b>	<b>0.0</b>	0.0	0.0
<b>Subtotal</b>	<b>0.0</b>	<b>0.0</b>	0.0	0.0
<b>Equity investments</b>				
Financial assets at fair value through other comprehensive income	153.5	0.5	178.5	0.6
Financial assets at fair value through profit or loss	1,005.9	3.0	1,105.5	3.6
<b>Subtotal</b>	<b>1,159.4</b>	<b>3.5</b>	1,284.0	4.2
Accrued interest	1,847.7	5.6	1,543.9	5.0
<b>Total investment securities and other financial assets, net</b>	<b>33,240.5</b>	<b>100.0</b>	30,806.5	100.0

Investment securities and other financial assets increased by 7.9% from RMB30,806.5 million as of December 31, 2021 to RMB33,240.5 million as of June 30, 2022. The increase in investment securities and other financial assets was primarily due to the timely adjustment in investment strategy and increase in the investment of debt securities by the Group based on the liquidity adequacy level, market changes and its actual operating condition, partially offset by the decrease in the investment of asset management plans and trust plans.

## Chapter 4 Management Discussion and Analysis

### (ii) Liabilities

As of June 30, 2022 and December 31, 2021, total liabilities amounted to RMB241,005.0 million and RMB216,365.2 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) deposits from banks; (iv) placements from banks; (v) borrowing from the central bank; and (vi) financial assets sold under repurchase agreements. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
Deposits from customers	222,010.8	92.1	196,959.4	91.0
Debt securities issued	6,110.1	2.6	6,290.4	2.9
Deposits from banks	5,151.9	2.1	6,890.2	3.2
Placements from banks	2,002.5	0.8	1,502.5	0.7
Borrowing from the central bank	3,075.7	1.3	2,851.5	1.3
Financial assets sold under repurchase agreements	1,287.0	0.5	—	—
Other liabilities <sup>(1)</sup>	1,367.0	0.6	1,871.2	0.9
<b>Total liabilities</b>	<b>241,005.0</b>	<b>100.0</b>	<b>216,365.2</b>	<b>100.0</b>

Note:

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

## Chapter 4 Management Discussion and Analysis

### (A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
<b>Corporate deposits</b>				
Demand deposits	34,880.9	15.7	38,020.5	19.3
Time deposits	10,026.6	4.5	7,962.4	4.0
<b>Subtotal</b>	<b>44,907.5</b>	<b>20.2</b>	45,982.9	23.3
<b>Retail deposits</b>				
Demand deposits	16,229.8	7.3	16,652.9	8.5
Time deposits	152,734.5	68.8	126,759.9	64.4
<b>Subtotal</b>	<b>168,964.3</b>	<b>76.1</b>	143,412.8	72.9
<b>Others<sup>(1)</sup></b>	<b>3,656.3</b>	<b>1.7</b>	3,710.5	1.8
<b>Total deposits from customers</b>	<b>217,528.1</b>	<b>98.0</b>	193,106.2	98.0
<b>Accrued interest</b>	<b>4,482.7</b>	<b>2.0</b>	3,853.2	2.0
<b>Total deposits from customers</b>	<b>222,010.8</b>	<b>100.0</b>	196,959.4	100.0

Note:

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

Total deposits from customers increased by 12.6% from RMB193,106.2 million as of December 31, 2021 to RMB217,528.1 million as of June 30, 2022. This was primarily due to the continuous increase in deposits as a result of the continuous expansion of customer base and optimization of customer structure because the Group fully leveraged on the advantages of its outlets, further refined its marketing and service strategies, accelerated the digital development and enhanced customer experience.

## Chapter 4 Management Discussion and Analysis

### (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 July 2021, the Bank issued 10-year tier-two capital bonds at par value of RMB2,000.0 million at the rate of 4.80% per annum.

From January 1, 2021 to December 31, 2021, the Bank had issued 21 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB3,550.0 million. The interbank certificates have a term of three months to one year and bear interest at effective rates between 3.25% and 3.82%.

From January 1, 2022 to June 30, 2022, the Bank had issued five tranches of zero-coupon interbank certificates, with an aggregate face value of RMB2,500.0 million. The interbank certificates have a term of one year and bear interest at effective rates between 2.85% to 3.50%.

### (iii) Shareholders' equity

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Share capital	4,612.9	25.0	4,612.9	26.0
Capital reserve	5,050.5	27.4	5,050.5	28.4
Investment revaluation reserve	56.1	0.3	94.7	0.5
Surplus reserve	1,058.2	5.7	1,058.2	5.9
General reserve	2,324.3	12.6	2,322.0	13.1
Retained earnings	2,166.6	11.7	1,436.8	8.1
Non-controlling interests	3,186.5	17.3	3,199.9	18.0
<b>Total equity</b>	<b>18,455.1</b>	<b>100.0</b>	<b>17,775.0</b>	<b>100.0</b>

## Chapter 4 Management Discussion and Analysis

### (c) Assets Quality Analysis

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

The non-performing loans of the Group are classified as substandard, doubtful and loss. As of June 30, 2022, the Group's non-performing loans amounted to RMB3,367.5 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Normal	162,426.1	94.5	149,270.2	95.2
Special mention	6,063.8	3.5	4,638.3	3.0
Substandard	286.7	0.2	647.1	0.4
Doubtful	2,933.0	1.7	2,226.0	1.4
Loss	147.8	0.1	68.6	0.0
<b>Gross loans and advances to customers</b>	<b>171,857.4</b>	<b>100.0</b>	156,850.2	100.0
<b>Non-performing loan and non-performing loan ratio<sup>(1)</sup></b>	<b>3,367.5</b>	<b>1.96</b>	2,941.7	1.88

Note:

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

The non-performing loan ratio of the Group increased by 0.08 percentage point to 1.96% as of June 30, 2022 from 1.88% as of December 31, 2021, which was primarily due to the fact that under the impact of the prolonged and changing pandemic situation, slowdown of economic growth and other factors, as well as the slower than expected recovery of production and operation of enterprises in the region, the repayment ability of certain industries and customers with difficulties in operation and inadequate cash flow decreased accordingly.

## Chapter 4 Management Discussion and Analysis

### (ii) Concentration of loans

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022				As of December 31, 2021			
	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio <sup>(1)</sup> (%)	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
<b>Corporate loans</b>								
Wholesale and retail	30,295.8	17.6	399.0	1.32	26,881.0	17.1	417.7	1.55
Leasing and business services	26,368.5	15.3	280.1	1.06	24,519.2	15.6	451.2	1.84
Manufacturing	19,059.2	11.1	412.4	2.16	19,020.4	12.1	378.8	1.99
Construction	16,757.5	9.8	170.3	1.02	16,126.8	10.3	151.8	0.94
Agriculture, forestry, animal husbandry and fishery	11,850.8	6.9	269.5	2.27	8,863.7	5.7	254.2	2.87
Transportation, storage and postal services	7,814.2	4.6	72.0	0.92	5,908.4	3.8	60.5	1.02
Real estate	6,223.7	3.6	6.6	0.11	4,751.5	3.0	6.6	0.14
Scientific research, technical services and geological prospecting	6,137.5	3.6	70.3	1.15	6,997.2	4.5	77.9	1.11
Water, environment and public facility management	4,784.0	2.8	85.6	1.79	2,445.6	1.6	39.0	1.59
Information transmission, computer services and software	4,777.5	2.8	72.0	1.51	4,667.5	3.0	72.1	1.54
Accommodation and catering	2,985.5	1.7	54.0	1.81	2,995.1	1.9	53.5	1.79
Education	2,260.4	1.3	—	—	2,092.9	1.3	—	—
Electricity, gas and water production and supply	2,064.6	1.2	75.7	3.67	1,882.3	1.2	75.0	3.98
Health and social services	1,397.0	0.8	—	—	1,413.3	0.9	—	—
Other industries <sup>(2)</sup>	1,796.4	1.0	35.9	2.00	1,677.0	1.0	33.6	2.00
<b>Retail loans</b>	<b>27,279.9</b>	<b>15.9</b>	<b>1,364.1</b>	<b>5.00</b>	<b>26,594.9</b>	<b>17.0</b>	<b>869.8</b>	<b>3.27</b>
<b>Discounted bills</b>	<b>4.9</b>	<b>0.0</b>	<b>—</b>	<b>—</b>	<b>13.4</b>	<b>0.0</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>171,857.4</b>	<b>100.0</b>	<b>3,367.5</b>	<b>1.96</b>	<b>156,850.2</b>	<b>100.0</b>	<b>2,941.7</b>	<b>1.88</b>

Notes:

- (1) Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.
- (2) Other industries include resident and other services, cultural, sports and entertainment, mining, public administration, social security and social organizations and finance.

## Chapter 4 Management Discussion and Analysis

Loans to borrowers in wholesale and retail, leasing and business services, manufacturing, construction, agriculture, forestry, animal husbandry and fishery, transportation, storage and postal services, real estate, scientific research and technical services and geological prospecting represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 86.1% and 86.8% of total corporate loans as of June 30, 2022 and December 31, 2021, respectively.

As of June 30, 2022, the non-performing loans of the Group's corporate loans were mainly concentrated in the manufacturing, wholesale and retail industries, with the ratio of non-performing loans of 2.16% and 1.32%, respectively.

### (B) Borrower concentration

#### Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of June 30, 2022, and such loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2022	
		Amount	% of total loan
Customer	Industry		
Borrower A	Water, environment and public facility management	1,500.0	0.87
Borrower B	Manufacturing	1,211.1	0.70
Borrower C	Leasing and business services	1,150.0	0.67
Borrower D	Leasing and business services	1,145.0	0.67
Borrower E	Transportation, storage and postal services	1,100.0	0.64
Borrower F	Accommodation and catering	1,000.0	0.58
Borrower G	Leasing and business services	996.0	0.58
Borrower H	Transportation, storage and postal services	900.2	0.52
Borrower I	Manufacturing	885.4	0.52
Borrower J	Wholesale and retail	868.1	0.51
<b>Total</b>		<b>10,755.8</b>	<b>6.26</b>

## Chapter 4 Management Discussion and Analysis

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022			As of December 31, 2021		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
<b>Corporate loans</b>						
Small and micro enterprises <sup>(1)</sup>	102,160.2	1,580.0	1.55	95,243.8	1,448.9	1.52
Medium enterprises <sup>(1)</sup>	28,632.2	212.8	0.74	24,761.5	370.9	1.50
Large enterprises <sup>(1)</sup>	13,230.8	210.6	1.59	9,754.0	252.1	2.58
Others <sup>(2)</sup>	549.4	—	—	482.6	—	—
<b>Subtotal</b>	<b>144,572.6</b>	<b>2,003.4</b>	<b>1.39</b>	<b>130,241.9</b>	<b>2,071.9</b>	<b>1.59</b>
<b>Retail loans</b>						
Personal business loans	20,752.6	1,211.2	5.84	19,967.0	741.7	3.71
Personal consumption loans	3,063.7	134.8	4.40	2,850.9	109.5	3.84
Residential and commercial mortgage loans	3,445.7	17.5	0.51	3,756.4	18.2	0.48
Credit card overdrafts	17.9	0.6	3.35	20.6	0.4	1.94
<b>Subtotal</b>	<b>27,279.9</b>	<b>1,364.1</b>	<b>5.00</b>	<b>26,594.9</b>	<b>869.8</b>	<b>3.27</b>
<b>Discounted bills</b>	<b>4.9</b>	<b>—</b>	<b>—</b>	<b>13.4</b>	<b>—</b>	<b>—</b>
<b>Total loans</b>	<b>171,857.4</b>	<b>3,367.5</b>	<b>1.96</b>	<b>156,850.2</b>	<b>2,941.7</b>	<b>1.88</b>

Notes:

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



## Chapter 4 Management Discussion and Analysis

The non-performing loan ratio of corporate loans decreased from 1.59% as of December 31, 2021 to 1.39% as of June 30, 2022, primarily due to the increase in the balance of corporate loans of the Group and the enhanced efforts and satisfactory progress in the collection, reduction and disposal of non-performing loans.

The non-performing loan ratio of retail loans increased from 3.27% as of December 31, 2021 to 5.00% as of June 30, 2022, primarily 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 improvement progress of operation was hindered, affecting the personal income level in different degrees and causing a decline in repayment ability.

### (D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
<b>Loans not overdue</b>	<b>166,975.2</b>	<b>97.2</b>	148,175.7	94.5
<b>Loans past due for:</b>				
1 to 90 days	1,072.7	0.6	5,212.4	3.3
91 days to 1 year	883.4	0.5	1,120.8	0.7
1 to 3 years	1,974.6	1.1	1,630.6	1.0
3 years or more	951.5	0.6	710.7	0.5
<b>Subtotal</b>	<b>4,882.2</b>	<b>2.8</b>	8,674.5	5.5
<b>Gross loans and advances to customers</b>	<b>171,857.4</b>	<b>100.0</b>	156,850.2	100.0

## Chapter 4 Management Discussion and Analysis

### (d) Segment Information

#### (i) Summary of geographical segment information

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2021	
	2022	% of	Amount	% of
	Amount	total		total
Jilin Province	2,705.2	85.8	2,397.2	87.1
Other Regions <sup>(1)</sup>	446.6	14.2	354.8	12.9
<b>Total operating income</b>	<b>3,151.8</b>	<b>100.0</b>	<b>2,752.0</b>	<b>100.0</b>

Note:

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

#### (ii) Summary of business segments

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2021	
	2022	% of	Amount	% of
	Amount	total		total
Corporate banking	2,051.8	65.1	1,413.7	51.4
Retail banking	1,444.3	45.8	1,272.1	46.2
Treasury operations	(420.4)	(13.3)	13.5	0.5
Others <sup>(1)</sup>	76.1	2.4	52.7	1.9
<b>Total</b>	<b>3,151.8</b>	<b>100.0</b>	<b>2,752.0</b>	<b>100.0</b>

Note:

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

## Chapter 4 Management Discussion and Analysis

### (e) Off-balance Sheet Commitments

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As of June 30, 2022</b>	As of December 31, 2021
<b>Credit commitments</b>		
Bank acceptances <sup>(1)</sup>	2,261.1	2,553.9
Letters of credit <sup>(2)</sup>	32.5	18.9
Letters of guarantee <sup>(2)</sup>	3,514.5	2,849.5
Unused credit card limits	162.7	161.1
<b>Subtotal</b>	<b>5,970.8</b>	5,583.4
<b>Capital commitments</b>	<b>3.3</b>	3.2
<b>Total</b>	<b>5,974.1</b>	5,586.6

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 6.9% from RMB5,586.6 million as of December 31, 2021 to RMB5,974.1 million as of June 30, 2022. The increase in off-balance sheet commitments was mainly due to the increase in the business volume of letters of guarantee and letters of credit, partially offset by the decrease in the business volume of bank acceptances.

## Chapter 4 Management Discussion and Analysis

### 4 Business Review

#### (a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of June 30, 2022, the Group had approximately 4,023 corporate borrowers with loans totalling RMB144,577.5 million. For the six months ended June 30, 2021 and 2022, operating income from the Group's corporate banking business accounted for 51.4% and 65.1% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of June 30, 2022, the Group had 3,040 SME customers with loans totalling RMB113,585.6 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2022	2021	
External interest income, net <sup>(1)</sup>	4,175.0	3,009.2	38.7
Inter-segment interest expenses, net <sup>(2)</sup>	(2,129.3)	(1,624.7)	31.1
Net interest income	2,045.7	1,384.5	47.8
Net fee and commission income	6.1	29.2	(79.1)
<b>Operating income</b>	<b>2,051.8</b>	<b>1,413.7</b>	<b>45.1</b>
Operating expenses	(888.3)	(842.0)	5.5
Impairment losses on assets	(603.9)	(664.6)	(9.1)
<b>Profit before tax</b>	<b>559.6</b>	<b>(92.9)</b>	<b>(702.4)</b>

Notes:

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

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

## Chapter 4 Management Discussion and Analysis

### (i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 2022 and December 31, 2021, the Group's corporate loans totalled RMB144,572.6 million and RMB130,241.9 million, respectively, accounting for 84.1% and 83.0% of the Group's gross loans and advances to customers, respectively.

### (ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than one year. The Group may re-discount these bills to the People's Bank of China ("PBOC") or other financial institutions. As of June 30, 2022, the Group had a balance of RMB4.9 million in discounted bills.

### (iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of June 30, 2022 and December 31, 2021, the Group's corporate deposits totalled RMB44,907.5 million and RMB45,982.9 million, respectively, accounting for 20.6% and 23.8% 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.

## Chapter 4 Management Discussion and Analysis

### **(A) Consulting and financial advisory services**

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. For the six months ended June 30, 2022 and 2021, the Group's income from consulting and financial advisory services was RMB16.5 million and RMB16.4 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 larger financing needs. For the six months ended June 30, 2022 and 2021, the Group earned service fees for syndicated loans of RMB7.8 million and RMB22.6 million, respectively.

### **(C) Settlement and clearing services**

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

### **(D) Entrusted loans**

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

### **(E) Agency services**

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

### **(F) Wealth management services**

The Bank offers corporate customers a variety of wealth management products based on their risk and return appetites, including non-net worth wealth management products and net worth wealth management products. Such wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products.

## Chapter 4 Management Discussion and Analysis

### (b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of June 30, 2022, the Group had 69,756 retail borrowers with gross loans and advances to customers of RMB27,279.9 million. For the six months ended June 30, 2022 and 2021, the operating income from the Group's retail banking business amounted to RMB1,444.3 million and RMB1,272.1 million, respectively, accounting for 45.8% and 46.2% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking business for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2022	2021	
External interest expenses, net <sup>(1)</sup>	(1,874.7)	(891.7)	110.2
Inter-segment interest income, net <sup>(2)</sup>	3,315.1	2,159.5	53.5
Net interest income	1,440.4	1,267.8	13.6
Net fee and commission income	3.9	4.3	(9.3)
<b>Operating income</b>	<b>1,444.3</b>	<b>1,272.1</b>	<b>13.5</b>
Operating expenses	(371.0)	(348.8)	6.4
Impairment losses on assets	(343.7)	(71.0)	384.1
<b>Profit before tax</b>	<b>729.6</b>	<b>852.3</b>	<b>(14.4)</b>

Notes:

- (1) Refers to net income and expenses from third parties.  
(2) Refer to inter-segment income or expenses and transfer pricing.

### (i) Retail loans

Net interest income of the Group's retail bank business as of June 30, 2022 increased by 13.6% when compared with that of June 30, 2021, which was mainly due to the expansion of retail bank business of the Group.

Retail loans consist primarily of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. As of June 30, 2022 and December 31, 2021, the Group's retail loans totalled RMB27,279.9 million and RMB26,594.9 million, respectively, accounting for 15.9% and 17.0% of gross loans and advances to customers, respectively.

## Chapter 4 Management Discussion and Analysis

### (ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of June 30, 2022 and December 31, 2021, the Group's retail deposits totalled RMB168,964.3 million and RMB143,412.8 million, respectively, accounting for 77.7% and 74.3% of total deposits from customers, respectively.

### (iii) Bank cards services

#### (A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (長春市總工會) to issue service cards for trade union members and offer cardholders comprehensive financial services, including membership management, subsidies and allowances. As of June 30, 2022, the Group had issued approximately 4.66 million debit cards.

#### (B) Credit cards

The general China UnionPay credit cards of the Bank have been issued to high-quality customers. We continued to pay attention to customers' needs and our service quality has been continuously improved. In the first half of 2022, the smart calling system for credit cards has iterated and upgraded which enhanced the capability in taking the initiative to provide services for our customers. The Bank also upgraded the interface and functions of the "Jiutai Rural Commercial Bank Credit Card" WeChat official account and "Jiushang Credit Card" mobile APP, so as 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.



## Chapter 4 Management Discussion and Analysis

### **(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 other fixed-income products. For the six months ended June 30, 2022 and 2021, the Bank's sales of wealth management products to retail customers totalled RMB4,719.7 million and RMB3,198.1 million, respectively.

In addition, the Bank provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. For the six months ended June 30, 2022 and 2021, the Bank's sales of customized products to customers totalled RMB360.0 million and RMB331.5 million, respectively.

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

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

### **(c) Treasury Operations**

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In response to the complicated and ever-changing economic and financial environment as well as changes in policies and market, the Bank placed an emphasis on optimization of the assets and liabilities structure and improvement in the yield of our treasury operations. The Bank capitalized on investment opportunities through timely adjustment of its investment strategies and compliant and prudent development of the treasury operations. For the six months ended June 30, 2022 and 2021, operating income from the Group's treasury operations was RMB(420.4) million and RMB13.5 million, accounting for (13.3)% and 0.5% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2022	2021	
External interest income, net <sup>(1)</sup>	647.3	597.9	8.3
Inter-segment interest expenses, net <sup>(2)</sup>	(1,185.8)	(534.8)	121.7
Net interest income	(538.5)	63.1	(953.4)
Net fee and commission income	20.4	0.3	6,700.0
Net income from other businesses <sup>(3)</sup>	97.7	(49.9)	(295.8)
<b>Operating income</b>	<b>(420.4)</b>	13.5	(3,214.1)
Operating expenses	(60.1)	(50.2)	19.7
Impairment losses on assets	(92.3)	(67.2)	37.4
<b>Profit before tax</b>	<b>(572.8)</b>	(103.9)	451.3

Notes:

- (1) Refers to net income from third parties.
- (2) Refers to inter-segment expenses and transfer pricing.
- (3) Primarily includes net trading gains and losses and net gains/(expenses) from financial assets investments.

### (i) Money market transactions

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

#### (A) Interbank deposits

In 2022, the Bank was selected as one of the “Top 300 Trading Banks in the Interbank RMB Market in 2021” and one of the “Top 100 Banks in the Interbank RMB and Foreign Exchange Market in 2021” in each case by the China Foreign Exchange Trade System and National Interbank Funding Center.

## Chapter 4 Management Discussion and Analysis

The Group accepts deposits from banks and deposit funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2022 and December 31, 2021, the balance of Group's deposits from banks totalled RMB5,151.9 million and RMB6,890.2 million, respectively, and the balance of Group's deposits at banks totalled RMB11,076.1 million and RMB10,886.7 million, respectively.

### **(B) Interbank placement**

As of June 30, 2022 and December 31, 2021, the balance of Group's placements with banks and other financial institutions totalled RMB641.8 million and RMB135.0 million, respectively, and the balance of Group's placements from banks totalled RMB2,002.5 million and RMB1,502.5 million, respectively.

### **(C) Interbank repurchase and reverse repurchase transactions**

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-denominated treasury bonds and policy-oriented financial bonds. As of June 30, 2022 and December 31, 2021, the Group's financial assets held under resale agreements totalled RMB1,788.8 million and RMB1,498.8 million, respectively, and the Group's financial assets sold under repurchase agreements totalled RMB1,287.0 million and RMB nil, 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.

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
Financial assets at fair value through profit or loss	1,510.3	4.6	2,552.2	8.3
Financial assets at fair value through other comprehensive income	9,048.4	27.2	5,169.9	16.8
Financial assets at amortized cost	22,681.8	68.2	23,084.4	74.9
<b>Total investment securities and other financial assets</b>	<b>33,240.5</b>	<b>100.0</b>	30,806.5	100.0

Total investment securities and other financial assets increased by 7.9% from RMB30,806.5 million as of December 31, 2021 to RMB33,240.5 million as of June 30, 2022.

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
Immediately due	5,070.5	15.3	6,996.5	22.7
Due in 3 months	6,587.2	19.8	2,534.0	8.3
Due between 3 and 12 months	5,681.4	17.1	10,239.9	33.2
Due between 1 and 5 years	5,698.9	17.1	5,766.2	18.7
Due over 5 years	9,043.0	27.2	3,985.9	12.9
Undefined	1,159.5	3.5	1,284.0	4.2
<b>Total</b>	<b>33,240.5</b>	<b>100.0</b>	30,806.5	100.0

The Bank's securities investment with a remaining maturity of over 5 years represented the largest portion.

## Chapter 4 Management Discussion and Analysis

### (C) Holding of government bonds

As of June 30, 2022, the balance of face value of the government bonds held by the Bank amounted to RMB16,244.6 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of June 30, 2022.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
22 Interest-bearing treasury bond 08 (22付息國債08)	2,900.0	3.32	April 15, 2052
19 Interest-bearing treasury bond 11 (19付息國債11)	2,100.0	2.75	August 8, 2022
20 Interest-bearing treasury bond 11 (20付息國債11)	1,850.0	2.64	August 13, 2022
21 Interest-bearing treasury bond 14 (21付息國債14)	1,530.0	3.53	October 18, 2051
21 Interest-bearing treasury bond 09 (21付息國債09)	1,080.0	3.02	May 27, 2031
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
21 Interest-bearing treasury bond 11 (21付息國債11)	400.0	2.69	August 12, 2026
20 Interest-bearing treasury bond 12 (20付息國債12)	370.0	3.81	September 14, 2050
21 Interest-bearing treasury bond 13 (21付息國債13)	360.0	2.91	October 14, 2028
<b>Total</b>	<b>11,820.0</b>		

## Chapter 4 Management Discussion and Analysis

### (D) Holding of financial bonds

As of June 30, 2022, the balance of face value of the financial bonds (mainly the financial bonds and interbank certificates issued by policy-oriented banks, banks and other financial institutions in China) held by the Group amounted to RMB2,240.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2022.

Name of the bond	Face value (RMB in millions)	Coupon rate (%)	Maturity date
19 Guo Kai 05(19國開05)	370.0	3.48	January 8, 2029
16 Nong Fa 05(16農發05)	300.0	3.33	January 6, 2026
21 Guo Kai 03(21國開03)	250.0	3.30	March 3, 2026
21 Guo Kai 07(21國開07)	200.0	3.00	June 17, 2024
22 Guo Kai 10(22國開10)	180.0	2.98	April 22, 2032
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
19 Guo Kai 15(19國開15)	100.0	3.45	September 20, 2029
22 Guo Kai 05(22國開05)	70.0	3.00	January 17, 2032
21 Guo Kai 15(21國開15)	60.0	3.12	September 13, 2031
<b>Total</b>	<b>1,760.0</b>		

### (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 retail customers. For the six months ended June 30, 2022 and 2021, the Bank sold wealth management products totalling RMB4,719.7 million and RMB3,198.1 million, respectively.

## Chapter 4 Management Discussion and Analysis

### (d) Distribution Network

#### (i) Physical outlets

As of June 30, 2022, the Group had an aggregate of 383 outlets, of which 175 outlets, including three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiaries under their own names.

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

#### (ii) Electronic banking

##### **(A) Self-service banking**

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of June 30, 2022, the Group had 395 self-service outlets, 70 self-service zones and 989 self-service facilities.

##### **(B) Telephone and SMS banking**

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, live customer service, and SMS interaction. As of June 30, 2022, the Group had 2,829,820 phone and SMS banking customers.

##### **(C) Internet banking**

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of June 30, 2022, the Group had 468,205 internet banking customers.

##### **(D) Mobile phone banking**

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and mobile phone payment services. As of June 30, 2022, the Group had 964,243 mobile phone banking customers.

## Chapter 4 Management Discussion and Analysis

### **(E) WeChat banking**

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of June 30, 2022, the Group had 211,860 WeChat banking customers.

### **(F) Remote video banking**

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

## **(e) Information on the Subsidiaries**

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

The Bank, as the main promoter, established Jilin Jiuyin Financial Leasing Co., Ltd. ("**Jilin Jiuyin**") after obtaining approval from the CBIRC. The registered address of Jilin Jiuyin is in Changchun of Jilin Province, and it has a total of RMB525 million shares, RMB159 million shares of which are 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 non-bank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at June 30, 2022, total assets of Jilin Jiuyin amounted to RMB3,766.6 million. For the six months ended June 30, 2022, the operating income from Jilin Jiuyin amounted to RMB60.6 million, accounting for 1.9% of total operating income of the Group.

### **(ii) Rural commercial banks**

As of June 30, 2022, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired. The rural commercial bank offers a broad range of financial products and services to corporate and retail customers, including commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services, and is also involved in money market transactions and investment in debt securities. As at June 30, 2022, the total assets, total deposits and total loans of such rural commercial bank amounted to RMB11,359.2 million, RMB10,433.5 million and RMB7,724.8 million. For the six months ended June 30, 2022, operating income of such rural commercial bank amounted to RMB64.9 million, accounting for 2.1% of the total operating income of the Group.



## Chapter 4 Management Discussion and Analysis

### (iii) Village and township banks

As of June 30, 2022, the Bank controlled and consolidated a total of 34 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of June 30, 2022, these village and township banks had total assets of RMB62,651.5 million, total deposits of RMB52,354.2 million and total loans of RMB36,651.5 million. For the six months ended June 30, 2022, the operating income of these village and township banks was RMB898.4 million, accounting for 28.5% of the Group's total operating income.

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

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

### (f) Operation and Safety of IT Systems

In the first half of 2022, the Bank improved its information technology (“IT”) system through five aspects, namely enhancing technological governance, promoting system development, optimizing infrastructure, protecting information security and strengthening talent development, in order to promote digital transformation of the Bank and provide effective support for the innovative development of various businesses.

## Chapter 4 Management Discussion and Analysis

### (i) Enhancement of information technological governance

The Bank further enhanced its technological governance through innovative reforms and improvement of systems. In order to comply with the requirements of the Guiding Opinions on the Digital Transformation of Banking and Insurance Industries (《關於銀行業保險業數字化轉型的指導意見》) issued by CBIRC and Fintech Development Plan (2022–2025) (《金融科技發展規劃 (2022–2025年)》) by the PBOC, the Bank fully implemented its three year plan of fin-tech development and formulated fin-tech innovation proposal. Fin-tech innovation has driven high-quality development of the Bank and has adapted to the new digital finance structure in modern economic development to enhance the capability and level of serving the real economy. Two sets of rules in respect of IT system, namely strategic planning for information technology outsourcing (《信息科技外包管理戰略規劃》) and management requirements on outsource IT service providers (《信息科技外包服務商管理規定》), were revised to improve the IT management and control system and enhance risk prevention of IT outsourcing and supply chain. The Bank successfully passed the annual regulatory assessment of “dual system” with the ISO 27001 information security management system and ISO 22301 business continuity management system, which facilitate stable information technology development. The Bank ranked first among all participating enterprises in Jilin province for the Assessment and Evaluation of Technological Achievements by the rural financial system in Jilin province (吉林省農村金融體系信息科技條線工作考核評價) in 2021.

### (ii) Promoting system development

In the first half of 2022, the Bank leveraged on fin-tech to support business development and enhance its management. The Bank developed an online comprehensive financial service platform which adopts distributed system and micro service system to provide one stop online retail financial products and services through digitalized and mobilized technology, further driving the retail transformation of the Bank. The Bank launched a new party community service mini program, “Hongfan (紅帆)”, which integrated financial services, life services and charity services, fulfilling its social responsibility. The Bank launched innovative “television bank” with JiShi Media Co., Ltd. (吉視傳媒股份有限公司) to create a “financial + media” service platform with functions including financial supermarket, community services, real estate services, charity and television hospital. In addition, the Bank proactively verified the data comprehensive analysis platform which will be launched in a timely manner, developed digitalized bank, enriched self-service functions, developed a new CRM system and launched other major projects in accordance with the fin-tech innovation proposal of the Bank. The Bank has explored fin-tech development trend and scenario application to accelerate its digitalization and innovative transformation.

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### (iii) Optimizing infrastructure

In the first half of 2022, the server rooms of the information center of the Bank maintained satisfactory operation. The usability of basic environment of server rooms reached 100%. In response to a more complicated network structure and rapidly growing network traffic, the Bank developed software-defined networking (SDN) to proactively utilize and explore new network technologies and research on the implementation of cloud networking and intelligent operating solutions, so as to enhance agility and flexibility of network control, achieve stability in system operation and foster synergic development in technological innovation. The Bank constantly optimized the automatic operation platform to achieve automatic malfunction identification, intelligent alerting and high-speed positioning in the approach of “visible, active, efficient and in-depth operational maintenance”. Intelligent operation and maintenance of network and application system have been conducted to improve operation and maintenance efficiency and reduce the risk of manual operation as well as to foster a matured operation and maintenance system and improve management ability. The Bank further refined its operation and maintenance system with ISO 22301 system as its guidance to achieve more standardized and systematic management of IT operation and maintenance and business continuity. A risk management system with focus on prevention and continuous improvement was set up to facilitate more efficient IT services and business continuity.

### (iv) 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. Testing of business monitoring platform, change of production network and maintenance of internet security have been carried out to ensure the safe and smooth operation of business system and to provide adequate protection to the speedy launch of fast-growing business systems. The Bank consolidated its network security and continued to optimize the automatic operation and maintenance platform to perform intelligent analysis and research on massive security alerts. Security events were handled automatically and the security strategies were refined. Intelligent and integrated operation and maintenance are improved. The Bank formulated its information security planning for 2022 with ISO 27001 system as its guidance, clarifying working schedule of annual information security work, major missions and procurement budget and continuing the optimization of internal management and procedures of technology. Based on the analysis of business impacts, the Bank modified various contingency plans and formulated emergency drill plans. In the first half of 2022, the Bank organized 8 emergency drills, including TSM backup system, power system of server room, core databases, and switching of external links, in order to improve capabilities to cope with contingency.

## Chapter 4 Management Discussion and Analysis

### (v) Strengthening technological talents development

In the first half of 2022, the Bank organized two information security awareness training programs by making use of online and offline methods. Information safety skills of technical staff have been enhanced effectively. The Bank increased exchanges and communications with well-known companies and research organizations of the industry and proactively participated in safety skills training programs and professional verification system courses. As at the end of June 2022, one technician of the Bank was a certified implementation engineer of RPA (robotic process automation), while other technicians 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), 15 intermediary certifications and qualifications in 12 categories, including information safety engineer, software programmer, project management engineer, reporting engineer. The Bank focused on summarizing its experiences and fostering result. As at the end of June 2022, the Bank obtained 27 computer software copyrights. Our online financial service platform project was awarded the “Excellent Case of IT Structure Innovation (IT架構創新優秀案例獎)” at the selection campaign of Excellent Digitalization and Intelligent Transformation of Small and Medium Financial Institution of 2022 (2022中小金融機構數智化轉型優秀案例評選活動).

## 5 Risk Management

### (a) Risk Management of the Bank

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

### (i) Credit risk management

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

## Chapter 4 Management Discussion and Analysis

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

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

The Bank uses the following mechanisms to manage credit risks:

- Customer screening mechanism — The Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.
- Credit exit mechanism — The Bank regularly reassesses its outstanding credit risk based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (i) financial condition; (ii) substantial shareholders; (iii) key managers and technicians; (iv) customers quality; (v) payment ability; and (vi) business environment.
- Risk alert mechanism — The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and promptly provides advices to deal with the issue.
- Non-performing asset disposal mechanism — The Bank has established an accountability mechanism for the disposal of non-performing assets.

## Chapter 4 Management Discussion and Analysis

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

In the first half of 2022, 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, the Bank carried out assets quality risk categorization and monitoring alert to take the initiative in identifying and solving credit risk in a timely manner. Accordingly, the Bank performed credit assets quality management in the post pandemic period and guided the Bank to implement its policies precisely, so as to ensure effective non-performing assets control and pressure reduction. Secondly, 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. Thirdly, the Bank further standardized credit management. In order to refine the credit management system, the Bank approved the credit limit scientifically and provided credit in reasonable forms. Overall credit approval policy was adopted and different projects were managed separately. Potential risk of new credit products was assessed scientifically in order to determine the appropriate approval criteria. Fourthly, the Bank reinforced the rating management and implemented stringent approval procedures for customers to ensure the quality of new loans. Fifthly, the Bank continued to monitor and analyze significant risk and strictly complied with the prevention and control requirement of significant risks for various businesses. Through effective identification, measurement and monitoring, significant risks were prevented and controlled.

### (ii) Market risk management

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

## Chapter 4 Management Discussion and Analysis

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

In the first half of 2022, the Bank closely monitored market changes and further refined the market risk management system. Market risks were fully measured based on sensitive analysis, duration, value at risk (VaR) and other tools. Abilities of Identification, evaluation and prevention of market risks were further strengthened. The Bank strictly managed market risk limits and continued to monitor transaction limits, stop-loss limits and risk limits. The Bank also provided early warning and took effective measures for potential risks. Based on the results of its regular stress tests, market risk management strategies and methods were adjusted in a timely manner to further enhance the market risk management level.

### **(A) Interest rate risk management**

Interest rate risk is the risk of revenue or value loss in investment portfolio due to adverse changes in interest rates, maturity mix and other factors. Based on a variety of sources, interest rate risk can be categorized into repricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) or the re-pricing period (for floating interest rate). As interest rate risk will affect the profit and loss for the current period and also the overall valuation of the Bank in the future, control and management of interest rate risk are significant to the operation of the Bank. The overall goal of the interest rate risk management of the Bank is to follow the principles of sound risk preference, ensure the adverse impacts of changes in interest rates on revenue and value of the Bank are controllable and pursue reasonable revenue under controllable interest rate risk.

The Bank has established a governance structure compatible with its interest rate risk management, which mainly comprises 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 of the head office of the Bank 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.



## Chapter 4 Management Discussion and Analysis

In the first half of 2022, adhering to the principles of sound and prudent operation, the Bank strengthened interest rate risk analysis and adopted various measures to enhance interest rate risk management. Firstly, the Bank improved the management of internal funds transfer pricing (FTP) system and the loan rate pricing model (RPM), formulated scientific pricing strategy and established comprehensive pricing mechanism. Allocation of resources and structure was optimized and risk management and control of interest rate was further enhanced. Secondly, the Bank strengthened the identification, measurement, monitoring and control and regularly conducted stress test of banking book interest rate. Based on statistics of the maturity mix of repricing of its rate-sensitive assets and liabilities, the Bank designed different interest rate shock scenarios and pressure scenarios to measure the impact of interest rate fluctuation on its economic value under specific interest rate shock scenarios and analyze the potential interest rate risk level of banking books of the Bank based on the changes in economic values. The Bank reduced the impact of banking book interest rate risk without prejudicing its revenue and enhanced the effectiveness and planning of banking book risk management. Thirdly, the Bank will expand the analysis of macro policies and interest rate trend, promote the LPR reform and optimize deposit rate. The Bank will adjust the maturity profile of assets and liabilities reasonably with the application of price management tools, formulate the interest rate risk preference and strategy scientifically and optimize the interest rate risk monitoring system. Fourthly, the Bank has established an interest rate risk management system in order to satisfy the requirement of the development strategy, risk management ability and return to Shareholders and effectively maintain the balance between assets and liabilities to manage the development needs, market competition and financial indicators at reasonable level. Under the main principle of balancing volume and value, the Bank ensured its business growth matched with value increase to achieve balance between revenue, risk and capital effectively.

### **(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 mainly uses foreign exchange exposure analysis and sensitivity analysis to measure exchange rate risk. It also seeks to minimize the management cost of exchange rate risk and impact of exchange rate fluctuations and to maintain exchange rate risk within an acceptable range by managing risk exposure limits and choosing appropriate transaction currency.

In the first half of 2022, the Bank further strengthened its neutral management of exchange rate risk. The Bank avoided transactions with high exchange rate risks, monitored foreign exchange positions on a real-time basis and settled major transactions in a timely manner to reduce exchange rate risk and lock costs, so as to reduce foreign exchange risk. The Bank utilized its foreign exchange capital reasonably and controlled exchange rate risk through on- and off-balance-sheet hedging. The Bank chose transaction currency and maturity reasonably



## Chapter 4 Management Discussion and Analysis

to reduce exchange rate risks and obtain stable income. The Bank revalued monetary balance sheet items and non-monetary items at fair value daily to enhance the management level of foreign exchange translation. The Bank has duly considered the effect of exchange rate changes on revenue for the current period and studied the effect of changes in the main factors of market risk on revenue and economic value to proactively regulate potential systematic risks. The exchange rate risk management level of the Bank can be extensively improved.

### (iii) Operational risk management

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

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

In the first half of 2022, the Bank implemented various measures to continuously optimize the operational risk management and enhance its risk management and control capability. Firstly, the Bank conducted investigation on abnormal behavior of employees. Quarterly inspections were carried out in respect of labor discipline, leave taking, shift duty, mandatory leave, avoidance of duty performance and abnormal behavior of employees, which have effectively forestalled and solved existing abnormal behavior of all employees of the Bank. Secondly, the Bank implemented self-inspection and monitoring of accounting works. Quarterly inspections were carried out in nine aspects including duty performance of account management officers, basic accounting work, cashier management, negotiable certificates and important blank vouchers management. Separate records with clear guidelines on rectifications and designated person-in-charge were issued for each of the inspections. Thirdly, systems related to consumer right protection were refined. The Bank strengthened its product and service management and proactively held various promotional activities to spread financial knowledge and basic legal knowledge to the public to enhance their awareness of legal system and capability of self-protection, which have effectively fulfilled the responsibility in protecting consumer rights. Fourthly, the information management system was enhanced. The information system maintained stable operation in the first half of the year. The usability of basic environment of server rooms reached 100%. Server rooms of the data center of the Bank maintained satisfactory operation. With preparation in advance, the Bank was able to respond to incidents including electricity halt and malfunction of equipment promptly to ensure the usability of basic environment of server rooms (MTTF) reached 100%. Various business systems also performed well and fulfilled the requirement of business usability.

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### (iv) Liquidity risk management

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

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

In the first half of 2022, adhering to the four operating principles of unified management, security and prudence, forward-looking management and full coverage, the Bank strengthened the prospective and proactive management of liquidity and was able to control and prevent the pandemic while managing liquidity risk effectively. Thus, the liquidity of the Bank remained overall stable. Firstly, the Bank strictly implemented liquidity risk management policies and appetite. Based on the adjustment on monetary policies and operation structure as well as other changes in internal and external conditions, the Bank maintained the balance between security, liquidity and efficiency. Secondly, the Bank strengthened the alert and analysis on indicator monitoring. In compliance with the regulatory requirements and considering the impact brought by the pandemic and actual condition of the Bank, the Bank enhanced its liquidity limit management by improving the liquidity risk alert, identification and response in order to discover risks in a timely manner and facilitate advance planning, prevention and solutions of risks. Thirdly, the Bank adjusted the assets and liabilities structure. The Bank increased the deployment of saving deposits to raise the proportion of core liabilities. The Bank also increased its holdings of treasury bond and the reserve of qualified quality liquidity assets to minimize maturity mismatch of asset and liability and its reliance on interbank finance. The Bank focused on reducing interbank and investment businesses to effectively

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strengthen its response to market changes and liquidity risks. Fourthly, the Bank conducted regular liquidity stress test. The reasonable and appropriate stress scenarios and stress test parameters fully demonstrated the cash flow gap and sufficiency of provisions after mitigating risks. Proposed measures were formulated based on the test results which refined liquidity risk management system, strategies and emergency plan and effectively improved the capability in response to liquidity risks under extreme circumstances.

### (v) Reputational risk management

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

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

In the first half of 2022, the Bank further strengthened the management of reputational risk and prevented reputational risk actively and effectively. Firstly, the Bank set out clear division of duties of relevant departments and measures on monitoring, identifying, assessing, controlling and managing reputational risks, so as to establish a well-coordinated, effective and rapid-response mechanism. It ensured that the report of major events, the prevention and control of public opinions and other daily management and contingent measures were implemented in a timely and effective manner. Secondly, the Bank continued to strengthen the assessment for early warning, monitoring and inspection, scientific analysis and judgement of reputational risk in order to enhance the alert capability. Thirdly, the Bank cultivated the culture of reputational risk management. Employee training was refined to improve their business skills and service quality and enhance their awareness of reputational risk prevention and control and handling ability. Fourthly, the Bank strengthened the consumer rights protection by responding to reasonable complaints of customers in a timely manner so as to reduce exposure to reputational risks, enhance the brand image and improve reputational risks prevention.

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### (vi) Legal and compliance risk management

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

The Bank incorporates legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In the first half of 2022, 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 continued to implement various "compliance tasks" to solve the difficulties and problems of compliance management with refined system and mechanism as well as regulated internal control procedures, so as to strengthen the effectiveness of systems and facilitate smoother operation of compliance risk control system. Secondly, the foundation of the rule of law was consolidated. The Bank formulated the Eighth Five-Year Plan for the Promotion and Education on Law and Order by Jiutai Rural Bank (2021–2025) (《九台農商銀行開展法治宣傳教育第八個五年規劃 (2021–2025年)》) to promote the ideas of Xi Jinping on the rule of law. Monthly civil code promotion activity, "Good Life comes with Civil Code (美好生活民法典相伴)" was organized to establish systematic and regular promotion and education of law and order. Thirdly, the Bank strengthened case risk investigation on major entities, major business sectors and employees in major positions to achieve comprehensive prevention. The Bank paid high attention to case prevention and eliminated potential problems in a timely manner to effectively mitigate risks. In the first half of the year, case risk investigations for the first and second quarters and rectification of unlawful fund-raising related to pension were carried out. 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.

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### (vii) IT risk management

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

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

In the first half of 2022, the Bank strengthened the identification, measurement, monitoring and control of IT risks through optimizing its IT risk management system, network protection 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 improved the IT risk management system. The Strategic Plan of Information Technology Outsourcing Management (《信息科技外包管理戰略規劃》) and the Management Rules of Information Technology Subcontractors (《信息科技外包服務商管理規定》) were amended and refined. The Bank further improved its risk management to effectively prevent IT risk and ensure the safety and smoothness of IT system operation. The Bank conducted two IT-related inspections and audits, covering IT structure, system development, system alteration, data backup, business continuity and outsourcing management. The Bank also organized quarterly IT risk appraisal and performed analysis and appraisal on IT risks and management based on IT governance, major IT infrastructure management, IT safety management, branch safety management, network safety management, server safety management, system development and testing management, business continuity management and IT outsourcing management, which has improved the risk identification and management level and established an outstanding IT risk appraisal mechanism of the Bank. The Bank organized two promotion activities, namely the IT promotion week and the 5th anniversary of the implementation of network safety law, to promote network safety and related legal knowledge, which effectively enhanced the information safety awareness of employees. Secondly, the Bank enhanced its network security control. The Bank formulated its information security working plan for 2022 based on the ISO 27001 system and defined the annual working flow, major missions and procurement budget of information security. Internal control management and procedures of technologies were further optimized. Vulnerabilities in network security were investigated and fixed. Security strategies such as firewall, IDS, IPS and WAF were refined and network security was consolidated, which ensured the safe and smooth operation of business systems and supported

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the speedy launch of fast-growing business systems. The Bank continued to optimize the integrated platform for automatic and safe operation and maintenance to facilitate intelligent analysis and research on massive security alert, automatic handling of security incidents, dynamic optimization of security strategies and improvement of the intelligent and security operation systems. The Bank arranged network security skills training by making use of online and offline methods to effectively enhance the information security skills of technicians and raise the network security awareness and risk prevention ability of employees. Thirdly, the Bank enhanced its business continuity management. Based on the ISO 22301 system, the Bank further refined its information security and operation and maintenance system to implement standard and systematic management of IT operation and maintenance and business continuity, so as to develop and constantly improve its risk management system based on prevention, supporting the provision of efficient IT service and business continuity. In the first half of 2022, the Bank organized 8 emergency drills, including the TSM backup system, power system of server room, core databases, and switching of external links, in order to improve capabilities to cope with contingency. The effectiveness of emergency plans and the completeness of emergency resources have been verified and the risk awareness and emergency handling ability of the emergency team has been enhanced, which can support the safe and smooth operation of data center and business system.

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

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

The Bank has included anti-money laundering 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 of the Bank is specially responsible for the management tasks of anti-money laundering, including the identification, assessment, supervision, reporting, inspection and control of anti-money laundering.

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In the first half of 2022, the Bank duly performed its responsibilities in anti-money laundering and anti-terrorism financing, and continued to enhance the anti-money laundering risk management. Firstly, the Bank improved its systems and policies. In strict compliance with the regulatory requirement, the Bank further improved its anti-money laundering system and enhanced the effectiveness and comprehensiveness of the anti-money laundering management system. The Bank further consolidated the internal mechanism for anti-money laundering and coordinated the work of different departments and organizations to ensure the performance of anti-money laundering tasks in high quality. Secondly, the Bank further strengthened its building of teams. The Bank conducted regular special training on anti-money laundering to promote employees' awareness on compliance of anti-money laundering requirements and strengthen their professional skills, so as to enhance its duty performance. Thirdly, the Bank implemented more effective monitoring and management. In order to prevent money laundering risk, the Bank further improved the internal control level, strengthened the risk prevention and control ability of anti-money laundering and ensured the order and stability of the economy and financial market through regular internal self-investigation of anti-money laundering and comprehensive customer management covering the whole process from pre-loan management and loan extension to post-loan management. 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. Fourthly, the Bank developed the culture of anti-money laundering. The Bank proactively carried out anti-money laundering promotion with innovative methods, expanded coverage and extended promotion period to further strengthen the public knowledge and participation in anti-money laundering, thereby creating a good social atmosphere valuing anti-money laundering.

### **(ix) Internal audit**

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

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



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The Bank has set up an independent internal audit structure comprising the Board and the audit committee, the Board of Supervisors, the senior management, the audit department and audit personnel. The audit department has established the comprehensive management center, onsite auditing center and offsite auditing center, and the operations department and Changchun Branch of the Bank are in charge of regional audit division, forming a vertical management system.

The Bank's internal audit is independent from its business operation, risk management and internal control and compliance, and does not bear the responsibility of designing and operating the business system, fulfilling operational function, preparing financial statements, or initiating or approving business affairs. It is responsible for the evaluation of the performance of business operation, risk management, internal control and compliance and other functions and overseeing the rectification process in order to ensure the independence and effectiveness of audit.

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

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

### (b) Risk Management of the Subsidiaries

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

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



## Chapter 4 Management Discussion and Analysis

### (i) Credit risk management

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

### (ii) Market risk management

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

### (iii) Operational risk management

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

### (iv) Liquidity risk management

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

### (v) Reputational risk management

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

### (vi) Legal and compliance risk management

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

## Chapter 4 Management Discussion and Analysis

### (vii) IT risk management

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

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

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

### (ix) Internal audit

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

## 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%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 8.1%, 8.5%, 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%, 7.5% and 7.5%, respectively, as of June 30, 2017, 2018, 2019, 2020, 2021 and 2022.

## Chapter 4 Management Discussion and Analysis

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>June 30, 2022</b>	December 31, 2021
<b>Core capital</b>		
Paid-up capital	4,612.9	4,612.9
Qualifying portion of capital reserve	5,050.5	5,050.5
Surplus reserve	1,058.2	1,058.2
General reserve	2,324.3	2,322.0
Investment revaluation reserve	56.1	94.7
Retained earnings	2,166.6	1,436.8
Qualifying portions of non-controlling interests	1,818.1	1,854.2
Core tier-one capital deductions <sup>(1)</sup>	(520.1)	(532.6)
<b>Net core tier-one capital</b>	<b>16,566.6</b>	15,896.7
Other tier-one capital <sup>(2)</sup>	189.1	238.2
<b>Net tier-one capital</b>	<b>16,755.7</b>	16,134.9
<b>Tier-two capital</b>		
Qualifying portion of tier-two capital instruments issued	2,480.0	2,640.0
Surplus reserve for loan impairment	2,207.2	1,686.3
Qualifying portion of non-controlling interests	464.6	480.8
<b>Net capital</b>	<b>21,907.5</b>	20,942.0
<b>Total risk-weighted assets</b>	<b>194,735.3</b>	180,086.9
<b>Core tier-one capital adequacy ratio (%)</b>	<b>8.51%</b>	8.83%
<b>Tier-one capital adequacy ratio (%)</b>	<b>8.60%</b>	8.96%
<b>Capital adequacy ratio (%)</b>	<b>11.25%</b>	11.63%

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 noncontrolling interests.

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

### I. Changes in Share Capital of the Bank during the Reporting Period

As of June 30, 2022, the share capital of the Bank was as follows:

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

During the period from June 30, 2022 to the Latest Practicable Date, the share capital of the Bank upon completion of the Capitalization Issue (as defined and described in “Chapter 7 Significant Events — III. Plan of Capital Reserve Capitalization” of this interim report) is set out below:

Description of Shares	Number of Shares	Approximate % of issued share capital
Domestic Shares	4,107,690,457	81.0
H Shares	966,501,112	19.0
<b>Total</b>	<b>5,074,191,569</b>	<b>100.0</b>

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

### II. Particulars of Shareholders

#### (I) Particulars of Shareholdings of the Top Ten Holders of the Domestic Shares of the Bank

As of June 30, 2022, the top ten holders of the Domestic Shares of the Bank are set out as follows:

Number	Name of Shareholder	Total number of Shares held at June 30, 2022	Approximate percentage in the total issued share capital of the Bank at June 30, 2022 (%)	Pledged or frozen
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	443,289,245	9.61	443,289,242
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	379,766,198	8.23	—
3	Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	210,527,733	4.56	—
4	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	128,004,721	2.77	—
5	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	124,505,579	2.70	87,000,000
6	China Wood (Group) Co., Ltd. (中國木材(集團)有限公司)	116,169,984	2.52	116,169,984
7	Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司)	114,138,491	2.47	—
8	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	101,454,428	2.20	—
9	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	96,425,129	2.09	—
10	Changchun Changqing Pharmaceutical Group Co., Ltd. (長春長慶藥業集團有限公司)	91,308,830	1.98	—
<b>Total</b>		<b>1,805,890,338</b>	<b>39.13</b>	<b>646,459,226</b>

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

### (II) Interests and Short Positions of Substantial Shareholders and Other Persons

To the best knowledge of the Bank, as at June 30, 2022, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the Shareholders' general meetings of any other member of the Bank:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held <sup>(6)</sup>	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
<b>Domestic Shares</b>					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	443,289,245(L)	9.61	11.87
Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Beneficial owner	Domestic Shares	379,766,198(L)	8.23	10.17
Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	Beneficial owner	Domestic Shares	210,527,733(L)	4.56	5.64
Jilin Province He'an Automobile Leasing Co., Ltd. (吉林省和安汽車租賃有限公司) <sup>(1)</sup>	Interest in controlled corporation	Domestic Shares	210,527,733(L)	4.56	5.64
Song Yilin (宋一霖) <sup>(2)</sup>	Interest in controlled corporation	Domestic Shares	210,527,733(L)	4.56	5.64
<b>H Shares</b>					
China Create Capital Limited	Beneficial owner	H Shares	163,434,654(L)	3.54	18.60
Wang Tao (王濤) <sup>(3)</sup>	Interest in controlled corporation	H Shares	163,434,654(L)	3.54	18.60
Suhang Investment Holdings Limited	Beneficial owner	H Shares	115,762,500(L)	2.51	13.18

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held <sup>(6)</sup>	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Huarong Huaqiao Asset Management Co., Ltd. (華融華僑資產管理股份有限公司) <sup>(4)</sup>	Interest in controlled corporation	H Shares	115,762,500(L)	2.51	13.18
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) <sup>(6)</sup>	Interest in controlled corporation	H Shares	115,762,500(L)	2.51	13.18
Longyuan International (Hong Kong) Limited	Beneficial owner	H Shares	116,265,026(L)	2.52	13.23
Aurum Thrive Limited (金隆有限公司)	Beneficial owner	H Shares	52,029,456(L)	1.13	5.92
Zhang Dan (張丹) <sup>(6)</sup>	Interest in controlled corporation	H Shares	52,029,456(L)	1.13	5.92
Huijin Capital Limited	Beneficial owner	H Shares	54,697,781(L)	1.19	6.22
Mia Chen <sup>(7)</sup>	Interest in controlled corporation	H Shares	54,697,781(L)	1.19	6.22

### Notes:

- (1) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. According to the SFO, Jilin Province He'an Automobile Leasing Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (2) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. and Mr. Song Yilin directly holds 90% of the total issued share capital of Jilin Province He'an Automobile Leasing Co., Ltd. According to the SFO, Mr. Song Yilin is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (3) Wang Tao holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Wang Tao is deemed to be interested in the Shares held by China Create Capital Limited.
- (4) Suhang Investment Holdings Limited is a wholly-owned subsidiary of Pure Virtue Enterprises Limited. Pure Virtue Enterprises Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. According to the SFO, Huarong Huaqiao Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (5) Suhang Investment Holdings Limited is a wholly-owned subsidiary of Pure Virtue Enterprises Limited. Pure Virtue Enterprises Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a majority shareholder of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (6) Zhang Dan holds the entire issued share capital of Aurum Thrive Limited. Aurum Thrive Limited directly holds 52,029,456 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Limited.
- (7) Mia Chen holds 100% equity interest in Huijin Capital Limited. Huijin Capital Limited directly holds 54,697,781 H Shares. According to the SFO, Mia Chen is deemed to be interested in the Shares held by Huijin Capital Limited.

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

- (8) L represents long positions.
- (9) Under Part XV of the SFO, disclosure of interest forms shall be submitted by Shareholders of the Bank upon satisfaction of certain conditions. If there are changes in the Shareholders' shareholdings in the Bank, Shareholders are not required to inform the Bank and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial Shareholders' latest shareholdings in the Bank and the information on their shareholdings submitted to the Hong Kong Stock Exchange. Information set out in the above table is mainly based on the disclosure of interests forms submitted by the relevant Shareholders.

Save as disclosed above, as at June 30, 2022, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **(III) Shareholders Holding 5% or More of the Share Capital**

Please refer to "II. Particulars of Shareholders — (II) Interests and Short Positions of Substantial Shareholders and Other Persons" of this chapter for information on Shareholders holding 5% or more of the share capital of the Bank.

### **(IV) Particulars of Controlling Shareholder and Actual Controller**

The shareholding structure of the Bank is diversified and the Bank does not have a controlling Shareholder or actual controller.

As of the Latest Practicable Date, the largest Shareholder of the Bank is Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), holding 487,618,170 Domestic Shares of the Bank and representing 9.61% of the total issued share capital of the Bank.



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### I. Information on Directors, Supervisors and Senior Management Members

As at the Latest Practicable Date, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

#### Directors

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Gao Bing (高兵)	54	Chairman, Executive Director	December 2008	June 2024	Responsible for overall operations and strategic management, make material decisions and develop the business strategy
Mr. Liang Xiangmin (梁向民)	56	Vice Chairman, Executive Director	April 2016	June 2024	Responsible for management of Human Resources Department and International Business Department, participate in making material business decisions and developing the business development strategy
Mr. Yuan Chunyu (袁春雨)	50	Executive Director, Vice President, Secretary to the Board and Joint Company Secretary	December 2012	June 2024	Responsible for the management of the Board's office, participate in making material business decisions and developing the business development strategy
Mr. Cui Qiang (崔强)	57	Non-executive Director	August 2019	June 2024	Participate in making major business decisions and advise on issues relating to audit, related party transactions and nomination and remuneration of Directors, Supervisors and senior management
Mr. Zhang Yusheng (张玉生)	72	Non-executive Director	April 2015	June 2024	Same as above
Mr. Wu Shujun (吴树君)	63	Non-executive Director	December 2012	June 2024	Same as above
Mr. Zhang Lixin (张立新)	45	Non-executive Director	August 2021	June 2024	Same as above
Ms. Wang Ying (王莹)	38	Non-executive Director	August 2021	June 2024	Same as above

## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Ms. Zhang Qihua (張秋華)	59	Independent Non-executive Director	August 2019	June 2024	Participate in making major business decisions, developing the business development strategy and advise on issues relating to related party transactions, audit and nomination and remuneration of Directors, Supervisors and senior management
Ms. Han Lirong (韓麗榮)	59	Independent Non-executive Director	August 2021	June 2024	Same as above
Ms. Jin Xiaotong (金曉彤)	58	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Sun Jiafu (孫甲夫)	50	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Fong Wai Kuk (方緯谷)	45	Independent Non-executive Director	September 2021	June 2024	Same as above

## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	50	Chairman of the Board of Supervisors, Employee Supervisor	December 2008	June 2024	Take charge of the work of the Board of Supervisors and supervision of the Board of Directors and senior management on behalf of the employees
Mr. Wang Enjiu (王恩久)	53	Employee Supervisor	December 2008	June 2024	Supervision of the Board of Directors and senior management on behalf of the employees
Mr. Liu Xiangjun (劉向軍)	46	Employee Supervisor	December 2015	June 2024	Same as above
Ms. Dai Yundi (戴昀弟)	59	Non-employee Supervisor	June 2021	June 2024	Supervision of the Board of Directors and senior management
Mr. Liu Jianxin (劉建新)	52	Non-employee Supervisor	June 2021	June 2024	Same as above
Mr. Dong Shuaibing (董帥兵)	50	Non-employee Supervisor	June 2021	June 2024	Same as above
Ms. Hu Guohuan (胡國環)	59	Non-employee Supervisor	June 2021	June 2024	Same as above

## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Chen Xinzhe (陳新哲)	51	President	June 2021	June 2024	Responsible for the overall management of the business operations
Mr. Zhu Weidong (朱衛東)	57	Vice President	February 2011	June 2024	Responsible for the management of business operations of village and township banks
Mr. Li Guoqiang (李國強)	53	Vice President	December 2008	June 2024	Responsible for the management of business operations of branches within the Jiutai region
Mr. Gao Zhonghua (高中華)	57	Vice President	February 2015	June 2024	Responsible for the management of legal compliance, consumer rights protection, information technology and party community work, etc.
Mr. Yuan Chunyu (袁春雨)	50	Executive Director, Vice President, Secretary to the Board and Joint Company Secretary	December 2012	June 2024	Responsible for the management of the Board's office, participate in making material business decisions and developing the business strategy
Mr. Du Ping (杜平)	54	Vice President <sup>(1)</sup>	August 2021	June 2024	Responsible for the management of business operations of branches outside the Jiutai region and manage certain business departments and offices
Mr. Qin Lei (秦磊)	39	Assistant to the President	August 2022	June 2024	Responsible for assisting the management of business operations of branches within the Jiutai region

*Notes:*

- (1) On June 7, 2022, the Board of the Bank resolved to appoint Mr. Du Ping as the vice president of the Bank and his term of office shall commence on the date on which his qualification is approved by regulatory authorities. As of the Latest Practicable Date, the qualification of Mr. Du Ping as the vice president remains subject to the approval of regulatory authorities.

## **Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations**

### **II. The Fifth Session of the Board and the Board of Supervisors**

#### **The Fifth Session of the Board**

The term of office of the Directors of the fifth session of the Board of the Bank will be three years, commenced in June 2021 and will end on the expiry of the term of the fifth session of the Board.

As at the Latest Practicable Date, the members of the fifth session of the Board include:

- Mr. Gao Bing (executive Director)
- Mr. Liang Xiangmin (executive Director)
- Mr. Yuan Chunyu (executive Director)
- Mr. Cui Qiang (non-executive Director)
- Mr. Zhang Yusheng (non-executive Director)
- Mr. Wu Shujun (non-executive Director)
- Mr. Zhang Lixin (non-executive Director)
- Ms. Wang Ying (non-executive Director)
- Ms. Zhang Qihua (independent non-executive Director)
- Ms. Han Lirong (independent non-executive Director)
- Ms. Jin Xiaotong (independent non-executive Director)
- Mr. Sun Jiafu (independent non-executive Director)
- Mr. Fong Wai Kuk (independent non-executive Director)

## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### The Fifth Session of the Board of Supervisors

The term of office of the Supervisors of the fifth session of the Board of Supervisors of the Bank is three years, commenced in June 2021 and will end on the expiry of the term of the fifth session of the Board of Supervisors.

As at the Latest Practicable Date, the members of the fifth session of the Board of Supervisors include:

- Mr. Luo Hui (employee Supervisor)
- Mr. Wang Enjiu (employee Supervisor)
- Mr. Liu Xiangjun (employee Supervisor)
- Ms. Dai Yundi (non-employee Supervisor)
- Mr. Liu Jianxin (non-employee Supervisor)
- Mr. Dong Shuaibing (non-employee Supervisor)
- Ms. Hu Guohuan (non-employee Supervisor)

## **Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations**

### **III. Changes in Directors, Supervisors and Senior Management Members**

#### **(I) Changes in Directors**

There were no other changes in the Directors of the Bank during the Reporting Period and as of the Latest Practicable Date.

#### **(II) Changes in Supervisors**

There were no other changes in the Supervisors of the Bank during the Reporting Period and as of the Latest Practicable Date.

#### **(III) Changes in Senior Management Members**

On June 7, 2022, the Board of the Bank resolved to appoint Mr. Du Ping as the vice president of the Bank and his term of office shall commence on the date on which his qualification is approved by regulatory authorities. As of the Latest Practicable Date, the qualification of Mr. Du Ping as the vice president is still subject to the approval of regulatory authorities.

On June 7, 2022, the Board of the Bank resolved to appoint Mr. Qin Lei as the assistant to the president of the Bank and his qualification has been approved by the CBIRC Jilin Bureau. Mr. Qin Lei has served as the assistant to the president of the Bank with effect from August 24, 2022.

Save for the above changes, there were no other changes in the Bank's senior management members during the Reporting Period and as of the Latest Practicable Date.

### **IV. Changes in Directors, Supervisors and President Required to be Disclosed under Rule 13.51B(1) of the Hong Kong Listing Rules**

The Bank is not aware of any changes in Directors, Supervisors or president required to be disclosed under Rule 13.51B(1) of the Hong Kong Listing Rules during the Reporting Period and as of the Latest Practicable Date.

## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### V. Remuneration Policies for Directors, Supervisors and Senior Management

Under the guidance of the relevant policies of the PRC, the Bank endeavors to improve its performance evaluation system for Directors, Supervisors and senior management members.

The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying their responsibilities, authorities and interests, combing incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with the relevant reform and promoting the marketization, monetization and standardization of the income allocation of the Group's senior management.

The Bank offers its executive Directors, employee representative Supervisors and senior management members, who are also the Bank's employees, compensation in the form of salaries, bonuses, social insurances, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors receive compensation based on their responsibilities.

The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management personnel and offers remuneration to them based on the results of the assessment.

### VI. Other Information Required under Rule 13.51(2) of the Hong Kong Listing Rules

Mr. Zhang Yusheng (張玉生) was a director of Jilin Huaxing New Construction Materials Co., Ltd. (吉林華星新型建築材料有限責任公司), a limited liability company incorporated in the PRC on April 25, 2006, which was mainly engaged in the production, wholesale and retail of non-burnt bricks and wall panels and dissolved by way of deregistration on September 2, 2015. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

### VII. 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 senior management members of the Bank, the Bank confirmed that they had complied with the Model Code during the Reporting Period.



## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### VIII. Interests and Short Positions of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures of the Bank and Its Associated Corporations

As at June 30, 2022, the interests of the Directors, Supervisors and chief executive of the Bank in the Shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares <sup>(1)</sup> (%)	Percentage of the total share capital of the Bank <sup>(1)</sup> (%)
Gao Bing	Chairman and Executive Director	Domestic Shares	Beneficial owner	347,288(L) <sup>(2)</sup>	0.01	0.01
Yuan Chunyu	Executive Director, Vice President, Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	55,286(L) <sup>(2)</sup>	0.00 <sup>(3)</sup>	0.00 <sup>(3)</sup>
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	379,766,198(L) <sup>(2)</sup>	10.17	8.23
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	128,004,721(L) <sup>(2)</sup>	3.43	2.77
Hu Guohuan	External Supervisor	Domestic Shares	Beneficial owner	3,638,139(L) <sup>(2)</sup>	0.10	0.08

Notes:

- (1) As at June 30, 2022, the Bank had a total of 4,612,901,427 Shares in issue, including 3,734,264,052 Domestic Shares and 878,637,375 H Shares.
- (2) L represents long positions.
- (3) The percentage is rounded to two decimals.

Save as disclosed above, as at June 30, 2022, none of the Directors, Supervisors and chief executive of the Bank held any interests or short positions in the Shares, underlying shares and debentures of the Bank or its associated corporations as recorded in the register required to be kept by the Bank under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO.

## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### IX. Employee, Employee Compensation Policy and Employee Training Program

#### (I) Staff Composition

As at June 30, 2022, the Group had 6,726 employees. The table below sets forth its number of full-time employees by function as of the same date:

	<b>Number of Employees</b>	<b>Percentage (%)</b>
Retail banking	3,019	44.89
Management	929	13.81
Finance and accounting	896	13.32
Corporate banking	920	13.68
Risk management, internal audit and legal and compliance	224	3.33
Treasury operations	71	1.06
Information technology	67	1.00
Others	600	8.92
<b>Total</b>	<b>6,726</b>	<b>100.00</b>

As at June 30, 2022, more than 60% of the Group's employees had a bachelor's degree or higher.

In addition to full-time employees, as of June 30, 2022, the Group also had 225 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiaries make advance payments to the third-party agencies, which then pay salaries to and make social security contributions for contract staff.

## **Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations**

### **(II) Employee Remuneration**

The Group conducts performance evaluations of employees annually to provide feedback on performance. Compensation for full-time employees of the Group typically consists of a base salary and a discretionary bonus. The Group determines employee discretionary bonuses at the end of each year based on employee performance and its results of operations.

The Group's full-time employees participate in various employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance, housing funds and corporate annuity funds. In addition, the Group provides supplementary medical insurance to its employees.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

### **(III) Employee Training Program**

The Group focuses on employee career development and provide training programs tailored to employees in different business lines. The Bank has built a specific team of internal trainers. The Bank also collaborates with PRC institutions of higher education to recruit and train employees. For example, the Bank has established a training center to enhance employee professional skills. The Bank emphasizes internal recruiting and employee training. The Bank has launched various initiatives to select and train outstanding management personnel and provide employees with opportunities to enhance professional knowledge and develop leadership skills.

### **(IV) Labor Union**

The Bank and each subsidiary have a labor union established in accordance with PRC laws and regulations. The Bank believes that the Bank and each subsidiary have maintained a good working relationship with its employees. As of the Latest Practicable Date, none of the Bank nor any of the Group's subsidiaries had experienced any labor strikes or other labor disturbances that materially affected the Group's operations or public image.

## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

### X. SUBSIDIARIES

Subsidiaries	Places of business	Remarks
Liaoyuan Rural Commercial Bank Co., Ltd. (遼源農村商業銀行股份有限公司)	3257 Renmin Street, Longshan District, Liaoyuan City, Jilin Province, PRC	19 sub-branches
Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司)	2 <sup>#</sup> Floor, Zone C, Jinxiu Hua Cheng, North Baochanshan Road, Huanfeng Town, Hanshan County, Ma'anshan City, Anhui Province, PRC	5 sub-branches
Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司)	Building Complex, Longsheng South District, Fada Road, Shuangcheng City, Heilongjiang Province, PRC	4 sub-branches
Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司)	59 Jiefang East Road, Junshui Town, Tongcheng County, Hubei Province, PRC	2 sub-branches
Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司)	No. 1567, Kangcheng Street East, Chaoyang Street, Gaomi Town, Weifang City, Shandong Province, PRC	8 sub-branches
Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司)	Block 1, Guanye Guojijie District, Yachen Road, Wuchang City, Heilongjiang Province, PRC	3 sub-branches
Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司)	62 Jixiang Road, Yun'an District, Yunfu City, Guangdong Province, PRC	
Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhui Province, PRC	5 sub-branches
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	8 sub-branches
Da'an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	4 sub-branches
Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105-111 of Block 32, Shop 105-106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Changchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司)	39 Guangming West Road, Anci District, Langfang City, Hebei Province, PRC	4 sub-branches
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	Unit 101 of No. 10, Unit 201 of No. 10, Unit 201 of No. 12, Kehui Fourth Street, Huangpu District, Guangzhou City, Guangdong Province, PRC	3 sub-branches

## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Subsidiaries	Places of business	Remarks
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North of East Section, Fenghuang West Road, Heyang County, Weinan City, Shaanxi Province, PRC	4 sub-branches
Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司)	316 Huadian Street, Huadian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	10 sub-branches
Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司)	82 Xiangshan Street, Dongbao District, Jingmen City, Hubei Province, PRC	4 sub-branches
Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司)	102#, 66 Qingxin Street, Taihe Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	1 sub-branch
Wenan Huimin Village Bank Co., Ltd. (文安縣惠民村鎮銀行股份有限公司)	West of Min'an Road and North of Gucheng South Street, Wen'an County, Langfang City, Hebei Province, PRC	8 sub-branches
Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司)	189 Huaxing North Road, Shuizhai Town, Wuhua County, Meizhou City, Guangdong Province, PRC	4 sub-branches
Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司)	Caishui Jiayuan Neighborhood, Yuzhou West Road, Qian'an County, Jilin Province, PRC	5 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Changchun City, Jilin Province, PRC	5 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shops 4, 5 and 6, District A, Zuanshi Siji Huacheng)	4 sub-branches
Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司)	222 Yucai South Street, Fuyu City, Jilin Province, PRC	4 sub-branches
Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司)	1098 Tuanjie West Road, Taonan City, Jilin Province, PRC	3 sub-branches
Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司)	322-324 East Century Street, Binhai New District, Tianjin City, PRC	12 sub-branches

## Chapter 6 Directors, Supervisors, Senior Management, Employees and Organizations

Subsidiaries	Places of business	Remarks
Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司)	Outlets Nos. 1, 3, 4, 116 Guangze Amethyst City, 8 Huangqi Road, Chuanying District, Jilin City, Jilin Province, PRC	3 sub-branches
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	021 Leihu South Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	
Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司)	2099 Wulan Street, Ningjiang District, Songyuan City, Jilin Province, PRC	10 sub-branches
Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司)	8 Xima Road, Anping County, Hebei Province, PRC	4 sub-branches
Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司)	66-71 Jinzuan Street, Zhonghang City, Huaqiao City, Pingshan Town, Huidong County, Huizhou City, Guangdong Province, PRC	5 sub-branches
Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司)	No. 102, Erheng Road, Binhe South, Lingshui County, Hainan Province, PRC	1 sub-branch
Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司)	Dongdu Mansion, 1350 Jiefang Si Road, Sanya City, Hainan Province, PRC	
Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司)	878 Heshan Road, Jimo City, Shandong Province, PRC	5 sub-branches
Jiutai Longjia Village Bank Co., Ltd. (九台龍嘉村鎮銀行股份有限公司)	Block 4, Sunshine Garden, Intersection of Shuguang Street and Qianjin Road, Jiutai City, Jilin Province, PRC	4 sub-branches
Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司)	5-7/F, Block 2, Changchun Zhengda Lifang Tower, Jingyue High-tech Industrial Development Zone, Changchun City, Jilin Province, PRC	

# Chapter 7 Significant Events

## I. Corporate Governance Code

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

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors 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 establishment of internal management structure. The Board of Directors has established committees to perform specified functions, namely 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 Bank's financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code (the "**Corporate Governance Code**") 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 polices. The Code of Corporate Governance and the Guidelines are well reflected in the Articles of Association and the rule of procedure for the Shareholders' general meeting, meetings of the Board of Directors and the committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties and form good corporate governance structure. The Bank closely monitors its operation to ensure 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 all code provisions contained in the Corporate Governance Code. The Directors are not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Corporate Governance Code. 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 Corporate Governance Code and the Guidelines and meet the higher expectations from its Shareholders and potential investors.

## Chapter 7 Significant Events

### II. Earnings and Dividends

#### (I) Final dividends for 2021

The Board does not recommend any distribution of final dividends for the year ended December 31, 2021.

#### (II) Interim dividends for 2022

Revenue of the Bank for the six months ended June 30, 2022 and the financial position of the Bank as at the same date are set out in the financial statements in this interim report.

The Board does not recommend any distribution of interim dividends for 2022.

### III. Plan of Capital Reserve Capitalization

As resolved by the Board and considered and approved by the shareholders at the annual general meeting, the first domestic share class meeting of 2022 and the first H share class meeting of 2022 held on June 17, 2022, 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 Thursday, June 30, 2022 on the basis of 10 new shares for every 100 existing shares held by the shareholders (the “**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 issued by way of capitalization of capital reserve is 461,290,142 shares, including 373,426,405 shares issued to holders of domestic shares and 87,863,737 shares issued to holders of H shares. Upon completion of the Capitalization Issue, the total number of shares in issue of the Bank is 5,074,191,569 shares, including 4,107,690,457 domestic shares and 966,501,112 H shares. The listing and trading of the new H shares under the Capitalization Issue has been approved by the Hong Kong Stock Exchange, and the Capitalization Issue has been approved by the CBIRC. The listing and trading of the new H shares on the Hong Kong Stock Exchange commenced on July 8, 2022.

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

### IV. Amendment to the Articles of Association

The Bank amended the relevant articles of the Articles of Association in relation to its registered capital and capital structure to reflect the changes of registered capital and capital structure of the Bank upon the completion of the Capitalization Issue. Such amendments were approved by the Shareholders at the annual general meeting of 2021 held on June 17, 2022.

The Capitalization Issue was completed. The amendments to the Articles of Association were filed with the CBIRC Jilin Bureau on August 29, 2022 and became effective from the same day. For details of the amendments, investors may refer to the circular of the Bank dated April 27, 2022 on the website of the Bank ([www.jtnsh.com](http://www.jtnsh.com)) and the designated website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).



### V. 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 minimum public float.

#### (I) 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.

#### (II) 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 actual number of H shares to be issued shall be subject to the approval of the regulatory authorities, market conditions and the actual requirement of the Bank.

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 held on September 5, 2018. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2019, the second domestic share class meeting of 2019 and the second H share class meeting of 2019 of the Bank held on October 24, 2019. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2020, the second domestic share class meeting of 2020 and the second H share class meeting of 2020 of the Bank held on October 22, 2020. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the 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 adjustment and update of matters in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares based on market conditions and actual situation of the Bank, such as issue price and other affairs, were considered at the Board meeting of the Bank held on August 30, 2021. As the validity period of the issue plans and relevant authorizations for the Private

## Chapter 7 Significant Events

Placement of Domestic Shares and the Non-public Issuance of H Shares will expire on June 18, 2022, resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the Board meeting of the Bank held on March 30, 2022 as well as the annual general meeting of 2021, the first domestic share class meeting of 2022 and the first H share class meeting of 2022 of the Bank held on June 17, 2022. 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, September 30, 2021 and March 30, 2022, and the circulars dated August 15, 2018, September 13, 2019, September 30, 2020, May 7, 2021 and April 27, 2022 of the Bank, respectively.

As of the Latest Practicable Date, 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.

### VI. Issuance of Bonds

For the six months ended June 30, 2022, the information of the issued bonds of the Bank is as follows:

From January 1, 2022 to June 30, 2022, the Bank issued five tranches of zero-coupon interbank certificates, with an aggregate face value of RMB2,500.0 million. The interbank certificates have a term of one year and bear effective interest rates between 2.85% and 3.50%.

### VII. Purchase, Sale and Redemption of Listed Securities of the Bank

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

### VIII. Related Party Transactions

During the Reporting Period, there was no material related party transaction which had adversely affected the operating results and financial condition of the Bank.

### IX. Material Litigations and Arbitrations

The Bank and each of its subsidiary banks are involved in legal disputes in the ordinary course of business, which primarily include actions against borrowers for the recovery of loans. As of the Latest Practicable Date, none of the Bank or any of its subsidiary banks was involved in any material pending lawsuits as a defendant.

## Chapter 7 Significant Events

### X. Penalty against the Bank and the Directors, Supervisors and Senior Management of the Bank

1. In January 2022, the Bank was fined RMB1.30 million by the CBIRC Jilin Bureau for failing to exercise due diligence in loan review, the flow of credit funds to the borrower's associates and the grant of working capital loans exceeding the borrower's actual capital needs. Gao Zhonghua, vice president of the Bank, was directly responsible for the above matters and was fined RMB80,000.
2. In June 2022, the Bank was fined RMB1.4461 million by Changchun Center Sub-branch of PBOC for violating the relevant requirements of credit investigation management and anti-money laundering management.

### XI. Public Float

During the initial public offering of the Bank's H Shares, the Bank has applied to the Hong Kong Stock Exchange to ask the Hong Kong Stock Exchange to exercise its discretion to waive the requirement under Rule 8.08(1)(d) of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted the Bank a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Hong Kong Listing Rules. According to the waiver granted by the Hong Kong Stock Exchange, the minimum public float of the Bank will be the highest of:

- (1) 16.9% of the Bank's total issued share capital;
- (2) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has not been exercised); and
- (3) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has been exercised).

Immediately after the issue and allotment by the Bank and the sale by the selling Shareholders of the over-allotment Shares due to full exercise of the over-allotment option, the number of H Shares in public hands represents 19.05% of the total issued share capital of the Bank, which satisfies the minimum percentage prescribed in the conditions imposed in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(a) of the Hong Kong Listing Rules.

Based on the publicly available information and as far as the Directors were aware, as of the Latest Practicable Date, the public float of H Shares of the Bank was 19.05%, which was in compliance with the requirement specified in the waiver granted by the Hong Kong Stock Exchange.

## Chapter 7 Significant Events

### XII. Appointment of External Auditor

As considered and approved by the Shareholders at the annual general meeting of 2021 held on June 17, 2022, the Bank has appointed CAC CPA Limited Liability Partnership as the domestic external auditor of the Bank for 2022 to provide auditing services in the PRC in accordance with the PRC GAAP, and SHINEWING (HK) CPA Limited as the international external auditor of the Bank for 2022 to provide auditing and review services overseas in accordance with the IFRS.

The terms of office of the above two external auditors shall commence from the date of approval of the resolution on the engagement of external auditing firms for 2022 by the annual general meeting of 2021 (i.e. June 17, 2022) and shall expire at the conclusion of the Bank's annual general meeting for 2022.

### XIII. Acquisitions and Disposals of Assets and Business of Subsidiaries and Associates/ Corporate Mergers

#### (1) Significant Acquisition and Disposal

During the Reporting Period, the Bank had not conducted significant acquisition or disposal of assets/businesses of its subsidiaries or associates/corporate mergers.

#### (2) Other Acquisition and Disposal

Acquisition of shares of Jiutai Longjia Village and Township Bank.

On November 18, 2021, the Bank entered into an equity transfer agreement with Mengshang Bank Co., Ltd. ("**Mengshang Bank**", an independent third party of the Group) in relation to Jiutai Longjia Village and Township Bank. According to the agreement, Mengshang Bank sold its 15.00% equity interest in Jiutai Longjia Village and Township Bank to the Bank for a consideration of RMB16.4 million. On January 4, 2022, after the Bank settled the last transaction payment, the transaction was completed. On the same day, the Bank and 4 other shareholders (holding an aggregate of 40.00% equity interest in Jiutai Longjia Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jiutai Longjia Village and Township Bank. Jiutai Longjia Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary. The Bank believes that these transactions can expand the Group's business network and enhance the Group's competitiveness. The applicable percentage ratios under Rule 14.07 of the Hong Kong Listing Rules in respect of aforesaid transactions are below 5%.

## Chapter 7 Significant Events

### XIV.Event after the Reporting Period

After the Reporting Period, the Bank issued 373,426,405 Domestic Shares and 87,863,737 H Shares by way of Capitalization Issue, respectively, representing a total of 461,290,142 ordinary shares, following which the total ordinary shares of the Bank has been increased to 5,074,191,569 shares. For further details, please refer to the section headed “III. Plan of Capital Reserve Capitalization” of this chapter.

### XV. Review of Interim Report

The financial statements disclosed in this interim report have not been audited. The interim financial statements for the six months ended June 30, 2022 prepared by the Bank under the IFRS issued by the International Accounting International Standards Board have been reviewed by SHINEWING (HK) CPA Limited in accordance with the Hong Kong Standard on Review Engagements 2410. This interim report has been reviewed and adopted by the Board and the audit committee under the Board.

### XVI.Publication of 2022 Interim Report

The Bank has prepared its 2022 interim report in accordance with the Hong Kong Listing Rules and the IFRS, which is available on the HKEXnews website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and website of the Bank ([www.jtnsh.com](http://www.jtnsh.com)).

In this interim report, the financial data for the six months ended June 30, 2021 and the six months ended June 30, 2022 have not been audited, while the financial data for the year ended December 31, 2021 have been audited.

# Chapter 8 Report on Review of Condensed Consolidated Financial Statements

## Independent Auditor's Report



SHINEWING (HK) CPA Limited  
17/F, Chubb Tower, Windsor House,  
311 Gloucester Road, Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司  
香港銅鑼灣告士打道311號,  
皇室大廈安達人壽大樓17樓

### REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF 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)*

#### Introduction

We have reviewed the condensed consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 118 to 209, which comprise the condensed consolidated statement of financial position as at 30 June 2022, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **Chapter 8 Report on Review of Condensed Consolidated Financial Statements**

### **Independent Auditor's Report (Continued)**

#### **Scope of Review**

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

#### **Conclusion**

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

#### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

#### **Chui Yiu Cheong**

Practising Certificate Number: P07219

Hong Kong

30 August 2022

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period Ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest income		6,759,518	5,686,705
Interest expenses		(3,811,888)	(2,971,438)
Net interest income	4	2,947,630	2,715,267
Fee and commission income		63,092	64,030
Fee and commission expenses		(32,676)	(30,647)
Net fee and commission income	5	30,416	33,383
Net trading gains (losses)	6	65,433	(72,311)
Dividend income		21,398	32,892
Net gains arising from investment securities	7	32,296	22,421
Net exchange gains		4,843	7,454
Other operating income, net	8	49,834	12,843
Operating income		3,151,850	2,751,949
Operating expenses	9	(1,322,185)	(1,251,627)
Impairment losses on assets	10	(1,048,406)	(801,105)
Operating profit		781,259	699,217
Share of results of associates	21	(6,340)	(8,903)
Profit before tax		774,919	690,314
Income tax expense	11	(121,347)	(177,859)
<b>Profit for the period</b>		<b>653,572</b>	<b>512,455</b>



## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the Period Ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>Other comprehensive (expense) income for the period:</b>		
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
– Financial assets at fair value through other comprehensive income		
– Fair value losses on debt investments measured at fair value through other comprehensive income	(44,423)	(12,479)
– Income tax relating to item that may be reclassified subsequently to profit or loss	11,066	3,116
– Changes in allowance for expected credit loss	158	15
– Share of other comprehensive (expense) income of associates	(34)	1,967
	(33,233)	(7,381)
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>		
– Financial assets at fair value through other comprehensive income		
– Fair value losses on investments in equity investments	(23,572)	(3,550)
– Income tax relating to item that will not be reclassified subsequently to profit or loss	5,893	(1,953)
	(17,679)	(5,503)
<b>Other comprehensive expense for the period, net of tax</b>	(50,912)	(12,884)
<b>Total comprehensive income for the period</b>	602,660	499,571

## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the Period Ended 30 June 2022

	Note	Six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
<b>Profit (loss) for the period attributable to:</b>			
– Owners of the Bank		732,111	434,300
– Non-controlling interests		(78,539)	78,155
		<b>653,572</b>	512,455
<b>Total comprehensive income (expense) for the period attributable to:</b>			
– Owners of the Bank		693,520	428,195
– Non-controlling interests		(90,860)	71,376
		<b>602,660</b>	499,571
Earnings per share			(Restated)
– Basic and diluted (RMB cents)	12	14.43	8.56

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
<b>Assets</b>			
Cash and deposits with the central bank	13	36,695,293	30,997,989
Deposits with banks	14	11,076,125	10,866,741
Placements with banks and other financial institutions	15	641,798	135,018
Financial assets held under resale agreements	16	1,788,835	1,498,781
Financial assets at fair value through profit or loss	17	1,510,260	2,552,214
Loans and advances to customers	18	168,340,302	152,642,695
Financial assets at fair value through other comprehensive income	19	9,048,395	5,169,919
Financial assets measured at amortised cost	20	22,681,838	23,084,401
Interests in associates	21	954,659	961,033
Property and equipment	22	3,114,081	3,265,481
Right-of-use assets	23	576,029	614,709
Goodwill		401,335	401,335
Deferred tax assets	24	1,287,539	1,004,495
Other assets	25	1,343,597	945,429
<b>Total assets</b>		<b>259,460,086</b>	<b>234,140,240</b>

## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Financial Position

(Continued)

At 30 June 2022

	Notes	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowings from the central bank	27	3,075,742	2,851,548
Deposits from banks	28	5,151,912	6,890,222
Placements from banks	29	2,002,498	1,502,496
Financial assets sold under repurchase agreements	30	1,286,987	—
Deposits from customers	31	222,010,825	196,959,403
Accrued staff costs	32	71,505	179,710
Taxes payable		107,283	291,529
Debts securities issued	33	6,110,134	6,290,398
Lease liabilities	23	474,128	518,779
Other liabilities	34	713,992	881,143
<b>Total liabilities</b>		<b>241,005,006</b>	216,365,228
<b>Equity</b>			
Share capital	35	4,612,901	4,612,901
Capital reserve	36	5,050,510	5,050,510
Investment revaluation reserve		56,070	94,661
Surplus reserve	37	1,058,252	1,058,252
General reserve	37	2,324,272	2,321,962
Retained earnings		2,166,613	1,436,812
Total equity attributable to owners of the Bank		15,268,618	14,575,098
Non-controlling interests		3,186,462	3,199,914
<b>Total equity</b>		<b>18,455,080</b>	17,775,012
<b>Total liabilities and equity</b>		<b>259,460,086</b>	234,140,240

The condensed consolidated financial statements on pages 118 to 209 were approved and authorised for issue by the board of directors of the Bank on 30 August 2022 and are signed on its behalf by:

**Mr. GAO Bing**

Director

**Mr. YUAN Chunyu**

Director

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2022

	Attributable to owners of the Bank								
	Share Capital	Capital reserve	Investment			Retained earnings	Sub-total	Non-controlling interests	Total
			revaluation reserve	Surplus reserve	General reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2022 (Audited)	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
Profit (loss) for the period	—	—	—	—	—	732,111	732,111	(78,539)	653,572
Other comprehensive expense for the period	—	—	(38,591)	—	—	—	(38,591)	(12,321)	(50,912)
Total comprehensive (expense) income for the period	—	—	(38,591)	—	—	732,111	693,520	(90,860)	602,660
Acquisition of subsidiary	—	—	—	—	—	—	—	93,118	93,118
Appropriation of profits									
— Appropriation to general reserve	—	—	—	—	2,310	(2,310)	—	—	—
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(15,710)	(15,710)
At 30 June 2022 (Unaudited)	4,612,901	5,050,510	56,070	1,058,252	2,324,272	2,166,613	15,268,618	3,186,462	18,455,080

## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Changes in Equity

#### (Continued)

For the Period Ended 30 June 2022

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment			Retained earnings	Sub-total		
			revaluation reserve	Surplus reserve	General reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2021 (Audited)	4,393,239	4,921,340	10,401	915,524	2,077,865	1,353,162	13,671,531	2,579,654	16,251,185
Profit for the period	—	—	—	—	—	434,300	434,300	78,155	512,455
Other comprehensive expense for the period	—	—	(6,105)	—	—	—	(6,105)	(6,779)	(12,884)
Total comprehensive (expense) income for the period	—	—	(6,105)	—	—	434,300	428,195	71,376	499,571
Changes in ownership in a subsidiary without changes in control	—	2,347	—	—	—	—	2,347	12,653	15,000
Appropriation of profits									
– Appropriation to general reserve	—	—	—	—	1,299	(1,299)	—	—	—
– Dividends recognised as distribution (Note 38)	—	—	—	—	—	(658,986)	(658,986)	—	(658,986)
– Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(44,861)	(44,861)
At 30 June 2021 (Unaudited)	4,393,239	4,923,687	4,296	915,524	2,079,164	1,127,177	13,443,087	2,618,822	16,061,909

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2022

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Restated) RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	774,919	690,314
Adjustments for:		
Depreciation of property and equipment	150,831	144,545
Depreciation of right-of-use assets	90,350	93,760
Amortisation of long-term deferred expenses	14,633	22,478
Impairment losses on assets	1,048,406	801,105
Interest income from impaired loans and advances to customers	(23,339)	(30,496)
Interest expense on debts securities issued	141,997	124,302
Dividend income	(21,398)	(32,892)
Gains on disposal of property and equipment	(52,960)	(183)
(Gain) loss on early termination of lease agreements	(1,278)	87
Net unrealised trading losses	181,954	94,401
Net gains arising from investment securities	(32,296)	(22,421)
Interest expenses on lease liabilities	11,589	12,988
Government grants	(26,896)	(15,067)
Interest income from financial investments	(664,308)	(841,890)
Share of results of associates	6,340	8,903
	<b>1,598,544</b>	<b>1,049,934</b>
Changes in operating assets		
Net increase in deposits with the central bank	(1,085,533)	(1,085,471)
Net decrease in deposits and placements with the banks	539,321	320,000
Net decrease in financial assets at fair value through profit or loss	860,000	83,951
Net increase in loans and advances to customers	(14,698,264)	(11,816,430)
Net increase in interests receivables	(1,649,619)	(836,474)
Net increase in other assets	(387,257)	(60,294)
	<b>(16,421,352)</b>	<b>(13,394,718)</b>
Changes in operating liabilities		
Net increase (decrease) in borrowing from central bank	223,846	(1,828,626)
Net decrease in deposits from banks	(1,678,473)	(860,135)
Net increase in placements from banks	500,000	631,000
Net increase in financial assets sold under repurchase agreements	1,286,500	75,600
Net increase in deposits from customers	24,033,558	15,869,877
Net decrease in accrued staff costs	(108,405)	(107,590)
Net increase in interests payable	546,660	416,428
Net decrease in other liabilities	(176,505)	(194,664)
	<b>24,627,181</b>	<b>14,001,890</b>

## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Cash Flows (Continued)

For the Period Ended 30 June 2022

For the Period Ended 30 June 2021

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Restated) RMB'000
Cash from operations	9,804,373	1,657,106
Income tax paid	(564,834)	(453,625)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>9,239,539</b>	<b>1,203,481</b>
<b>INVESTING ACTIVITIES</b>		
Payments on acquisition of financial investments	(29,523,590)	(10,974,976)
Payments on acquisition of property and equipment	(43,100)	(70,488)
Proceeds from disposal of financial investments	25,934,593	11,828,388
Interest income received from financial investments	648,920	858,125
Dividend income received	21,398	32,892
Dividend received from associates	—	11,630
Acquisition of a subsidiary	(16,433)	—
Proceeds from disposal of property and equipment	114,659	3,014
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(2,863,553)</b>	<b>1,688,585</b>
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issue of new debt securities	2,428,138	3,290,974
Proceeds from disposal of interests in subsidiaries without loss in control	—	15,000
Government grants received	26,896	15,067
Repayment of debt securities issued	(2,700,000)	(4,760,000)
Repayment of lease liabilities	(93,857)	(83,650)
Interest paid on debts securities issued	(50,399)	(50,399)
Dividends paid to non-controlling interests	(15,710)	(44,397)
Interest paid on lease liabilities	(11,589)	(12,988)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(416,521)</b>	<b>(1,630,393)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>5,959,465</b>	<b>1,261,673</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>29,622,412</b>	<b>21,261,817</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 42)</b>	<b>35,581,877</b>	<b>22,523,490</b>
Interest received	5,060,205	4,923,035
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(3,111,642)	(2,417,720)



# Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements

For the Period Ended 30 June 2022

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

As at 30 June 2022, the Bank has 3 branches and 90 sub-branches. The Bank has 36 subsidiaries. The principal activities of the Bank and its subsidiaries (hereinafter collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the China Banking and Insurance Regulatory Commission. The Group operates in Mainland China.

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

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

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2022 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”, issued by the International Accounting Standards Board (“IASB”).

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 2. BASIS OF PREPARATION (Continued)

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

#### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to IFRSs, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

##### Changes in Accounting Policies

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group’s financial year beginning on 1 January 2022:

Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3 Amendments to IAS 16	Reference to the Conceptual Framework Property, plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37 Amendments to IFRSs	Onerous Contracts — Cost of Fulfilling a Contract Annual Improvements to IFRSs 2018–2020 cycle

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

**(Continued)**

For the Period Ended 30 June 2022

#### 4. NET INTEREST INCOME

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Interest income arising from		
– Deposits with the central bank	<b>110,263</b>	105,292
– Deposits with banks	<b>95,081</b>	96,052
– Placements with banks and other financial institutions	<b>17,751</b>	17,078
– Financial assets at fair value through other comprehensive income (“FVTOCI”)	<b>219,681</b>	112,593
– Financial assets measured at amortised costs	<b>444,627</b>	729,297
– Loans and advances to customers:		
– Corporate loans and advances	<b>4,809,307</b>	3,478,063
– Finance lease loans	<b>93,472</b>	61,568
– Personal loans and advances	<b>854,277</b>	1,001,426
– Discounted bills	<b>69</b>	34,294
– Financial assets held under resale agreements	<b>114,990</b>	51,042
	<b>6,759,518</b>	5,686,705
Less: Interest expenses arising from		
– Borrowings from the central bank	<b>(31,877)</b>	(25,439)
– Deposits from banks	<b>(113,815)</b>	(155,388)
– Placements from banks	<b>(22,273)</b>	(135,077)
– Deposits from customers:		
– Corporate customers	<b>(715,541)</b>	(557,762)
– Individual customers	<b>(2,730,126)</b>	(1,895,735)
– Financial assets sold under repurchase agreements	<b>(44,670)</b>	(64,747)
– Debts securities issued	<b>(141,997)</b>	(124,302)
– Lease liabilities	<b>(11,589)</b>	(12,988)
	<b>(3,811,888)</b>	(2,971,438)
	<b>2,947,630</b>	2,715,267

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 5. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Fee and commission income		
– Advisory fees	16,454	16,375
– Settlement and clearing fees	10,628	12,861
– Wealth management service fees	20,393	275
– Agency service fees	5,136	7,366
– Syndicated loan service fees	7,816	22,644
– Bank card service fees	1,209	1,810
– Others	1,456	2,699
	<b>63,092</b>	64,030
Fee and commission expenses		
– Settlement and clearing fees	(26,515)	(24,067)
– Others	(6,161)	(6,580)
	<b>(32,676)</b>	(30,647)
	<b>30,416</b>	33,383

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 6. NET TRADING GAINS (LOSSES)

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")		
– Unlisted equity investments	(84,188)	(113,315)
– Listed equity investments	(15,365)	–
– Other debt instruments	(82,401)	18,914
Investment income from financial assets at FVTPL (Note)	230,574	26,073
Net gain (loss) on disposal of financial assets at FVTPL		
– Unlisted equity investments	–	(4,221)
– Other debt instruments	16,813	238
	<b>65,433</b>	<b>(72,311)</b>

*Note:* The investment income from financial assets at FVTPL represents interest income from financial assets at FVTPL of approximately RMB230,574,000 (six months ended 30 June 2021 approximately RMB26,073,000) for the period ended 30 June 2022.

#### 7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Net gains on disposal of financial assets measured at amortised cost	7,629	10,418
Net gains on disposal of financial assets at FVTOCI	24,667	12,003
	<b>32,296</b>	<b>22,421</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Government grants (Note)	26,896	15,067
Loss on disposal of repossessed assets	(6,484)	(1,139)
Gain on disposal of property and equipment	52,960	183
Gain (loss) on early termination of lease agreement	1,278	(87)
Others operating expenses	(24,816)	(1,181)
	<b>49,834</b>	<b>12,843</b>

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

**(Continued)**

For the Period Ended 30 June 2022

#### 9. OPERATING EXPENSES

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and bonuses	<b>589,091</b>	525,788
— Staff welfares	<b>49,942</b>	52,370
— Social insurance	<b>137,852</b>	131,259
— Housing allowances	<b>59,647</b>	53,843
— Labour union and staff education expenses	<b>10,631</b>	10,879
	<b>847,163</b>	774,139
Premises and equipment expenses		
— Depreciation of property and equipment	<b>150,831</b>	144,545
— Amortisation of long-term deferred expenses	<b>14,633</b>	22,478
— Rental and property management expenses	<b>27,624</b>	35,539
— Depreciation of right-of-use assets	<b>90,350</b>	93,760
	<b>283,438</b>	296,322
Other tax and surcharges	<b>41,209</b>	34,228
Other general and administrative expenses (Note)	<b>150,375</b>	146,938
	<b>1,332,185</b>	1,251,627

Note: Auditor's remuneration for the period ended 30 June 2022 was RMB1,330,000 (six months ended 30 June 2021: RMB1,330,000).

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 10. IMPAIRMENT LOSSES ON ASSETS

	Notes	Six months ended 30 June	
		2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Impairment losses (reversal of impairment losses) on:			
Loans and advances to customers	18	938,807	731,528
Financial assets measured at amortised costs	20	92,773	67,691
Financial assets at FVTOCI	19	158	15
Placements with banks and other financial institutions	15	347	(697)
Other receivables, prepayment and repossessed assets	25	5,207	(1,847)
Deposits with banks	14	(1,002)	170
Credit commitments and financial guarantees	34	8,813	4,061
Property and equipment	22	—	184
Interest receivables		3,303	—
		<b>1,048,406</b>	801,105

#### 11. INCOME TAX EXPENSE

##### (a) Income tax:

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	379,205	294,007
Under provision in prior period:		
— Mainland China Enterprise Income Tax	1,278	30,440
Deferred taxation (Note 24)		
— Current period	(259,136)	(146,588)
	<b>121,347</b>	177,859

Pursuant to the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China incorporated companies is 25%. During the period ended 30 June 2022, 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%.



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 11. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Profit before tax	774,919	690,314
Tax at domestic income tax rate of 25%	193,730	172,578
Tax effect of share of results of associates	1,585	2,226
Tax effect of expenses not deductible for tax purpose (Note i)	—	1,956
Tax effect of income that are not taxable for tax purpose (Note ii)	(75,246)	(29,341)
Under provision in respect of prior periods	1,278	30,440
<b>Income tax expense</b>	<b>121,347</b>	<b>177,859</b>

Notes:

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

Details of the deferred taxation are set out in Note 24.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Profit for the period attributable to owners of the Bank	<b>732,111</b>	434,300
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	<b>5,074,192</b>	(Restated) 5,074,192

The weighted average number of ordinary shares in issue during the period ended 30 June 2022 has been adjusted retrospectively taking into account the 461,290,142 ordinary shares issued under the Capitalisation Issue (as defined in Note 35) as if the Capitalisation Issue had been effective on 1 January 2022.

The weighted average number of ordinary shares in issue during the period ended 30 June 2021 had been adjusted retrospectively taking into account the 2022 Capitalisation Issue and 2021 Capitalisation Issue (as defined in Note 35) as if the 2022 Capitalisation Issue and 2021 Capitalisation Issue had been effective on 1 January 2021.

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period ended 30 June 2022 and 2021.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

**(Continued)**

For the Period Ended 30 June 2022

#### 13. CASH AND DEPOSITS WITH THE CENTRAL BANK

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
Cash on hand	756,584	745,744
Deposits with the central bank		
– Statutory deposit reserves (Note a)	12,705,265	11,578,178
– Surplus deposit reserves (Note b)	23,227,855	18,672,108
– Fiscal deposits	5,589	1,859
	<b>35,938,709</b>	30,252,145
	<b>36,695,293</b>	30,997,889
Accrued interest	—	100
	<b>36,695,293</b>	30,997,989

Notes:

- (a) The Group places statutory deposit reserves with the People's Bank of China (the "PBOC") in accordance with relevant regulations. At 30 June 2022 and 31 December 2021, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At 30 June 2022	At 31 December 2021
Reserve ratio for RMB deposits	6.0%	6.5%
Reserve ratio for foreign currency deposits	8.0%	9.0%

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

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 14. DEPOSITS WITH BANKS

*Analysed by type and location of counterparty*

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
Deposits in Mainland China — Banks	11,047,328	10,822,566
Deposits outside Mainland China — Banks	12,135	8,494
	11,059,463	10,831,060
Accrued interest	18,757	38,628
Less: provision for impairment losses (Note)	(2,095)	(2,947)
	11,076,125	10,866,741

Note: As at 30 June 2022 and 31 December 2021, the Group classifies all deposits with bank in Stage 1, and measures the loss allowance in accordance with 12-month expected-credit loss ("ECL") basis.

#### Movements of provision for impairment losses

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
At 1 January	2,947	1,265
(Reversal of impairment losses recognised) impairment losses recognised	(1,002)	1,682
Acquisition of a subsidiary	150	—
At 30 June/31 December	2,095	2,947

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 15. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
Placements in Mainland China		
– Banks	321,000	25,000
– Other financial institutions	320,000	110,000
	<b>641,000</b>	135,000
Accrued interest	1,386	259
Less: provision for impairment losses (Note)	(588)	(241)
	<b>641,798</b>	135,018

*Note:* At 30 June 2022 and 31 December 2021, the Group classifies all placements with banks and other financial institutions in Stage 1, and measures the loss allowance in accordance with 12-month ECL basis.

#### Movements of provision for impairment losses

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
At 1 January	241	747
Impairment losses recognised (reversal of impairment losses recognised)	347	(506)
At 30 June/31 December	<b>588</b>	241

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 16. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
In Mainland China		
– Banks	1,688,500	1,498,500
– Other financial institutions	99,475	–
	<b>1,787,975</b>	1,498,500
Accrued interest	860	281
	<b>1,788,835</b>	1,498,781

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

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
Debt securities		
– Government	1,188,500	1,158,500
– Other financial institutions	500,000	340,000
– Corporations	99,475	–
	<b>1,787,975</b>	1,498,500
Accrued interest	860	281
	<b>1,788,835</b>	1,498,781

At 30 June 2022 and 31 December 2021, the Group classifies all financial assets held under resale agreements in Stage 1, and measures the loss allowance in accordance with 12-month ECL basis.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Listed equity investments measured at FVTPL	45,691	61,057
Unlisted equity investments measured at FVTPL (Notes (a))	960,219	1,044,407
Other debt instruments (Notes (b))	504,350	1,446,750
	<b>1,510,260</b>	2,552,214

Note:

**(a) Unlisted equity investments measured at FVTPL**

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

**(b) Other debt instruments**

The Group's other debt instruments mainly represented the debt investments, financed by the proceeds raised from non principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under deposits from customers and details of which are set out in note 39(a).

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 18. LOANS AND ADVANCES TO CUSTOMERS

##### (a) Analysed by nature

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
<b>Gross loans and advances to customers</b>		
Corporate loans and advances		
– Loans	141,323,440	126,768,501
– Finance lease loans	3,249,177	3,473,367
	<b>144,572,617</b>	130,241,868
Personal loans and advances		
– Personal business loans	20,752,576	19,967,028
– Personal consumption loans	3,063,666	2,850,866
– Credit card overdrafts	17,930	20,565
– Residential and commercial mortgage loans	3,445,690	3,756,415
	<b>27,279,862</b>	26,594,874
Discounted bills	4,879	13,447
	<b>171,857,358</b>	156,850,189
Accrued interest	2,057,651	420,560
<b>Less: Provision for impairment losses</b>		
– Individually assessed	(1,073,716)	(801,044)
– Collectively assessed	(4,500,991)	(3,827,010)
	<b>(5,574,707)</b>	(4,628,054)
	<b>168,340,302</b>	152,642,695



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (b) Analysed by industry sector

	At 30 June 2022		
	Amount (Unaudited) RMB'000	Percentage (Unaudited)	Loans and advances secured by collaterals (Unaudited) RMB'000
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Wholesale and retail	30,295,743	17.42%	9,126,094
– Leasing and business services	26,368,492	15.16%	11,584,577
– Manufacturing	19,059,178	10.96%	6,626,815
– Construction	16,757,509	9.63%	5,636,435
– Agriculture, forestry, animal husbandry and fishery	11,850,836	6.81%	3,819,914
– Transportation, storage and postal services	7,814,204	4.49%	1,578,445
– Real estate	6,223,744	3.58%	3,366,754
– Scientific research, technical services and geological prospecting	6,137,547	3.53%	1,696,899
– Water, environment and public facility management	4,783,965	2.75%	638,350
– Information transmission, computer services and software	4,777,498	2.75%	1,278,629
– Accommodation and catering	2,985,530	1.72%	2,284,279
– Education	2,260,420	1.30%	496,273
– Electricity, gas and water production and supply	2,064,618	1.19%	210,277
– Health and social services	1,396,957	0.80%	602,234
– Resident and other services	854,029	0.49%	308,869
– Cultural, sports and entertainment	554,765	0.32%	267,456
– Mining	204,582	0.12%	17,500
– Public administration, social security and social organisations	183,000	0.11%	141,000
	144,572,617	83.13%	49,680,800
Personal loans and advances	27,279,862	15.69%	15,481,067
Discounted bills	4,879	0.00%	–
Accrued interest	2,057,651	1.18%	–
	173,915,009	100.00%	65,161,867
<b>Less: Provision for impairment losses</b>			
– Individually assessed	(1,073,716)		
– Collectively assessed	(4,500,991)		
	(5,574,707)		
	168,340,302		

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (b) Analysed by industry sector (Continued)

	At 31 December 2021		
	Amount (Audited) RMB'000	Percentage (Audited)	Loans and advances secured by collaterals (Audited) RMB'000
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Wholesale and retail	26,881,000	17.09%	8,831,830
– Leasing and business services	24,519,152	15.59%	11,703,703
– Manufacturing	19,020,438	12.09%	8,886,331
– Construction	16,126,761	10.25%	5,409,147
– Agriculture, forestry, animal husbandry and fishery	8,863,680	5.63%	3,188,035
– Scientific research, technical services and geological prospecting	6,997,185	4.44%	1,413,073
– Transportation, storage and postal services	5,908,438	3.76%	1,651,697
– Real estate	4,751,542	3.02%	2,315,979
– Information transmission, computer services and software	4,667,468	2.97%	1,289,406
– Accommodation and catering	2,995,073	1.90%	2,399,498
– Water, environment and public facility management	2,445,585	1.56%	686,540
– Education	2,092,870	1.33%	577,770
– Electricity, gas and water production and supply	1,882,349	1.20%	395,973
– Health and social services	1,413,331	0.90%	666,451
– Resident and other services	797,310	0.51%	306,157
– Cultural, sports and entertainment	485,172	0.31%	226,344
– Mining	213,514	0.14%	164,710
– Public administration, social security and social organisations	181,000	0.12%	141,000
	130,241,868	82.81%	50,253,644
Personal loans and advances	26,594,874	16.91%	15,484,535
Discounted bills	13,447	0.01%	—
Accrued interest	420,560	0.27%	—
	157,270,749	100.00%	65,738,179
<b>Less: Provision for impairment losses</b>			
– Individually assessed	(801,044)		
– Collectively assessed	(3,827,010)		
	(4,628,054)		
	152,642,695		

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (b) Analysed by industry sector (Continued)

As at 30 June 2022 and 31 December 2021, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At 30 June 2022					
	Gross impaired loans and advances (Stage 3) (Unaudited) RMB'000	ECL			Impairment charged during the period (Unaudited) RMB'000	Written-off during the period (Unaudited) RMB'000
		Stage 1	Stage 2	Stage 3		
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000		
– Wholesale and retail	731,765	457,140	44,615	342,695	143,960	–
– Leasing and business services	387,806	254,202	234,431	267,063	163,858	–
– Manufacturing	519,375	332,176	243,622	247,785	70,513	–

	At 31 December 2021					
	Gross impaired loans and advances (Stage 3) (Audited) RMB'000	ECL			Impairment charged during the period (Audited) RMB'000	Written-off during the period (Audited) RMB'000
		Stage 1	Stage 2	Stage 3		
		(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000		
– Wholesale and retail	507,248	393,813	61,117	239,343	283,451	(5,530)
– Leasing and business services	533,875	240,588	44,788	306,461	264,530	(1,061)
– Manufacturing	456,134	329,374	222,757	197,922	(26,042)	(24,784)
– Construction	177,309	309,140	32,528	104,998	108,120	–

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (c) Analysed by type of collateral

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
<b>Gross loans and advances to customers</b>		
Unsecured loans	3,288,732	2,570,917
Guaranteed loans	86,353,378	74,951,159
Collateralised loans	65,161,867	65,738,179
Pledged loans	17,053,381	13,589,934
	<b>171,857,358</b>	156,850,189
Accrued interest	2,057,651	420,560
	<b>173,915,009</b>	157,270,749

**Chapter 9 Unaudited Interim Financial Statements**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Continued)**

For the Period Ended 30 June 2022

**18. LOANS AND ADVANCES TO CUSTOMERS (Continued)**

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

	At 30 June 2022				
	Overdue within three months (inclusive) (Unaudited) RMB'000	Overdue more than three months to one year (inclusive) (Unaudited) RMB'000	Overdue more than one year to three years (inclusive) (Unaudited) RMB'000	Overdue more than three years (Unaudited) RMB'000	Total (Unaudited) RMB'000
Unsecured loans	3,935	33,048	6,836	4,446	48,265
Guaranteed loans	488,225	360,874	611,266	256,040	1,716,405
Collateralised loans	576,967	486,208	1,250,190	646,133	2,959,498
Pledged loans	3,600	3,158	106,314	44,971	158,043
	<b>1,072,727</b>	<b>883,288</b>	<b>1,974,606</b>	<b>951,590</b>	<b>4,882,211</b>
As a percentage of gross loans and advances to customers	<b>0.62%</b>	<b>0.52%</b>	<b>1.15%</b>	<b>0.55%</b>	<b>2.84%</b>

  

	At 31 December 2021				
	Overdue within three months (inclusive) (Audited) RMB'000	Overdue more than three months to one year (inclusive) (Audited) RMB'000	Overdue more than one year to three years (inclusive) (Audited) RMB'000	Overdue more than three years (Audited) RMB'000	Total (Audited) RMB'000
Unsecured loans	4,141	26,420	3,623	3,960	38,144
Guaranteed loans	1,981,515	563,944	441,753	175,449	3,162,661
Collateralised loans	3,103,663	509,714	1,143,143	487,870	5,244,390
Pledged loans	123,058	20,700	42,111	43,469	229,338
	<b>5,212,377</b>	<b>1,120,778</b>	<b>1,630,630</b>	<b>710,748</b>	<b>8,674,533</b>
As a percentage of gross loans and advances to customers	<b>3.33%</b>	<b>0.71%</b>	<b>1.04%</b>	<b>0.45%</b>	<b>5.53%</b>

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	At 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers	162,111,255	5,085,926	4,660,177	171,857,358
Accrued interest	2,027,492	25,744	4,415	2,057,651
Less: Provision for impairment losses	(2,160,122)	(996,949)	(2,417,636)	(5,574,707)
	161,978,625	4,114,721	2,246,956	168,340,302

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	(Restated)	(Restated)	(Restated)	(Restated)
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers	149,151,829	3,955,890	3,742,470	156,850,189
Accrued interest	416,196	3,961	403	420,560
Less: Provision for impairment losses	(1,926,068)	(792,605)	(1,909,381)	(4,628,054)
	147,641,957	3,167,246	1,833,492	152,642,695

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the expected credit losses are further classified into “Normal”, “Special mention”, “Substandard”, “Doubtful” and “Loss” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes.

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**Notes to the Condensed Consolidated Financial Statements**  
**(Continued)**

For the Period Ended 30 June 2022

**18. LOANS AND ADVANCES TO CUSTOMERS (Continued)**

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

As at 30 June 2022 and 31 December 2021, an analysis of the gross amount of loans receivables with the grading of the loan is as follows:

	At 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000
Normal	162,111,255	178,334	136,452	162,426,041
Special mention	—	4,907,592	1,156,214	6,063,806
Substandard	—	—	286,725	286,725
Doubtful	—	—	2,933,000	2,933,000
Loss	—	—	147,786	147,786
Gross carrying amount	162,111,255	5,085,926	4,660,177	171,857,358
Accrued interest	2,027,492	25,744	4,415	2,057,651
Less: Provision for impairment losses	(2,160,122)	(996,949)	(2,417,636)	(5,574,707)
Net carrying amount	161,978,625	4,114,721	2,246,956	168,340,302

	At 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
(Restated)	(Restated)	(Restated)	(Restated)	
	RMB'000	RMB'000	RMB'000	RMB'000
Normal	148,510,093	729,754	30,306	149,270,153
Special mention	641,736	3,226,136	770,443	4,638,315
Substandard	—	—	647,193	647,193
Doubtful	—	—	2,225,976	2,225,976
Loss	—	—	68,552	68,552
Gross carrying amount	149,151,829	3,955,890	3,742,470	156,850,189
Accrued interest	416,196	3,961	403	420,560
Less: Provision for impairment losses	(1,926,068)	(792,605)	(1,909,381)	(4,628,054)
Net carrying amount	147,641,957	3,167,246	1,833,492	152,642,695

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	As at 30 June 2022			
	Stage 1 12m ECL (Unaudited) RMB'000	Stage 2 Lifetime ECL (Unaudited) RMB'000	Stage 3 Lifetime ECL (Unaudited) RMB'000	Total (Unaudited) RMB'000
Loss allowance at 1 January 2022	1,926,068	792,605	1,909,381	4,628,054
Changes in the loss allowance				
— Transfer to stage 1	246,696	(185,002)	(61,694)	—
— Transfer to stage 2	(28,660)	68,196	(39,536)	—
— Transfer to stage 3	(14,565)	(92,348)	106,913	—
— Charge to profit or loss, net	28,191	396,885	513,731	938,807
— Recoveries of loans and advances previously written off as uncollectible	—	—	3,293	3,293
— Interest income on impaired loans and advances to customers	—	—	(23,339)	(23,339)
— Amounts written off as uncollectible	—	—	(2,182)	(2,182)
— Acquisition of a subsidiary	2,392	16,613	11,069	30,074
Loss allowance at 30 June 2022	2,160,122	996,949	2,417,636	5,574,707



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**Notes to the Condensed Consolidated Financial Statements**  
**(Continued)**

For the Period Ended 30 June 2022

**18. LOANS AND ADVANCES TO CUSTOMERS (Continued)**

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

	As at 31 December 2021			Total (Audited) RMB'000
	Stage 1 12m ECL (Audited) RMB'000	Stage 2 Lifetime ECL (Audited) RMB'000	Stage 3 Lifetime ECL (Audited) RMB'000	
Loss allowance at 1 January 2021	1,657,400	511,007	1,333,512	3,501,919
Changes in the loss allowance				
– Transfer to stage 1	27,150	(13,250)	(13,900)	–
– Transfer to stage 2	(16,832)	150,613	(133,781)	–
– Transfer to stage 3	(18,507)	(105,618)	124,125	–
– Charge to profit or loss, net	276,857	249,853	705,302	1,232,012
– Recoveries of loans and advances previously written off as uncollectible	–	–	8,019	8,019
– Interest income on impaired loans and advances to customers	–	–	(60,991)	(60,991)
– Amounts written off as uncollectible	–	–	(52,905)	(52,905)
Loss allowance at 31 December 2021	1,926,068	792,605	1,909,381	4,628,054

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (g) Analysed by geographical sector

	At 30 June 2022		
	Gross loan balance (Unaudited) RMB'000	Percentage (Unaudited)	Loan and advances secured by collaterals (Unaudited) RMB'000
Jilin Region	151,506,193	88.16%	53,791,786
Mainland China excluding Jilin Region	20,351,165	11.84%	11,370,081
	171,857,358	100.00%	65,161,867

	At 31 December 2021		
	Gross loan balance (Audited) RMB'000	Percentage (Audited)	Loan and advances secured by collaterals (Audited) RMB'000
Jilin Region	137,199,083	87.47%	54,362,703
Mainland China excluding Jilin Region	19,651,106	12.53%	11,375,476
	156,850,189	100.00%	65,738,179

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 18. LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (h) Finance lease receivables

The Group entered into finance leasing arrangements as a lessor for certain equipment to its customers. The average term of finance leases entered into is 5 years. Generally, these lease contracts do not include extension or early termination options.

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Amounts receivable under finance leases:		
Within one year	456,824	1,126,375
After one year but within two years	1,803,240	663,424
After two years but within three years	591,833	1,222,542
After three years but within four years	509,025	277,833
After four years but within five years	147,530	468,467
Undiscounted lease payments	3,508,452	3,758,641
Unguaranteed residual values	—	—
Gross investment in leases	3,508,452	3,758,641
Less: Unearned finance income	(259,275)	(285,274)
Present value of minimum finance lease receivables	3,249,177	3,473,367
Less: Provision for impairment losses	(103,637)	(106,733)
	<b>3,145,540</b>	3,366,634

The following table presents the amounts included in profit or loss.

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Finance income on the net investment in finance leases	93,472	61,568

The Group's finance lease arrangements do not include variable payments.

As at 30 June 2022 and 31 December 2021, the Group measures the loss allowance in accordance with 12-month ECL basis as described in note 41.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	7,537,533	4,427,040
– Banks and other financial institutions	1,154,682	401,393
– Corporations	109,127	109,576
	<b>8,801,342</b>	4,938,009
Unlisted equity investments measured at FVTOCI	153,475	178,450
	<b>8,954,817</b>	5,116,459
Accrued interest	93,578	53,460
	<b>9,048,395</b>	5,169,919
Analysed as:		
– Listed outside Hong Kong	8,894,920	4,991,469
– Unlisted outside Hong Kong	153,475	178,450
	<b>9,048,395</b>	5,169,919

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

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

At 30 June 2022 and 31 December 2021, certain of the Group’s financial assets at FVTOCI were pledged as security for repurchase agreement (Note 30(a)).

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Provision for impairment losses for debt instruments at FVTOCI:

	At 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Unaudited)	(Unaudited)	(Unaudited)	
RMB'000	RMB'000	RMB'000		
Gross debt instruments at FVTOCI	8,801,192	—	150	8,801,342
Accrued interest	93,578	—	—	93,578
Less: Provision for impairment losses	(183)	—	(150)	(333)
	<b>8,894,587</b>	<b>—</b>	<b>—</b>	<b>8,894,587</b>

	At 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Restated)	(Restated)	(Restated)	
RMB'000	RMB'000	RMB'000		
Gross debt instruments at FVTOCI	4,937,859	—	150	4,938,009
Accrued interest	53,460	—	—	53,460
Less: Provision for impairment losses	(25)	—	(150)	(175)
	4,991,294	—	—	4,991,294

The movements in the impairment allowance (included in investment revaluation reserve) for the debt instruments at FVTOCI during the year are as follows:

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
At 1 January	175	175
Provided for the period/year	158	—
At 30 June/31 December	<b>333</b>	175

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 20. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Restated) RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	8,871,029	7,772,322
– Banks and other financial institutions	766,285	1,021,221
– Corporations	540,000	430,845
– Interbank certificates	341,750	487,191
	<b>10,519,064</b>	9,711,579
Trust plans	6,794,954	7,176,454
Asset management plans	4,659,336	5,659,336
	<b>11,454,290</b>	12,835,790
	<b>21,973,354</b>	22,547,369
Accrued interest	1,754,043	1,490,554
Less: Provision for impairment losses	<b>(1,045,559)</b>	(953,522)
	<b>22,681,838</b>	23,084,401
Analysed as:		
Listed outside Hong Kong	10,685,754	9,837,677
Unlisted outside Hong Kong	11,996,084	13,246,724
	<b>22,681,838</b>	23,084,401

*Notes:*

- (i) The Group holds these investments with the objective in collecting contractual cash flows and had measured them at their amortised cost.
- (ii) The Group's debt securities which are listed outside Hong Kong are traded on the China Interbank Bond Market.
- (iii) At 30 June 2022 and 31 December 2021, certain of the Group's financial assets at amortised cost were pledged as security for repurchase agreement (Note 30(a)).

**Chapter 9 Unaudited Interim Financial Statements**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Continued)**

For the Period Ended 30 June 2022

**20. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)**

**(a) Provision for impairment losses:**

	At 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Unaudited)	(Unaudited)	(Unaudited)	
RMB'000	RMB'000	RMB'000		
Gross financial assets measured at amortised costs	15,197,712	—	6,775,642	21,973,354
Accrued interest	777,740	—	976,303	1,754,043
Less: Provision for impairment losses	(44,480)	—	(1,001,079)	(1,045,559)
	15,930,972	—	6,750,866	22,681,838

	At 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Restated)	(Restated)	(Restated)	
RMB'000	RMB'000	RMB'000		
Gross financial assets measured at amortised costs	15,634,727	—	6,912,642	22,547,369
Accrued interest	627,611	—	862,943	1,490,554
Less: Provision for impairment losses	(55,225)	—	(898,297)	(953,522)
	16,207,113	—	6,877,288	23,084,401

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 20. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

##### (b) Movements of allowance for impairment losses

	As at 30 June 2022			
	Stage 1 12m ECL (Unaudited) RMB'000	Stage 2 Lifetime ECL (Unaudited) RMB'000	Stage 3 Lifetime ECL (Unaudited) RMB'000	Total (Unaudited) RMB'000
Loss allowance at 1 January 2022	55,225	—	898,297	953,522
Changes in the loss allowance				
— Transfer to stage 1	—	—	—	—
— Transfer to stage 2	—	—	—	—
— Transfer to stage 3	(1,531)	—	1,531	—
— Charge to profit or loss, net	(9,214)	—	101,987	92,773
— Interest income on impaired financial asset measured at amortised cost	—	—	(736)	(736)
Loss allowance at 30 June 2022	44,480	—	1,001,079	1,045,559



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 20. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

##### (b) Movements of allowance for impairment losses (Continued)

	As at 31 December 2021			Total (Audited) RMB'000
	Stage 1 12m ECL (Audited) RMB'000	Stage 2 Lifetime ECL (Audited) RMB'000	Stage 3 Lifetime ECL (Audited) RMB'000	
Loss allowance at 1 January 2021	76,627	75,477	842,247	994,351
Changes in the loss allowance				
– Transfer to stage 1	–	–	–	–
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	(17,942)	(44,106)	62,048	–
– Charge to profit or loss, net	(3,460)	103,142	209,075	308,757
– Interest income on impaired financial asset measured at amortised cost	–	–	(215,073)	(215,073)
– Write off	–	(134,513)	–	(134,513)
Loss allowance at 31 December 2021	55,225	–	898,297	953,522

#### 21. INTERESTS IN ASSOCIATES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Costs of investments in associates, unlisted	889,658	889,658
Share of post-acquisition results and other comprehensive income, net of dividends received	65,001	71,375
	954,659	961,033

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 21. INTERESTS IN ASSOCIATES (Continued)

As at 30 June 2022 and 31 December 2021, the Group had interests in the following associates:

Name of the bank	Form of entity	Country of incorporation/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				30 June 2022	31 December 2021	30 June 2022	31 December 2021	
				(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Jilin Gongzhuling Rural Commercial Bank Co., Ltd.* (“吉林公主嶺農村商業銀行股份有限公司”, “Jilin Gongzhuling Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	20.2%	20.2%	20.2%	20.2%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank Co., Ltd.* (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	38.8%	38.8%	38.8%	38.8%	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd.* (“海口聯合農村商業銀行股份有限公司”, “Haikou United Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	10%	10%	10%	10%	Corporate and retail bank

(1) These associates are directly held by the Bank.

\* The English translation is for identification only.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 21. INTERESTS IN ASSOCIATES (Continued)

Note:

The financial information and carrying amount, in aggregate, of the Group's interests in the associates that are not individually significant which and are accounted for using the equity method are set out below:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
The Group's share of (losses) profit for the period/year	(6,340)	28,521
The Group's share of other comprehensive (expense) income for the period/year	(34)	9,464
	<b>(6,374)</b>	<b>37,985</b>

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Carrying amount of the Group's interests in these associates	<b>954,659</b>	961,033

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

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## 22. PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2021 (Audited)	3,203,332	638,680	808,816	194,944	10,226	4,855,998
Additions	70,277	26,097	66,201	167,488	596	330,659
Transfers in (out) of construction in progress	122,152	1,258	18,315	(141,725)	—	—
Transfers to land use rights	—	—	—	(21,587)	—	(21,587)
Transfers from repossessed assets	10,917	—	—	—	—	10,917
Disposals	(5,437)	(3,737)	(8,622)	(5,380)	(2,018)	(25,194)
At 31 December 2021 and 1 January 2022 (Audited)	<b>3,401,241</b>	<b>662,298</b>	<b>884,710</b>	<b>193,740</b>	<b>8,804</b>	<b>5,150,793</b>
Additions	<b>559</b>	<b>15,163</b>	<b>8,562</b>	<b>17,229</b>	<b>1,587</b>	<b>43,100</b>
Acquisition of a subsidiary	<b>13,351</b>	<b>245</b>	<b>977</b>	<b>—</b>	<b>37</b>	<b>14,610</b>
Transfers in (out) of construction in progress	<b>4,973</b>	<b>—</b>	<b>2,751</b>	<b>(8,013)</b>	<b>289</b>	<b>—</b>
Transfers from repossessed assets	<b>3,420</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,420</b>
Disposals	<b>(83,304)</b>	<b>—</b>	<b>(2,759)</b>	<b>—</b>	<b>(990)</b>	<b>(87,053)</b>
At 30 June 2022 (Unaudited)	<b>3,340,240</b>	<b>677,706</b>	<b>894,241</b>	<b>202,956</b>	<b>9,727</b>	<b>5,124,870</b>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2021 (Audited)	601,302	432,078	567,950	—	5,177	1,606,507
Provided for the year	160,120	57,290	72,264	—	1,526	291,200
Impairment loss recognised	—	—	184	—	—	184
Eliminated on disposals	(1,862)	(1,402)	(7,357)	—	(1,958)	(12,579)
At 31 December 2021 and 1 January 2022 (Audited)	<b>759,560</b>	<b>487,966</b>	<b>633,041</b>	<b>—</b>	<b>4,745</b>	<b>1,885,312</b>
Provided for the period	<b>86,815</b>	<b>28,055</b>	<b>35,008</b>	<b>—</b>	<b>953</b>	<b>150,831</b>
Eliminated on disposals	<b>(22,781)</b>	<b>—</b>	<b>(1,618)</b>	<b>—</b>	<b>(955)</b>	<b>(25,354)</b>
At 30 June 2022 (Unaudited)	<b>823,594</b>	<b>516,021</b>	<b>666,431</b>	<b>—</b>	<b>4,743</b>	<b>2,010,789</b>
<b>Net book value</b>						
At 30 June 2022 (Unaudited)	<b>2,516,646</b>	<b>161,685</b>	<b>227,810</b>	<b>202,956</b>	<b>4,984</b>	<b>3,114,081</b>
At 31 December 2021 (Audited)	2,641,681	174,332	251,669	193,740	4,059	3,265,481

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#### (Continued)

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#### 22. PROPERTY AND EQUIPMENT (Continued)

At 30 June 2022, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB925,165,000 (31 December 2021: approximately RMB958,589,000). Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB456,457,000 (31 December 2021: approximately RMB442,849,000).

According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned premises and entitled to occupy, use, transfer, pledge and dispose of these premises.

At 30 June 2022 and 31 December 2021, the net book values of premises are analysed by the remaining terms of the leases as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Held in Mainland China		
— Long term leases (over 50 years)	143,708	63,182
— Medium term leases (10–50 years)	2,324,938	2,531,344
— Short term leases (less than 10 years)	48,000	47,155
	<b>2,516,646</b>	2,641,681

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

	Premises RMB'000	Motor Vehicles RMB'000	Land use rights (Note) RMB'000	Total RMB'000
<b>Cost</b>				
At 1 January 2021 (Audited)	973,505	13,377	8,403	995,285
Additions	98,502	1,329	—	99,831
Transfer from PPE	—	—	21,587	21,587
Disposals	(137,549)	(1,527)	—	(139,076)
At 1 January 2022 (Audited)	934,458	13,179	29,990	977,627
Additions	56,022	2,209	—	58,231
Acquisition of a subsidiary	4,388	—	—	4,388
Early termination of lease	(17,664)	—	—	(17,664)
Lease modification	(1,437)	—	—	(1,437)
Lease expiry	(39,534)	(492)	—	(40,026)
At 30 June 2022 (Unaudited)	936,233	14,896	29,990	981,119
<b>Accumulated depreciation</b>				
At 1 January 2021 (Audited)	321,299	8,298	1,448	331,045
Provided for the period	164,223	3,564	871	168,658
Elimination on disposals	(133,941)	(2,844)	—	(136,785)
At 1 January 2022 (Audited)	351,581	9,018	2,319	362,918
Provided for the period	88,455	1,597	298	90,350
Early termination of lease	(8,152)	—	—	(8,152)
Lease expiry	(39,534)	(492)	—	(40,026)
At 30 June 2022 (Unaudited)	392,350	10,123	2,617	405,090
<b>Carrying amounts</b>				
At 30 June 2022 (Unaudited)	543,883	4,773	27,373	576,029
At 31 December 2021 (Audited)	582,877	4,161	27,671	614,709

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

### (Continued)

For the Period Ended 30 June 2022

### 23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

#### (i) Right-of-use assets (Continued)

*Note:*

As at 30 June 2022, right-of-use assets of approximately RMB27,373,000 (31 December 2021: approximately RMB27,671,000) represents land use rights located in the PRC. As at 30 June 2022, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB602,000 (31 December 2021: approximately RMB676,000). In the opinion of the directors, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

The Group has lease arrangements for premises and motor vehicles. The lease terms are generally ranged from two to twenty years. The land is located in the PRC with lease term ranged from ten to fifty years.

Additions to the right-of-use assets for the period ended 30 June 2022 amounted to approximately RMB58,231,000, due to new leases of premises and motor vehicles.

Additions to the right-of-use assets for the year ended 31 December 2021 amounted to approximately RMB99,831,000, due to new leases of premises and motor vehicles.

#### (ii) Lease liabilities

##### Amounts payable under lease liabilities

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Within one year	147,779	169,583
After one year but within two years	119,742	135,869
After two year but within five years	156,811	169,938
After five years	49,796	43,389
	<b>474,128</b>	518,779

During the period ended 30 June 2022, the Group entered into a number of new lease agreements in respect of renting properties and motor vehicles and recognised lease liability of approximately RMB58,231,000.

During the year ended 31 December 2021, the Group entered into a number of new lease agreements in respect of renting properties and motor vehicles and recognised lease liability of approximately RMB99,831,000.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 23. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

##### (iii) Amounts recognised in profit and loss

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Depreciation expense on right-of-use assets	90,350	93,760
Interest expense on lease liabilities	11,589	12,988
Expense relating to short-term leases	14,960	22,043

##### (iv) Others

As at 30 June 2022 and 31 December 2021, the Group does not have lease agreements committed but not yet commenced.

During the period ended 30 June 2022, the total cash outflow for leases amount to approximately RMB120,406,000 (six months ended 30 June 2021: approximately RMB118,681,000).

#### 24. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Deferred tax assets	1,331,564	1,111,007
Deferred tax liabilities	(44,025)	(106,512)
	1,287,539	1,004,495



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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 24. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current period and prior year:

	Provision for impairment losses on assets RMB'000 Note (i)	Change in fair value of financial asset at FVTOCI RMB'000 Note (ii)	Net losses/(gains) from fair value changes of financial asset at FVTPL RMB'000 Note (ii)	Tax losses RMB'000 Note (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 2021 (Audited)	815,949	(208)	(110,770)	61,565	6,686	773,222
Credit/(charge) to profit or loss	222,922	—	33,227	(21,397)	25,282	260,034
Credit to other comprehensive income	—	(28,761)	—	—	—	(28,761)
At 31 December 2021 and 1 January 2022 (Audited)	<b>1,038,871</b>	<b>(28,969)</b>	<b>(77,543)</b>	<b>40,168</b>	<b>31,968</b>	<b>1,004,495</b>
Credit/(charge) to profit or loss	<b>218,881</b>	<b>39</b>	<b>45,489</b>	<b>(6,286)</b>	<b>1,013</b>	<b>259,136</b>
Credit to other comprehensive income	—	<b>16,959</b>	—	—	—	<b>16,959</b>
Acquisition of a subsidiary	<b>6,941</b>	—	—	—	<b>8</b>	<b>6,949</b>
At 30 June 2022 (Unaudited)	<b>1,264,693</b>	<b>(11,971)</b>	<b>(32,054)</b>	<b>33,882</b>	<b>32,989</b>	<b>1,287,539</b>

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other financial assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At 30 June 2022, the Group has unused tax losses of approximately RMB135,528,000 (31 December 2021: approximately RMB160,672,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 25. OTHER ASSETS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Other receivables and prepayments (Note (i))	291,837	256,869
Repossessed assets (Note (ii))	762,305	413,057
Long-term deferred expenses (Note (iii))	114,473	135,337
Interest receivables	158,863	124,841
Other	16,119	15,325
	<b>1,343,597</b>	<b>945,429</b>

Notes:

(i)

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Other receivables and prepayments	337,253	296,430
Less: Provision for impairment losses	(45,416)	(39,561)
	<b>291,837</b>	<b>256,869</b>

As at 30 June 2022, the Group has other receivables in gross amount of approximately RMB299,167,000 (31 December 2021: approximately RMB265,689,000) and measures the loss allowance in accordance with 12-month ECL and lifetime ECL basis amounting to approximately RMB45,416,000 (31 December 2021: RMB39,561,000).

Movements of allowance for impairment losses

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
At 1 January	39,561	32,726
Impairment losses recognised	5,207	9,714
Amounts written off as uncollectible	—	(4,441)
Acquisition of a subsidiary	612	—
Others	36	1,562
At 30 June/31 December	<b>45,416</b>	<b>39,561</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

### 25. OTHER ASSETS (Continued)

Notes: (Continued)

(ii)

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Gross repossessed assets	787,834	438,720
Less: Provision for impairment losses	(25,529)	(25,663)
	<b>762,305</b>	<b>413,057</b>

Movements of allowance for impairment losses

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
At 1 January	25,663	25,335
Impairment losses recognised	—	443
Amounts written off as uncollectible	(134)	(115)
At 30 June/31 December	<b>25,529</b>	<b>25,663</b>

(iii) As at 30 June 2022, long-term deferred expenses represent prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period in 2022. Amortisation of long-term deferred expenses for the period ended 30 June 2022 was approximately RMB14,633,000.

As at 31 December 2021, long-term deferred expenses represent prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period in 2021. Amortisation of long-term deferred expenses for the year ended 31 December 2021 was approximately RMB33,103,000.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 26. PLEDGED ASSETS

##### (a) Assets pledge as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 30 June 2022 is approximately RMB1,498,162,000 (31 December 2021: nil).

##### (b) Received pledged assets

The Group and the Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

#### 27. BORROWINGS FROM THE CENTRAL BANK

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Borrowings	3,075,620	2,851,219
Accrued interest	122	329
	<b>3,075,742</b>	<b>2,851,548</b>

#### 28. DEPOSITS FROM BANKS

##### Analysed by type and location of counterparty

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Deposits in Mainland China		
— Banks	5,085,267	6,763,740
Accrued interest	66,645	126,482
	<b>5,151,912</b>	<b>6,890,222</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 29. PLACEMENTS FROM BANKS

##### Analysed by type and location of counterparty

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Placements in Mainland China		
– Banks	2,002,496	1,502,496
Accrued interest	2	–
	<b>2,002,498</b>	<b>1,502,496</b>

#### 30. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

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

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
In Mainland China		
– Banks	1,286,500	–
Accrued interest	487	–
	<b>1,286,987</b>	<b>–</b>

##### (b) Analysed by collateral

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Debt securities	1,286,987	–

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 31. DEPOSITS FROM CUSTOMERS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Demand deposits		
– Corporate customers	34,880,945	38,020,534
– Individual customers	16,229,746	16,652,878
	<b>51,110,691</b>	54,673,412
Time deposits		
– Corporate customers	10,026,577	7,962,365
– Individual customers	152,734,521	126,759,921
	<b>162,761,098</b>	134,722,286
Pledged deposits		
– Acceptances	849,822	1,193,178
– Guarantees and letters of guarantees	1,749,056	1,590,968
	<b>2,598,878</b>	2,784,146
Others	1,057,444	926,394
Accrued interest	4,482,714	3,853,165
	<b>222,010,825</b>	196,959,403

#### 32. ACCRUED STAFF COSTS

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Salary and bonus payable	66,950	171,518
Social pension schemes payable	1,565	636
Other social insurances payable	554	1,375
Other staff welfare payable	2,436	6,181
	<b>71,505</b>	179,710

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

**(Continued)**

For the Period Ended 30 June 2022

### 33. DEBTS SECURITIES ISSUED

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Restated) RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Note (i))	3,495,558	3,495,092
Interbank certificates issued (Note (ii))	2,488,758	2,715,986
	<b>5,984,316</b>	6,211,078
Accrued interest	125,818	79,320
	<b>6,110,134</b>	6,290,398

Notes:

- (i) Fixed rate subordinated debts/tier-two capital bonds issued
- (a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00%. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 30 June 2022, the outstanding balance of this fixed rate subordinated debts issued is approximately RMB699,849,000 (31 December 2021: approximately RMB699,700,000).
- (b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 30 June 2022, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB799,332,000 (31 December 2021: approximately RMB799,213,000).
- (c) Tier-two capital bonds at a face value of RMB2,000,000,000 with a term of ten years were issued on 20 July 2021. The coupon rate is 4.80%. The Group has an option to redeem the debts on 20 October 2026 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.82%. As at 30 June 2022, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB1,996,377,000 (31 December 2021: approximately RMB1,996,179,000).
- (ii) Interbank certificates issued
- (a) For the period ended 30 June 2022, the Bank issued a number of zero coupon interbank certificates, with total nominal amount of RMB2,500,000,000 and duration within 1 year. As at 30 June 2022, the outstanding balance of interbank certificates issued is approximately RMB2,438,834,000. The ranges of effective interest rates per annum on the Group's interbank certificates issued are 2.85% to 3.5% per annum.
- (b) For the year ended 31 December 2021, the Bank issued a number of zero coupon interbank certificates, with total nominal amount of RMB3,550,000,000 and duration between 3 months to 1 year. As at 30 June 2022, the outstanding balance of interbank certificates issued is approximately RMB49,924,000 (31 December 2021: RMB2,715,986,000). The ranges of effective interest rates per annum on the Group's interbank certificates issued are 3.25% to 3.82% per annum.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 34. OTHER LIABILITIES

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Other payable and accrued expenses	461,300	554,952
Clearance of inter-bank accounts	19,420	22,820
Other taxes payables	112,128	159,784
Agency business liabilities	427	10,177
Dividend payable	484	484
Deposits under finance lease arrangement and unearned revenue (Notes (a))	50,955	72,461
Provision for credit commitments and financial guarantees (Notes (b))	69,278	60,465
	<b>713,992</b>	<b>881,143</b>

Notes:

- (a) Deposits under finance lease arrangement and unearned revenue mainly represents finance leases deposits payable and deferred income received under finance leases for which the income will be amortised over the leasing periods.
- (b) As at 30 June 2022 and 31 December 2021, the Group classifies all provision for credit commitments and financial guarantees in Stage 1 and measures the loss allowance in accordance with 12-month ECL basis.

Movement of provision for impairment losses:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
At 1 January	60,465	43,372
Impairment losses recognised	8,813	17,093
At 30 June/31 December	<b>69,278</b>	<b>60,465</b>



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

### 35. SHARE CAPITAL

Share capital of the Group as at 30 June 2022 and 31 December 2021 represented share capital of the Bank, which is fully paid.

Share capital as at the end of the reporting period is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
– Ordinary shares	4,612,901	4,612,901
At beginning of the period/year	4,612,901	4,393,239
Share increase by converting capital reserve into new shares (Note)	—	219,662
At end of the period/year	4,612,901	4,612,901

Note:

Subsequent to the period ended 30 June 2022, the Bank issued 461,290,142 ordinary shares with a par value of RMB1 per share by way of capitalisation issue of capital reserve of the Bank on the basis of ten new shares for every one hundred existing shares (the "2022 Capitalisation Issue") in July 2022. The new shares rank pari passu with the existing shares in all respects. Subsequent to the 2022 Capitalisation Issue, the outstanding ordinary shares of the Bank was increased to 5,074,191,569.

On 23 July 2021, the Bank issued 219,661,972 ordinary shares with a par value of RMB1 per share by way of capitalisation issue of capital reserve of the Bank on the basis of five new shares for every one hundred existing shares. The new shares rank pari passu with the existing shares in all respects. Total ordinary shares were increased to 4,612,901,427.

As at the end of reporting period, the Bank's issued shares (in thousands of shares) is as follows:

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Domestic shareholders	3,734,264	3,734,264
H shareholders	878,637	878,637
At end of the period/year	4,612,901	4,612,901

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 36. CAPITAL RESERVE

	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000
Share premium	5,050,510	4,423,185
Changes in ownership in subsidiaries without changes in control	—	627,325
	<b>5,050,510</b>	5,050,510

#### 37. SURPLUS RESERVE AND GENERAL RESERVE

##### (a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 30 June 2022 is approximately RMB1,041,593,000 (31 December 2021: approximately RMB1,041,593,000), while other surplus reserve is approximately RMB16,659,000 as at 30 June 2022 (31 December 2021: approximately RMB16,659,000). The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

##### (b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the Ministry of Finance of the PRC (the "MOF") in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

### 38. DIVIDENDS

	30 June 2022 (Unaudited) RMB'000	30 June 2021 (Unaudited) RMB'000
2021 final dividend (Note a)	—	—
2020 final dividend (Note b)	—	658,986

*Notes:*

- (a) Pursuant to the resolution of the shareholders meeting of 2021 on 17 June 2022, the board of the Bank does not recommend any distribution of final dividend for the year ended 31 December 2021.
- (b) Pursuant to the resolution of the shareholders meeting of 2020 on 18 June 2021, the Bank distributed cash dividends of RMB0.15 per share (tax included) based on 4,393,239,455 shares held amounting to approximately RMB658,986,000 during the period ended 30 June 2021.
- (c) No interim dividend was paid, declared or proposed during the period ended 30 June 2022 (2021: nil).

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 39. UNCONSOLIDATED STRUCTURED ENTITIES

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust plans, asset management plans and wealth management products issued by other financial institutions.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 30 June 2022 and 31 December 2021:

	30 June 2022			
	Financial assets			
	Financial assets at FVTPL (Unaudited)	measured at amortised cost (Unaudited)	Carrying amount (Unaudited)	Maximum exposure (Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	—	6,794,954	6,794,954	6,794,954
Asset management plans	—	4,659,336	4,659,336	4,659,336
Investment funds	504,350	—	504,350	504,350
	<b>504,350</b>	<b>11,454,290</b>	<b>11,958,640</b>	<b>11,958,640</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

### 39. UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

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

	31 December 2021			
	Financial assets at FVTPL (Audited) RMB'000	Financial assets measured at amortised cost (Restated) RMB'000	Carrying amount (Restated) RMB'000	Maximum exposure (Restated) RMB'000
Trust plans	—	7,176,454	7,176,454	7,176,454
Asset management plans	942,001	5,659,336	6,601,337	6,601,337
Investment funds	504,749	—	504,749	504,749
	1,446,750	12,835,790	14,282,540	14,282,540

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing wealth management services as disclosed in Note 5.

As at 30 June 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB5,100,900,000 (31 December 2021: approximately RMB3,726,180,000).

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 39. UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

**(iii) Unconsolidated structured entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2022 and 31 December 2021:**

During the period ended 30 June 2022, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 30 June 2022 amounted to RMB1,080,250,000 (during the year ended 31 December 2021: approximately RMB4,077,170,000).

#### 40. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the China Banking and Insurance Regulatory Commission ("CBIRC"). The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

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

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

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements**

#### **(Continued)**

For the Period Ended 30 June 2022

#### **40. CAPITAL MANAGEMENT (Continued)**

The Group calculates its capital adequacy ratios in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)” and other relevant regulations promulgated by the former CBIRC.

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

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

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group’s statutory financial statements prepared in accordance with the generally accepted accounting principles in the PRC. During the period/year ended 30 June 2022 and 31 December 2021, the Group has complied with all its externally imposed capital requirements.

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 40. CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at 30 June 2022 and 31 December 2021 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the former CBIRC are as follows:

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Total core tier-one capital		
Share capital	4,612,901	4,612,901
Qualifying portion of capital reserve	5,050,510	5,050,510
Investment revaluation reserve	56,070	94,661
Surplus reserve	1,058,252	1,058,252
General reserve	2,324,272	2,321,962
Retained earnings	2,166,613	1,436,812
Qualifying portions of non-controlling interests	1,818,075	1,854,241
Core tier-one capital deductions (Note)	(520,068)	(532,635)
Net core tier-one capital	16,566,625	15,896,704
Eligible portion of non-controlling interests	189,120	238,197
Net tier-one capital	16,755,745	16,134,901
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,480,000	2,640,000
Surplus provision for loan impairment	2,207,197	1,686,334
Eligible portion of non-controlling interests	464,587	480,751
Net capital base	21,907,529	20,941,986
Total risk weighted assets	194,735,255	180,086,947
Core tier-one capital adequacy ratio	8.51%	8.83%
Tier-one capital adequacy ratio	8.60%	8.96%
Capital adequacy ratio	11.25%	11.63%

Note:

Core tier-one capital deductions primarily include other intangible assets excluding land use rights, goodwill, deferred tax assets recognised for tax losses and other regulatory deductions.



# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

### (Continued)

For the Period Ended 30 June 2022

#### 41. FINANCIAL RISK MANAGEMENT

The primary objectives of risk management of the Group are to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group's risk management policies are designed and controls are set up to identify, analyse, monitor and report risks arising from normal operation. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

Details of the financial instruments are disclosed in respective notes to the condensed consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (i.e. interest rate risk and exchange rate risk). The policies on how to mitigate these risks for the six-month period ended 30 June 2022 are the same as those presented in the Group's consolidated financial statements for the year ended 31 December 2021.

##### Credit risk

The Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL basis rather 12-month ECL basis.

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 41. FINANCIAL RISK MANAGEMENT (Continued)

##### Credit risk (Continued)

The five category classifications in which the Group classifies its loans and advances to customers and financial assets at amortised cost are set out below:

Category	Description	Basis for recognising ECL
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12-month ECL
		Lifetime ECL — not credit impaired (Only if more than 30 days past due)
		Lifetime ECL — credit impaired (Only if more than 90 days past due and repayment may be adversely affected by specific factors)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	Lifetime ECL — not credit impaired
		Lifetime ECL — credit impaired (Only if more than 90 days past due and repayment may be adversely affected by specific factors)
Substandard	Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired (Only if more than 30 days past due)
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Lifetime ECL — credit impaired

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

### (Continued)

For the Period Ended 30 June 2022

#### 41. FINANCIAL RISK MANAGEMENT (Continued)

##### Credit risk (Continued)

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

##### Loan and advance to customers

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL basis.

##### Financial assets at FVTOCI

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL basis.

##### Financial asset measured at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL basis.

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements**

#### **(Continued)**

For the Period Ended 30 June 2022

#### **41. FINANCIAL RISK MANAGEMENT (Continued)**

##### **Credit risk (Continued)**

###### **Placements with banks and other financial institutions**

The Group has applied the general approach in IFRS 9 to measure ECL. All placements with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12-month ECL basis.

###### **Deposits with banks and other financial institutions**

The Group has applied the general approach in IFRS 9 to measure ECL. All deposits with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12-month ECL basis.

###### **Financial assets held under resale agreements**

The Group has applied the general approach in IFRS 9 to measure ECL. All financial assets held under resale agreements is at Stage 1 of which the loss allowance is measured at 12-month ECL basis.

###### **Credit commitments and financial guarantees**

The Group has applied the general approach in IFRS 9 to measure ECL. All financial guarantees and loans commitment is at Stage 1 of which the loss allowance is measured at 12-month ECL basis.

###### **Other receivables**

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL basis.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 42. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Cash on hand	756,584	745,744
Deposits with the central bank	23,227,855	18,672,108
Deposits with banks and other financial institutions	9,599,463	8,706,060
Placements with banks and other financial institutions	210,000	—
Financial assets held under resale agreements	1,787,975	1,498,500
<b>Total</b>	<b>35,581,877</b>	29,622,412

#### 43. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

##### (a) Related parties of the Group

##### (i) Major shareholders

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

Shareholding in the Bank:

	At 30 June 2022 (Unaudited)	At 31 December 2021 (Audited)
Jilin Province Trust Co., Ltd. ("吉林省信託有限責任公司")	9.61%	9.61%
Changchun Huaxing Construction Co., Ltd. ("長春華星建築有限責任公司")	8.23%	8.23%

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 43. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (a) Related parties of the Group (Continued)

##### (ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 43(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

##### (b) Transactions with related parties other than key management personnel

During the period, the Group had the following material balances and entered into the following material transactions with related parties other than key management personnel under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

##### (i) Transactions between the Bank and subsidiaries

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

##### (ii) Transactions between the Group and associates

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Transactions during the period		
Interest income	31,433	24,347
Interest expense	9,024	8,383
Rental income	3,400	3,400
Gain from disposal of property and equipment	53,941	—

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 43. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (b) Transactions with related parties other than key management personnel (Continued)

##### (ii) Transactions between the Group and associates (Continued)

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Balances at end of the period/year		
Deposits with banks and other financial institutions	3,788,856	4,431,510
Financial assets held under resale agreements	—	148,500
Interests receivable	32	449
Deposits from banks and other financial institutions	730,000	844,000
Interests payable	4,213	6,235

##### (iii) Transactions between the Group and major shareholders

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Transactions during the period		
Interest income	21,538	11,750
Interest expense	93	43

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Balances at end of the period/year		
Placements with banks and other financial institutions	210,000	—
Loans and advances to customers	548,500	550,500
Interests receivable	11,704	1,527
Interests payable	7	84
Deposits from customers	207,092	45,901

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 43. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (b) Transactions with related parties other than key management personnel (Continued)

##### (iv) Transactions between the Group and other related parties

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Transactions during the period		
Interest income	27,206	24,478
Interest expense	2,084	2,343

	At 30 June	At 31 December
	2022 (Unaudited) RMB'000	2021 (Audited) RMB'000
Balances at end of the period/year		
Loans and advances to customers	756,000	1,464,910
Interests receivable	1,761	3,365
Interests payable	113	9,042
Deposits from customers	877,502	1,291,843



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 43. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (c) Key management personnel

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

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

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Transactions during the period		
Interest income	89	—
Interest expense	—*	—*

\* The balance represents an amount less than RMB500.

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
	Balances at end of the period/ year	
Interest payable	619	303
Interest receivable	1	28
Loans and advances to customers	3,172	4,022
Deposits from customers	26,129	33,646

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 43. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (c) Key management personnel (Continued)

##### (ii) Key management personnel compensation

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

	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Short-term staff benefits	2,999	3,064
Retirement benefits		
— Basic social pension insurance	896	710
	<b>3,895</b>	<b>3,774</b>

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

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At 30 June 2022 (Unaudited) RMB'000	Maximum for the period ended 30 June 2022 RMB'000	At 31 December 2021 (Audited) RMB'000	Maximum for the year ended 31 December 2021 RMB'000
Loans and advances to directors, supervisors and officers	3,172	1,300	4,022	2,500

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### **Notes to the Condensed Consolidated Financial Statements**

#### **(Continued)**

For the Period Ended 30 June 2022

#### **44. 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.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 44. SEGMENT REPORTING (Continued)

##### 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.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 44. SEGMENT REPORTING (Continued)

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

	Six months ended 30 June 2022				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating income					
External net interest income/(expense)	4,175,132	(1,874,740)	647,260	(22)	2,947,630
Internal net interest (expense)/income	(2,129,316)	3,315,119	(1,185,803)	—	—
Net interest income/ (expense)	2,045,816	1,440,379	(538,543)	(22)	2,947,630
Net fee and commission income	6,119	3,906	20,391	—	30,416
Net trading gains	—	—	65,433	—	65,433
Dividend income	—	—	—	21,398	21,398
Net gains arising from investment securities	—	—	32,296	—	32,296
Net exchange gains	—	—	—	4,843	4,843
Other operating income, net	—	—	—	49,834	49,834
Operating income/(losses)	2,051,935	1,444,285	(420,423)	76,053	3,151,850
Operating expenses	(888,268)	(371,037)	(60,149)	(2,731)	(1,322,185)
Impairment losses on assets	(603,920)	(343,701)	(92,275)	(8,510)	(1,048,406)
Operating profit/(loss)	559,747	729,547	(572,847)	64,812	781,259
Share of results of associates	—	—	—	(6,340)	(6,340)
Profit/(loss) before tax	559,747	729,547	(572,847)	58,472	774,919
Other segment information					
— Depreciation and amortisation	163,405	63,684	28,155	570	255,814
— Capital expenditure	28,115	14,022	533	430	43,100

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 44. SEGMENT REPORTING (Continued)

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

	At 30 June 2022				
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
	Segment assets	150,610,144	22,052,242	82,557,851	2,952,310
Deferred tax assets	—	—	—	1,287,539	1,287,539
<b>Total assets</b>	<b>150,610,144</b>	<b>22,052,242</b>	<b>82,557,851</b>	<b>4,239,849</b>	<b>259,460,086</b>
Segment liabilities	(50,351,584)	(172,429,862)	(17,758,185)	(464,891)	(241,004,522)
Dividend payable	—	—	—	(484)	(484)
<b>Total liabilities</b>	<b>(50,351,584)</b>	<b>(172,429,862)</b>	<b>(17,758,185)</b>	<b>(465,375)</b>	<b>(241,005,006)</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 44. SEGMENT REPORTING (Continued)

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

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 44. SEGMENT REPORTING (Continued)

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

	At 31 December 2021				
	Corporate banking (Audited) RMB'000	Retail banking (Audited) RMB'000	Treasury operations (Audited) RMB'000	Others (Audited) RMB'000	Total (Audited) RMB'000
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
<b>Total assets</b>	<b>135,823,918</b>	<b>21,556,575</b>	<b>72,818,085</b>	<b>3,941,662</b>	<b>234,140,240</b>
Segment liabilities	(114,793,217)	(86,360,333)	(14,904,839)	(306,355)	(216,364,744)
Dividend payable	—	—	—	(484)	(484)
<b>Total liabilities</b>	<b>(114,793,217)</b>	<b>(86,360,333)</b>	<b>(14,904,839)</b>	<b>(306,839)</b>	<b>(216,365,228)</b>



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 44. SEGMENT REPORTING (Continued)

##### (b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipment, right-of-use assets and long-term deferred expenses. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jilin Region” refers to the head quarter of the Bank and the 14 (31 December 2021: 13) subsidiaries of the Group.
- “Mainland China excluding Jilin Region” refers to the following areas serviced by the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

	Operating Income	
	Six months ended 30 June	
	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
Jilin Region	2,705,186	2,397,218
Mainland China excluding Jilin Region	446,664	354,731
	<b>3,151,850</b>	2,751,949

	Non-current asset	
	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Jilin Region	3,088,113	3,288,299
Mainland China excluding Jilin Region	716,470	727,228
	<b>3,804,583</b>	4,015,527

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements**

#### **(Continued)**

For the Period Ended 30 June 2022

#### **45. FAIR VALUE OF FINANCIAL INSTRUMENTS**

##### **(a) Methods and assumptions for measurement of fair value**

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

##### **(i) Debt securities**

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on discounted cash flows.

##### **(ii) Receivables and other non-derivative financial assets**

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

##### **(iii) Unlisted equity investments**

The fair value of the unlisted equity investment has been estimated by using the market approach, recent transaction price, using ratio of price to book value ("PB Ratio") of certain listed companies in the same industry, in arriving at an indicated value of the unlisted equity interest. The valuation takes account of a discount for lack of marketability ("DLOM") on this investment.

##### **(iv) Trust plans, asset management plan and other investments**

The fair value of the trust plans, asset management plan and other investments are based on the net assets values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

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

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

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### **Notes to the Condensed Consolidated Financial Statements**

#### **(Continued)**

For the Period Ended 30 June 2022

#### **45. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

##### **(b) Fair value measurement**

###### **(i) Financial assets**

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, placement with other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial assets at FVTPL and financial assets at FVTOCI are stated at fair value.

###### **(ii) Financial liabilities**

The Group's financial liabilities mainly include deposits from banks and other financial institutions, financial assets sold under repurchase agreements, placement with other financial institutions, deposits from customers and debts securities issued. The carrying amounts of financial liabilities are approximate to their fair value.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 45. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the condensed consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 45. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

	At 30 June 2022			
	Level 1	Level 2	Level 3	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Assets</b>				
Financial assets at FVTPL (Note 17)				
– listed equity investments measured at FVTPL	45,691	–	–	45,691
– unlisted equity investments measured at FVTPL	–	16,880	943,339	960,219
– other debt instruments	–	504,350	–	504,350
Financial assets at FVTOCI (Note 19)				
– debt securities	–	8,801,342	–	8,801,342
– unlisted equity investments measured at FVTOCI	–	–	153,475	153,475
	45,691	9,322,572	1,096,814	10,465,077

	At 31 December 2021			
	Level 1	Level 2	Level 3	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
<b>Assets</b>				
Financial assets at FVTPL (Note 17)				
– listed equity investments measured at FVTPL	61,057	–	–	61,057
– unlisted equity investments measured at FVTPL	–	108,000	936,407	1,044,407
– other debt instruments	–	1,446,750	–	1,446,750
Financial assets at FVTOCI (Note 19)				
– debt securities	–	4,938,009	–	4,938,009
– unlisted equity investments measured at FVTOCI	–	168,000	10,450	178,450
	61,057	6,660,759	946,857	7,668,673

During the period ended 30 June 2022, an unlisted equity measured at FVTPL amounted approximately RMB24,472,000 (31 December 2021: RMB162,206,000) was transferred out of Level 3 of the fair value hierarchy upon the recent transactions of the investment among independent third parties took place during the period.

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

### (Continued)

For the Period Ended 30 June 2022

#### 45. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	30 June 2022 (Unaudited) RMB'000	31 December 2021 (Audited) RMB'000				
<b>Financial assets at FVTPL</b>						
Listed equity investments measured at FVTPL	45,691	61,057	Level 1	Based on quoted bid prices in an active market	N/A	N/A
Unlisted equity investments measured at FVTPL	943,339	936,407	Level 3	Market approach adopted. The value is based on PB Ratio, adjusted by discount for DLOM.	The PB Ratio is 0.78 (31 December 2021: 0.86). The DLOM is 10% (31 December 2021:10%)	The higher the PB Ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (i))
Other debt instruments	16,880	108,000	Level 2	Based on recent transaction price.	N/A	N/A
	504,350	1,446,750	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
<b>Financial assets at FVTOCI</b>						
Debt securities – listed	8,801,342	4,938,009	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Unlisted equity investments measured at FVTOCI	153,475	10,450	Level 3	Market approach adopted. The value is based on PB ratio, adjusted by DLOM.	The PB ratio is 0.78 (31 December 2021: 0.86). The DLOM is 10% (31 December 2021:10%)	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (ii))
	—	168,000	Level 2	Based on recent transaction price.	N/A	N/A

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

### (Continued)

For the Period Ended 30 June 2022

#### 45. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Notes:

- (i) A 5% increase in PB Ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTPL by approximately RMB31,714,000 (31 December 2021: approximately RMB35,586,000) and vice versa.

A 0.5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTPL by approximately RMB3,524,000 (31 December 2021: approximately RMB3,954,000) and vice versa.

- (ii) A 5% increase in PB Ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB1,962,000 (31 December 2021: approximately RMB523,000) and vice versa.

A 0.5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB218,000 (31 December 2021: approximately RMB58,000) and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investment		
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
At 31 December 2020 (Audited)	967,530	153,392	1,120,922
Fair value losses recognised in profit or loss	(79,889)	—	(79,889)
Fair value gain recognised in OCI	—	25,296	25,296
Disposals	—	(238)	(238)
Transfer out of level 3 (Change in valuation methodology)	(162,206)	(168,000)	(330,206)
Transfer into level 3 (Change in valuation methodology)	210,972	—	210,972
At 31 December 2021 and 1 January 2022 (Audited)	<b>936,407</b>	<b>10,450</b>	<b>946,857</b>
Fair value losses recognised in profit or loss	<b>(98,810)</b>	—	<b>(98,810)</b>
Fair value losses recognised in OCI	—	<b>(24,975)</b>	<b>(24,975)</b>
Transfer out of level 3 (Change in valuation methodology)	<b>(24,472)</b>	—	<b>(24,472)</b>
Transfer into level 3 (Change in valuation methodology)	<b>130,214</b>	<b>168,000</b>	<b>298,214</b>
At 30 June 2022 (Unaudited)	<b>943,339</b>	<b>153,475</b>	<b>1,096,814</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2022

#### 45. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

*Notes: (Continued)*

Reconciliation of Level 3 fair value measurements of financial assets: (Continued)

The above total changes in fair value for the period ended 30 June 2022 of approximately RMB98,810,000 and RMB24,975,000 are included in net trading losses and investment revaluation reserve, respectively.

The above fair value losses and gain of approximately RMB79,889,000 and RMB25,296,000, respectively are included in net trading gains and investment revaluation reserve for the year ended 31 December 2021.

The fair value of equity investment is determined with reference to PB Ratio of certain listed companies with an adjustment of DLOM, which are unobservable inputs for the fair value measurement. The higher the discount for lack of marketability, the lower the fair value.

#### 46. ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the consolidated statements of financial position. Surplus funding is accounted for as deposits from customers.

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Entrusted loans	<b>17,574,909</b>	19,959,635
Entrusted funds	<b>17,574,909</b>	19,959,635



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

**(Continued)**

For the Period Ended 30 June 2022

#### 47. 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.

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Acceptances	2,261,112	2,553,865
Letters of guarantees	3,514,534	2,849,538
Letters of credit	32,542	18,891
Unused credit card commitments	162,744	161,143
	<b>5,970,932</b>	5,583,437

The Group may be exposed to credit risk in all the above credit businesses. The Group's 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 30 June 2022 and 31 December 2021, the Group's authorised capital commitments are as follows:

	At 30 June 2022 (Unaudited) RMB'000	At 31 December 2021 (Audited) RMB'000
Purchase of property and equipment — Contracted for but not provided	3,252	3,205

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2022

#### 48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's condensed consolidated statement of cash flows from financing activities.

	1 January 2022 (Audited) RMB'000	Financing cash flows (Unaudited) RMB'000	Non-cash change				30 June 2022 (Unaudited) RMB'000
			Finance cost incurred (Unaudited) RMB'000	New lease arrangement entered (Unaudited) RMB'000	Acquisition of subsidiary (Unaudited) RMB'000	Early termination of lease (Unaudited) RMB'000	
<b>Liabilities</b>							
Debt securities issued (Note 33)	6,211,078	(271,862)	45,100	—	—	—	5,984,316
Interests payable arising from debt securities issued (Note 33)	79,320	(50,399)	96,897	—	—	—	125,818
Lease liabilities (Note 23)	518,779	(105,446)	11,589	58,231	3,202	(12,227)	474,128
	6,809,177	(427,707)	153,586	58,231	3,202	(12,227)	6,584,262

	1 January 2021 (Audited) RMB'000	Financing cash flows (Unaudited) RMB'000	Non-cash change				30 June 2021 (Unaudited) RMB'000
			Finance cost incurred (Unaudited) RMB'000	Dividend declared (Unaudited) RMB'000	New lease arrangement entered (Unaudited) RMB'000	Early termination of lease (Unaudited) RMB'000	
<b>Liabilities</b>							
Debt securities issued	7,504,526	(1,469,026)	56,266	—	—	—	6,091,766
Interests payable arising from debt securities issued	44,009	(50,399)	68,036	—	—	—	61,646
Dividend payable	10	(44,397)	—	703,847	—	—	659,460
Lease liabilities	591,499	(96,638)	12,988	—	34,229	(1,585)	540,493
	8,140,044	(1,660,460)	137,290	703,847	34,229	(1,585)	7,353,365

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements**

#### **(Continued)**

For the Period Ended 30 June 2022

#### **49. NON-CASH TRANSACTION**

Except as disclosed elsewhere in the condensed consolidated financial statement, the Group entered the following major non-cash transactions:

- (i) During the period ended 30 June 2022, the Group entered into new arrangements in respect of premises and motor vehicles. Right-of-use assets and lease liabilities of RMB58,231,000 were recognised at the commencement of the leases.
  
- (ii) During the period ended 30 June 2021, the Group entered into new arrangements in respect of premises and motor vehicles. Right-of-use assets and lease liabilities of RMB34,229,000 were recognised at the commencement of the leases.

#### **50. ACQUISITION**

During the period ended 30 June 2022, the Bank completed its acquisition of 15% equity interest in Jiutai Longjia Cunzhen Bank (“Jiutai Longjia”) for a consideration of approximately RMB16,433,000. The Bank signed contracts with four shareholders who hold in total 40% ownership and voting power of this Bank and these shareholders will vote consistently with the Bank in deciding the financial and operating policies. Hence, Jiutai Longjia was deemed to be controlled by the Bank and considered as a subsidiary. The fair value of assets have been determined on a provisional basis awaiting further information and finalisation of valuation.

#### **51. EVENTS AFTER THE REPORTING PERIOD**

In July 2022, the Bank issued 461,290,142 ordinary shares by way of capitalisation issue, following which the total share capital of ordinary shares of the Bank increased to 5,074,191,569 shares. (Note 35)

#### **52. COMPARATIVE FIGURES**

Certain reclassification to the comparative figures as at 31 December 2021 to conform with current year’s presentation on accrued interest receivables and payables.

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

### 1. Leverage ratio (%)

	At June 30, 2022	At December 31, 2021
Leverage Ratio	6.38%	6.80%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBIRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above leverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

### 2. Currency concentrations

	At June 30, 2022		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	23,017	1,379	24,396
Spot liabilities	(11,497)	(66)	(11,563)
<b>Net position</b>	<b>11,520</b>	<b>1,313</b>	<b>12,833</b>

	At December 31, 2021		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	18,743	1,399	20,142
Spot liabilities	(7,852)	(69)	(7,921)
<b>Net position</b>	<b>10,891</b>	<b>1,330</b>	<b>12,221</b>

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at the end of each Reporting Period.

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. International claims

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

International claims include loans and advances to customers, balances with the central bank, deposit and placement with banks and other financial institutions.

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

	At June 30, 2022	At December 31, 2021
Deposit with banks		
Asia Pacific excluding Mainland China	10,073	6,604

### 4. Loans and advances overdue for more than 90 days by geographical segments

	At June 30, 2022	At December 31, 2021
Jilin Region	3,157,353	2,960,885
Mainland China excluding Jilin Region	652,131	501,272
Total	3,809,484	3,462,157

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### 5. Gross amount of loans and advances overdue for more than 90 days

	At June 30, 2022	At December 31, 2021
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
— Between three months and six months (inclusive)	326,332	538,142
— Between six months and one year (inclusive)	556,956	582,636
— Between one year and three years	1,974,606	1,630,630
— Over three years	951,591	710,748
<b>Total</b>	<b>3,809,485</b>	<b>3,462,156</b>
As a percentage of total gross loans and advances		
— Between three months and six months (inclusive)	0.20%	0.34%
— Between six months and one year (inclusive)	0.32%	0.37%
— Between one year and three years	1.15%	1.04%
— Over three years	0.55%	0.45%
<b>Total</b>	<b>2.22%</b>	<b>2.20%</b>

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

### 6. Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At June 30, 2022 and December 31, 2021, substantial amounts of the Bank's exposures arose from business with mainland China entities or individuals.



吉林九台農村商業銀行股份有限公司  
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED