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JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED *

吉林九台農村商業銀行股份有限公司 *

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

(Stock Code: 6122)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board of directors (the “**Board**” or “**Board of Directors**”) of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “**Bank**”) is pleased to announce the unaudited interim results (the “**Interim Results**”) of the Bank and its subsidiaries (the “**Group**”) for the six months ended June 30, 2022 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Interim Results.

1. BASIC INFORMATION OF THE BANK

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

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

Auditors of the Bank:

Domestic Auditor:

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

International Auditor:

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

2. FINANCIAL SUMMARY

(Expressed in millions of RMB, unless otherwise stated)	Six months ended		Change in percentage (%)	Year ended December 31, 2021
	June 30,			
	2022	2021		
Operating results				
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)
Net interest income	2,947.6	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)
Net fee and commission income	30.4	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
Operating income	3,151.8	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)
Operating profit	781.3	699.3	11.7	1,719.0
Share of results of associates	(6.4)	(8.9)	(28.1)	28.5
Profit before tax	774.9	690.4	12.2	1,747.5
Income tax expense	(121.3)	(177.9)	(31.8)	(457.5)
Profit for the period/end of year	653.6	512.5	27.5	1,290.0
Profit for the year attributable to:				
— Owners of the Bank	732.1	434.3	68.6	1,129.4
— Non-controlling interests	(78.5)	78.2	(200.4)	160.6
Profit for the period/end of year	653.6	512.5	27.5	1,290.0
		(Restated)		(Restated)
Basic earnings per share (RMB)	0.14	0.09	55.6	0.22
Diluted earnings per share (RMB)	0.14	0.09	55.6	0.22

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

Notes:

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 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.

3.2 Development Strategies

The Group’s strategic goal is to position itself as a professional financial services provider with unique values and strong competitive abilities in order to build a first-class modern rural commercial bank in the PRC with strong brand value. To achieve its goal, the Group plans to: (i) reinforce advantages in banking services for the “three rurals (三農)” and micro, small and medium-sized enterprises (the “SMEs”); (ii) exploit the growth potential of personal financial services 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.

3.3 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.

(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
Net interest income	2,947.6	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
Net fee and commission income	30.4	33.4	(3.0)	(9.0)

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022	2021	Change in amount	Change in percentage (%)
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
Operating income	3,151.8	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
Operating profit	781.3	699.3	82.0	11.7
Share of results of associates	(6.4)	(8.9)	2.5	(28.1)
Profit before tax	774.9	690.4	84.5	12.2
Income tax expense	(121.3)	(177.9)	56.6	(31.8)
Profit for the period	653.6	512.5	141.1	27.5
Profit for the period attributable to:				
— Owners of the Bank	732.1	434.3	297.8	68.6
— Non-controlling interests	(78.5)	78.2	(156.7)	(200.4)
Profit for the period	653.6	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.

(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,			
	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
Net interest income	<u>2,947.6</u>	<u>2,715.3</u>	<u>232.3</u>	<u>8.6</u>

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022			Six months ended June 30, 2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning assets						
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 ⁽¹⁾	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 ⁽²⁾	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
Total interest-earning assets	<u>246,200.2</u>	<u>6,759.5</u>	<u>5.49</u>	<u>204,698.7</u>	<u>5,686.7</u>	<u>5.56</u>

(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 (%)
Interest-bearing liabilities						
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 ⁽³⁾	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
Total interest-bearing liabilities	238,606.1	3,811.9	3.20	195,479.4	2,971.4	3.04
Net interest income		2,947.6			2,715.3	
Net interest spread⁽⁴⁾			2.29			2.52
Net interest margin⁽⁵⁾			2.39			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.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2022 vs 2021		
	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning Assets			
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
Changes in interest income	<u>1,096.6</u>	<u>(23.8)</u>	<u>1,072.8</u>
Interest-bearing Liabilities			
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)
Changes in interest expense	<u>703.5</u>	<u>137.0</u>	<u>840.5</u>
Changes in net interest income	<u>393.1</u>	<u>(160.8)</u>	<u>232.3</u>

Notes:

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

(ii) *Interest income*

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	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
Total	6,759.5	100.0	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.

(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
Gross loans and advances to customers	171,652.8	5,757.1	6.71	144,393.4	4,575.3	6.34

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.

(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.

(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.

(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
Total	3,811.9	100.0	2,971.4	100.0

(A) Interest expenses on deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,					
	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate deposits						
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
Subtotal	57,280.1	715.5	2.50	43,935.5	557.8	2.54
Retail deposits						
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
Subtotal	158,212.4	2,730.1	3.45	119,157.8	1,895.7	3.18
Total deposits from customers	215,492.5	3,445.6	3.20	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.

(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.

(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 million 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.

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 (%)
Fee and commission income				
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 ⁽¹⁾	1.5	2.6	(1.1)	(42.3)
Subtotal	63.1	64.0	(0.9)	(1.4)
Fee and commission expense	(32.7)	(30.6)	(2.1)	6.9
Net fee and commission income	30.4	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.

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.

(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.

(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
Total	1,322.1	1,251.6	70.5	5.6

(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)
Total staff costs	847.1	774.2	72.9	9.4

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.

(vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2022	2021	Change in amount	
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
Total	<u>1,048.4</u>	<u>801.1</u>	<u>247.3</u>	<u>30.9</u>

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.

(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
Assets				
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 ⁽¹⁾	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 ⁽²⁾	7,677.3	3.0	7,192.5	3.1
Total assets	259,460.1	100.0	234,140.2	100.0

Notes:

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

(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
Gross loans and advances to customers	171,857.4	100.0	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.

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
Gross loans and advances to customers	171,857.4	100.0	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.

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

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

(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
Debt securities investments				
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
Subtotal	19,319.8	58.1	14,649.0	47.5
Asset management plans and trust plans				
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
Subtotal	10,409.3	31.3	12,824.9	41.7
Funds	504.3	1.5	504.7	1.6
Subtotal	504.3	1.5	504.7	1.6
T+0 clearing and advances	0.0	0.0	0.0	0.0
Subtotal	0.0	0.0	0.0	0.0
Equity investments				
Financial assets at fair value through other comprehensive income	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
Subtotal	1,159.4	3.5	1,284.0	4.2
Accrued interest	1,847.7	5.6	1,543.9	5.0
Total investment securities and other financial assets, net	33,240.5	100.0	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.

(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 ⁽¹⁾	1,367.0	0.6	1,871.2	0.9
Total liabilities	241,005.0	100.0	216,365.2	100.0

Note:

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

(A) Deposits from customers

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

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

(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
Total equity	18,455.1	100.0	17,775.0	100.0

(c) *Assets Quality Analysis*

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

The non-performing loans of the Group are classified as substandard, doubtful and loss. As of June 30, 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
Gross loans and advances to customers	<u>171,857.4</u>	<u>100.0</u>	<u>156,850.2</u>	<u>100.0</u>
Non-performing loan and non-performing loan ratio⁽¹⁾	3,367.5	1.96	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.

(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 ⁽¹⁾ (%)	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans								
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 ⁽²⁾	1,796.4	1.0	35.9	2.00	1,677.0	1.0	33.6	2.00
Retail loans	27,279.9	15.9	1,364.1	5.00	26,594.9	17.0	869.8	3.27
Discounted bills	4.9	0.0	—	—	13.4	0.0	—	—
Total	171,857.4	100.0	3,367.5	1.96	156,850.2	100.0	2,941.7	1.88

Note:

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

Loans to borrowers in 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)

Customer	Industry	As of June 30, 2022	
		Amount	% of total loan
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
Total		10,755.8	6.26

(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 (%)
Corporate loans						
Small and micro enterprises ⁽¹⁾	102,160.2	1,580.0	1.55	95,243.8	1,448.9	1.52
Medium enterprises ⁽¹⁾	28,632.2	212.8	0.74	24,761.5	370.9	1.50
Large enterprises ⁽¹⁾	13,230.8	210.6	1.59	9,754.0	252.1	2.58
Others ⁽²⁾	549.4	—	—	482.6	—	—
Subtotal	144,572.6	2,003.4	1.39	130,241.9	2,071.9	1.59
Retail loans						
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
Subtotal	27,279.9	1,364.1	5.00	26,594.9	869.8	3.27
Discounted bills	4.9	—	—	13.4	—	—
Total loans	171,857.4	3,367.5	1.96	156,850.2	2,941.7	1.88

Notes:

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

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

The non-performing loan ratio of corporate loans 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
Loans not overdue	166,975.2	97.2	148,175.7	94.5
Loans past due for:				
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
Subtotal	4,882.2	2.8	8,674.5	5.5
Gross loans and advances to customers	171,857.4	100.0	156,850.2	100.0

(d) Segment Information

(i) Summary of geographical segment information

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

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

Note:

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

(ii) *Summary of business segments*

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2022		2021	
	Amount	% of total	Amount	% of 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 ⁽¹⁾	76.1	2.4	52.7	1.9
Total	3,151.8	100.0	2,752.0	100.0

Note:

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

(e) *Off-balance Sheet Commitments*

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

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

3.2 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 ⁽¹⁾	4,175.0	3,009.2	38.7
Inter-segment interest expenses, net ⁽²⁾	(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)
Operating income	2,051.8	1,413.7	45.1
Operating expenses	(888.3)	(842.0)	5.5
Impairment losses on assets	(603.9)	(664.6)	(9.1)
Profit before tax	559.6	(92.9)	(702.4)

Notes:

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

(i) *Corporate loans*

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 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.

(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.

(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 ⁽¹⁾	(1,874.7)	(891.7)	110.2
Inter-segment interest income, net ⁽²⁾	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)
Operating income	1,444.3	1,272.1	13.5
Operating expenses	(371.0)	(348.8)	6.4
Impairment losses on assets	(343.7)	(71.0)	384.1
Profit before tax	729.6	852.3	(14.4)

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.

(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.

(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.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2022	2021	
External interest income, net ⁽¹⁾	647.3	597.9	8.3
Inter-segment interest expenses, net ⁽²⁾	(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 ⁽³⁾	97.7	(49.9)	(295.8)
Operating income	(420.4)	13.5	(3,214.1)
Operating expenses	(60.1)	(50.2)	19.7
Impairment losses on assets	(92.3)	(67.2)	37.4
Profit before tax	(572.8)	(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.

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.

(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
Total investment securities and other financial assets	33,240.5	100.0	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
Total	33,240.5	100.0	30,806.5	100.0

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

(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
Total	11,820.0		

(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.

<u>Name of the bond</u>	<u>Face value (RMB in millions)</u>	<u>Coupon rate (%)</u>	<u>Maturity date</u>
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
Total	<u>1,760.0</u>		

(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.

(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.

(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.

(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.

(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.

(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.

(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).

3.5 Risk Management

(a) Risk Management of the Bank

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

(i) Credit risk management

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

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

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

The Bank uses the following mechanisms to manage credit risks:

- Customer screening mechanism — The Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.
- Credit exit mechanism — The Bank regularly reassesses its outstanding credit risk based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (i) financial condition; (ii) substantial shareholders; (iii) key managers and technicians; (iv) customers quality; (v) payment ability; and (vi) business environment.

- Risk alert mechanism — The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and promptly provides 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.

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.

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.

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 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.

(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 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.

(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.

(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 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.

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.

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.

(i) Credit risk management

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

(ii) Market risk management

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

(iii) Operational risk management

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

(iv) Liquidity risk management

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

(v) Reputational risk management

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

(vi) Legal and compliance risk management

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

(vii) IT risk management

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

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

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

(ix) Internal audit

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

3.4 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.

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

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2022	December 31, 2021
Core capital		
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 ⁽¹⁾	(520.1)	(532.6)
Net core tier-one capital	16,566.6	15,896.7
Other tier-one capital ⁽²⁾	189.1	238.2
Net tier-one capital	16,755.7	16,134.9
Tier-two capital		
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
Net capital	21,907.5	20,942.0
Total risk-weighted assets	194,735.3	180,086.9
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%

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.

4. ISSUE OF SECURITIES

4.1 Issuance of Equity Securities

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

4.2 Issuance of Bonds

For the six months ended June 30, 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%.

5. OTHER INFORMATION

5.1 Corporate Governance

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

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

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

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

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

5.2 Securities Transaction of Directors, Supervisors and Senior Management

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

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

5.3 Profit and Dividend

The revenues of the Bank during the Reporting Period and the financial position of the Bank as of June 30, 2022 are set out in the financial report of this announcement.

The Board does not recommend the distribution of interim dividend for 2022.

5.4 Plan of Capital Reserve Capitalization

As resolved by the Board and considered and approved by the shareholders at the AGM, the first domestic share class meeting of 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 will also change its registered capital and amend the Articles of Association to reflect the change in registered capital as a result of the Capitalization Issue.

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

The share capital of the Bank as at June 30, 2022 is set out below:

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

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

Description of shares	Number of shares	Approximate percentage of issued shares (%)
Domestic shares	4,107,690,457	81.0
H shares	966,501,112	19.0
Total	5,074,191,569	100.0

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

5.6 Amendment to the Articles of Association

The Bank amended the relevant articles of the Articles of Association in relation to its registered capital and capital structure to reflect the changes of registered capital and capital structure of the Bank upon the completion of the Capitalization Issue. Such amendments were approved by the Shareholders at the annual general meeting of 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) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

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

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

(1) Private Placement of Domestic Shares

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

(2) Non-public Issuance of H Shares

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

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 held on September 5, 2018. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2019, the second domestic share class meeting of 2019 and the second H share class meeting of 2019 of the Bank held on October 24, 2019. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2020, the second domestic share class meeting of 2020 and the second H share class meeting of 2020 of the Bank held on October 22, 2020. 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 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 date of this announcement, the Bank has not issued any new domestic shares or H shares. The Bank will make timely disclosure on the latest development of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

5.8 Review by Audit Committee

The audit committee of the Bank is composed of one non-executive Director, namely Ms. Wang Ying, and two independent non-executive Directors, namely Ms. Han Lirong and Ms. Jin Xiaotong. Ms. Han Lirong serves as the chairman of the committee. The audit committee of the Bank has reviewed the unaudited consolidated interim financial data for the six months ended June 30, 2022 of the Group.

5.9 Event after the Reporting Period

After the Reporting Period, the Bank issued 461,290,142 ordinary shares by way of Capitalization Issue, following which the total share capital of ordinary shares of the Bank increased to 5,074,191,569 shares. For further details, please refer to the section headed “5.4 Plan of Capital Reserve Capitalization” of this announcement.

5.10 Comparative Figures

Certain reclassification had been made to the comparative figures as at December 31, 2021 to conform with current year’s presentation on accrued interest receivables and payables.

6. FINANCIAL REPORT

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	2021
		(Unaudited) RMB'000	(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		(6,340)	(8,903)
Profit before tax		774,919	690,314
Income tax expense	11	(121,347)	(177,859)
Profit for the period		653,572	512,455

	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	RMB'000
Other comprehensive (expense) income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Financial assets at fair value through other comprehensive income		
— Fair value losses 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
	<u>(33,233)</u>	<u>(7,381)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
— Financial assets at fair value through other comprehensive income		
— Fair value 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)
	<u>(17,679)</u>	<u>(5,503)</u>
Other comprehensive expense for the period, net of tax	<u>(50,912)</u>	<u>(12,884)</u>
Total comprehensive income for the period	<u><u>602,660</u></u>	<u><u>499,571</u></u>

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

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	At 30 June 2022 <i>(Unaudited)</i> RMB'000	At 31 December 2021 <i>(Restated)</i> RMB'000
Assets			
Cash and deposits with the central bank		36,695,293	30,997,989
Deposits with banks		11,076,125	10,866,741
Placements with banks and other financial institutions		641,798	135,018
Financial assets held under resale agreements	13	1,788,835	1,498,781
Financial assets at fair value through profit or loss	14	1,510,260	2,552,214
Loans and advances to customers	15	168,340,302	152,642,695
Financial assets at fair value through other comprehensive income	16	9,048,395	5,169,919
Financial assets measured at amortised costs	17	22,681,838	23,084,401
Interests in associates		954,659	961,033
Property and equipment		3,114,081	3,265,481
Right-of-use assets		576,029	614,709
Goodwill		401,335	401,335
Deferred tax assets		1,287,539	1,004,495
Other assets		1,343,597	945,429
Total assets		259,460,086	234,140,240
Liabilities and equity			
Liabilities			
Borrowings from the central bank		3,075,742	2,851,548
Deposits from banks		5,151,912	6,890,222
Placements from banks		2,002,498	1,502,496
Financial assets sold under repurchase agreements		1,286,987	—
Deposits from customers		222,010,825	196,959,403
Accrued staff costs		71,505	179,710
Taxes payable		107,283	291,529
Debts securities issued	18	6,110,134	6,290,398
Lease liabilities		474,128	518,779
Other liabilities		713,992	881,143
Total liabilities		241,005,006	216,365,228

	Notes	At 30 June 2022 <i>(Unaudited)</i> RMB'000	At 31 December 2021 <i>(Restated)</i> RMB'000
Equity			
Share capital		4,612,901	4,612,901
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
		<hr/>	<hr/>
Total equity attributable to owners of the Bank		15,268,618	14,575,098
Non-controlling interests		3,186,462	3,199,914
		<hr/>	<hr/>
Total equity		18,455,080	17,775,012
		<hr/>	<hr/>
Total liabilities and equity		259,460,086	234,140,240
		<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2022

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment	Surplus reserve	General reserve	Retained earnings	Sub-total		
			revaluation reserve						
	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)	<u>4,612,901</u>	<u>5,050,510</u>	<u>56,070</u>	<u>1,058,252</u>	<u>2,324,272</u>	<u>2,166,613</u>	<u>15,286,618</u>	<u>3,186,462</u>	<u>18,455,080</u>

Attributable to owners of the Bank

	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non- controlling interests	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021 (Audited)	4,393,239	4,921,340	10,401	915,524	2,077,865	1,353,162	13,671,531	2,579,654	16,251,185
Profit for the period	—	—	—	—	—	434,300	434,300	78,155	512,455
Other comprehensive expense for the period	—	—	(6,105)	—	—	—	(6,105)	(6,779)	(12,884)
Total comprehensive (expense) income for the period	<u>—</u>	<u>—</u>	<u>(6,105)</u>	<u>—</u>	<u>—</u>	<u>434,300</u>	<u>428,195</u>	<u>71,376</u>	<u>499,571</u>
Changes in ownership in 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	—	—	—	—	—	(658,986)	(658,986)	—	(658,986)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(44,861)	(44,861)
At 30 June 2021 (Unaudited)	<u>4,393,239</u>	<u>4,923,687</u>	<u>4,296</u>	<u>915,524</u>	<u>2,079,164</u>	<u>1,127,177</u>	<u>13,443,087</u>	<u>2,618,822</u>	<u>16,061,909</u>

Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Restated)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES		
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
	1,598,544	1,049,934
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)
	(16,421,352)	(13,394,718)

	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Restated)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
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)
	24,627,181	14,001,890
Cash from operations	9,804,373	1,657,106
Income tax paid	(564,834)	(453,625)
NET CASH FROM OPERATING ACTIVITIES	9,239,539	1,203,481
INVESTING ACTIVITIES		
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
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(2,863,553)	1,688,585

	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Restated)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
FINANCING ACTIVITIES		
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)
NET CASH USED IN FINANCING ACTIVITIES	(416,521)	(1,630,393)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,959,465	1,261,673
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	29,622,412	21,261,817
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	35,581,877	22,523,490
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)

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.

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	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	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.

4. NET INTEREST INCOME

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

5. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>63,092</u>	<u>64,030</u>
Fee and commission expenses		
— Settlement and clearing fees	(26,515)	(24,067)
— Others	(6,161)	(6,580)
	<u>(32,676)</u>	<u>(30,647)</u>
	<u><u>30,416</u></u>	<u><u>33,383</u></u>

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.

6. NET TRADING GAINS (LOSSES)

	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)		
— Unlisted equity investments	(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
	<u>65,433</u>	<u>(72,311)</u>

Note: The investment income from financial assets at FVTPL includes 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	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>32,296</u>	<u>22,421</u>

8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
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)
	<u>49,834</u>	<u>12,843</u>

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

9. OPERATING EXPENSES

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

10. IMPAIRMENT LOSSES ON ASSETS

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

11. INCOME TAX EXPENSE

(a) *Income tax:*

	Six months ended 30 June	
	2022	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
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		
— Current period	(259,136)	(146,588)
	<u>121,347</u>	<u>177,859</u>

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

(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	2021
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	RMB'000	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
Income tax expense	121,347	177,859

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.

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

13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

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

(b) Analysed by type of security held

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

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2022	At 31 December 2021
	<i>(Unaudited)</i>	<i>(Audited)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
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
	1,510,260	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.

15. LOANS AND ADVANCES TO CUSTOMERS

	At 30 June 2022	At 31 December 2021
	<i>(Unaudited)</i>	<i>(Restated)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Gross loans and advances to customers		
Corporate loans and advances		
— Loans	141,323,440	126,768,501
— Finance lease loans	3,249,177	3,473,367
	144,572,617	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
	27,279,862	26,594,874
Discounted bills	4,879	13,447
	171,857,358	156,850,189
Accrued interest	2,057,651	420,560
Less: Provision for impairment losses		
— Individually assessed	(1,073,716)	(801,044)
— Collectively assessed	(4,500,991)	(3,827,010)
	(5,574,707)	(4,628,054)
	168,340,302	152,642,695

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2022	At 31 December 2021
	<i>(Unaudited)</i> <i>RMB'000</i>	<i>(Restated)</i> <i>RMB'000</i>
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
	<u>8,801,342</u>	<u>4,938,009</u>
Unlisted equity investments measured at FVTOCI	<u>153,475</u>	<u>178,450</u>
	8,954,817	5,116,459
Accrued interest	<u>93,578</u>	<u>53,460</u>
	<u><u>9,048,395</u></u>	<u><u>5,169,919</u></u>
Analysed as:		
Listed outside Hong Kong	8,894,920	4,991,469
Unlisted outside Hong Kong	<u>153,475</u>	<u>178,450</u>
	<u><u>9,048,395</u></u>	<u><u>5,169,919</u></u>

The Group made an irrevocable election to present changes in the fair value of certain of its equity investments in other comprehensive income (“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, partial of the Group’s financial assets at FVTOCI were pledged as security for repurchase agreement.

17. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 30 June 2022	At 31 December 2021
	<i>(Unaudited)</i>	<i>(Restated)</i>
	<i>RMB'000</i>	<i>RMB'000</i>
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
	<u>10,519,064</u>	<u>9,711,579</u>
Trust plans	6,794,954	7,176,454
Asset management plans	4,659,336	5,659,336
	<u>11,454,290</u>	<u>12,835,790</u>
	21,973,354	22,547,369
Accrued interest	1,754,043	1,490,554
Less: Provision for impairment losses	<u>(1,045,559)</u>	<u>(953,522)</u>
	<u>22,681,838</u>	<u>23,084,401</u>
Analysed as:		
Listed outside Hong Kong	10,685,754	9,837,677
Unlisted outside Hong Kong	11,996,084	13,246,724
	<u>22,681,838</u>	<u>23,084,401</u>

Notes:

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

18. DEBTS SECURITIES ISSUED

	30 June 2022	31 December 2021
	<i>(Unaudited)</i>	<i>(Restated)</i>
	RMB'000	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
	5,984,316	6,211,078
Accrued interest	125,818	79,320
	6,110,134	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 3.50% 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.

19. DIVIDENDS

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

Notes:

- (a) Pursuant to the resolution of the annual general meeting of 2021 on 17 June 2022, the board of the Bank does not recommend any distribution of final dividend for the year ended December 31, 2021.
- (b) Pursuant to the resolution of the annual general meeting of 2020 on 18 June 2021, the Bank distributed cash dividends of RMB0.15 per share (tax included) based on 4,393,239,455 shares held amounting to approximately RMB658,986,000 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).

20. SEGMENT REPORTING

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

Corporate banking

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

Retail banking

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

Treasury operations

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

Others

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

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

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

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

(a) Segment results, assets and liabilities

	Six months ended 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
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/(loss)	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	<u>559,747</u>	<u>729,547</u>	<u>(572,847)</u>	<u>58,472</u>	<u>774,919</u>
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

(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	258,172,547
Deferred tax assets	—	—	—	1,287,539	1,287,539
Total assets	150,610,144	22,052,242	82,557,851	4,239,849	259,460,086
Segment liabilities	(50,351,584)	(172,429,862)	(17,758,185)	(464,891)	(241,004,522)
Dividend payable	—	—	—	(484)	(484)
Total liabilities	(50,351,584)	(172,429,862)	(17,758,185)	(465,375)	(241,005,006)

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

	Six months ended 30 June 2021				
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Operating income					
External net interest income/(expense)	3,009,180	(891,747)	597,920	(86)	2,715,267
Internal net interest (expense)/income	(1,624,652)	2,159,541	(534,889)	—	—
Net interest income/(expense)	1,384,528	1,267,794	63,031	(86)	2,715,267
Net fee and commission income	29,180	4,293	275	(365)	33,383
Net trading losses	—	—	(72,311)	—	(72,311)
Dividend income	—	—	—	32,892	32,892
Net gains arising from investment securities	—	—	22,421	—	22,421
Net exchange gains	—	—	—	7,454	7,454
Other operating income, net	—	—	—	12,843	12,843
Operating income	1,413,708	1,272,087	13,416	52,738	2,751,949
Operating expenses	(842,015)	(348,822)	(50,202)	(10,588)	(1,251,627)
(Impairment losses on assets)/ 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

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

	At 31 December 2021				
	Corporate banking (Audited) <i>RMB'000</i>	Retail banking (Audited) <i>RMB'000</i>	Treasury operations (Audited) <i>RMB'000</i>	Others (Audited) <i>RMB'000</i>	Total (Audited) <i>RMB'000</i>
Segment assets	135,823,918	21,556,575	72,818,085	2,937,167	233,135,745
Deferred tax assets	—	—	—	1,004,495	1,004,495
Total assets	<u>135,823,918</u>	<u>21,556,575</u>	<u>72,818,085</u>	<u>3,941,662</u>	<u>234,140,240</u>
Segment liabilities	(114,793,217)	(86,360,333)	(14,904,839)	(306,355)	(216,364,744)
Dividend payable	—	—	—	(484)	(484)
Total liabilities	<u>(114,793,217)</u>	<u>(86,360,333)</u>	<u>(14,904,839)</u>	<u>(306,839)</u>	<u>(216,365,228)</u>

21. COMPARATIVE FIGURES

Certain reclassification had been made to the comparative figures as at December 31, 2021 to conform with current year's presentation on accrued interest receivables and payables.

7. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2022 INTERIM REPORT

This interim results announcement is published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jtnsh.com). The 2022 Interim Report of the Bank prepared in accordance with the Hong Kong Listing Rules and the IFRSs will be published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jtnsh.com) and will be despatched to the holders of H shares of the Bank in due course.

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

Changchun, China
August 30, 2022

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

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