



东莞农村商业银行
DRC Bank

東莞農村商業銀行股份有限公司
Dongguan Rural Commercial Bank Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 9889

Interim Report 2022



Contents

Important Notice	2
Definitions	5
Chapter I Profile and Business Overview	10
Chapter II Highlights of Accounting Data and Financial Indicators	17
Chapter III Management Discussion and Analysis	24
Chapter IV Environmental, Social and Governance	85
Chapter V Changes in Share Capital and Information on Shareholders	94
Chapter VI Directors, Supervisors, Senior Management, Employees and Branches	106
Chapter VII Corporate Governance	121
Chapter VIII Other Events	130
Chapter IX Financial Report	133

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

Important Notice



The Board of Directors, the Board of Supervisors and the Directors, Supervisors and senior management of the Bank hereby confirm the truthfulness, accuracy and completeness of the contents of this report and that there are no false representations, misleading statements or material omissions, and severally and jointly assume liability for the information hereof.

On August 30, 2022, the 53rd meeting of the fourth session of the Board of Directors of the Bank was held at the conference room of Dongguan Rural Commercial Bank Building. It considered and approved the Motion on Approving the 2022 Interim Report of Dongguan Rural Commercial Bank Co., Ltd.. 17 Directors were eligible for attending the meeting and 16 Directors were present in person and one Director was present by proxy. One Supervisor also attended the meeting. The convening of the meeting is in compliance with the relevant requirements of the Company Law of the People's Republic of China and the Articles of Association of Dongguan Rural Commercial Bank Co., Ltd.. This interim report was considered and approved by the Audit Committee of the Board of Directors of the Bank.

The 2022 interim financial report of the Bank prepared in accordance with the International Financial Reporting Standards was unaudited, but has been reviewed by KPMG in accordance with the International Standard on Review Engagements.

Mr. Wang Yaoqiu, the legal representative and chairman, Mr. Fu Qiang, the president, Mr. Chen Wei, the person-in-charge of accounting and Ms. Zhong Xuemei, the head of the accounting department, hereby declare and assure the truthfulness, accuracy and completeness of the financial reports in this Report.

As resolved at the 2021 annual general meeting on May 23, 2022, the Bank distributed the dividend of RMB2.90 (tax inclusive) per ten shares for the year ended December 31, 2021, with a total amount of RMB1,998 million (tax inclusive). The Bank did not make profit distribution or transfer capital reserve into share capital for the interim period of 2022.

The forward-looking statements included in this Report are based on current plans, estimates and projections. Although the Board of Directors believes that the expectations reflected in these forward-looking statements are reasonable, the Board of Directors and the Group give no assurance that these expectations will realize or be proved to be correct and these statements should not be considered as commitment by the Group. Investors and persons concerned should fully aware of the risks and understand the differences between plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies or business targets. Details of the major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are described in this Report. Please refer to the content in the "Risk Management" section in the "Management Discussion and Analysis" chapter of this Report.

Important Notice

Under different circumstances, this Report discloses relevant information on Group basis or at level of the Bank only. Therefore, there exists inconsistency between the data of the “Group” and the “Bank” and such inconsistency is not due to data error, but due to the difference in the scope of the data. Unless otherwise specified, the financial information contained in this Report represents the consolidated data of the financial statements of the Bank together with its subsidiaries, namely Huizhou Zhongkai Dongying County Bank Company Limited, Yunfu Xinxing Dongying County Bank Company Limited, Dongguan Dalang Dongying County Bank Company Limited, Hezhou Babu Dongying County Bank Company Limited, Zhanjiang Rural Commercial Bank Co., Ltd. and Guangdong Chaoyang Rural Commercial Bank Co., Ltd..

There may be discrepancies between the arithmetic sum of certain breakdowns and the corresponding total amount, which is due to rounding rather than data error. To conform with the presentation of the 2022 interim financial statements, the Group has made reclassification adjustments to certain figures for the comparative period.

This Report is prepared in Chinese and English. If there is any discrepancy between the Chinese and English versions, the Chinese version shall prevail.

Definitions



Definitions

Definitions of commonly used terms in this Report

“133” project	the Dongguan Rural Commercial Bank “133” project on rural revitalization financial services, that is, focusing on the goal of rural revitalization strategy, to promote high-quality and efficient agriculture, promote rural livability and industry, and promote prosperity of farmers, and fully implement the three dispatch systems of dispatching rural revitalization financial instructors, party building and co-construction liaisons, and inclusive financial service personnel
“1+12348” strategic plan	the strategic plan for the second three-year development plan (2021-2023) of the third transformation of Dongguan Rural Commercial Bank, which is, with “high-quality development led by the Party building in the new era” as one guidance, “building a regional modern rural commercial bank group” as one goal; implementation of digitalization and grouping as the two major starting points; implementation of technology, talent and capital as three major drivers; building a core competitiveness system of “four beams and eight pillars (四樑八柱)”, including a core customer management system based on “grid + scenario”, a core business system based on “market share + profitability”, a comprehensive risk management system based on “compliance operation + risk management and control” and an organizational management system based on “incentive and restraint + corporate culture”
“1+3+N”	the marketing model of “1” core enterprise, project or platform as the entry point, extending financial services to its “Three-chain” industrial chain, supply chain and value chain, and the “N” (numerous) small and micro enterprises and retail banking customers on the relevant chain
“Articles of Association” or “Articles”	unless otherwise indicated in the context, the articles of association of the Bank currently in force
“Bank” or “our Bank” or “Dongguan Rural Commercial Bank”	Dongguan Rural Commercial Bank Co., Ltd. (東莞農村商業銀行股份有限公司), a joint stock company established on December 22, 2009 through reformation in the PRC with limited liability, and includes its predecessor, branches and sub-branches (for the avoidance of doubt, not including its subsidiaries)
“Board of Directors”	the board of Directors of our Bank
“Board of Supervisors”	the board of Supervisors of our Bank

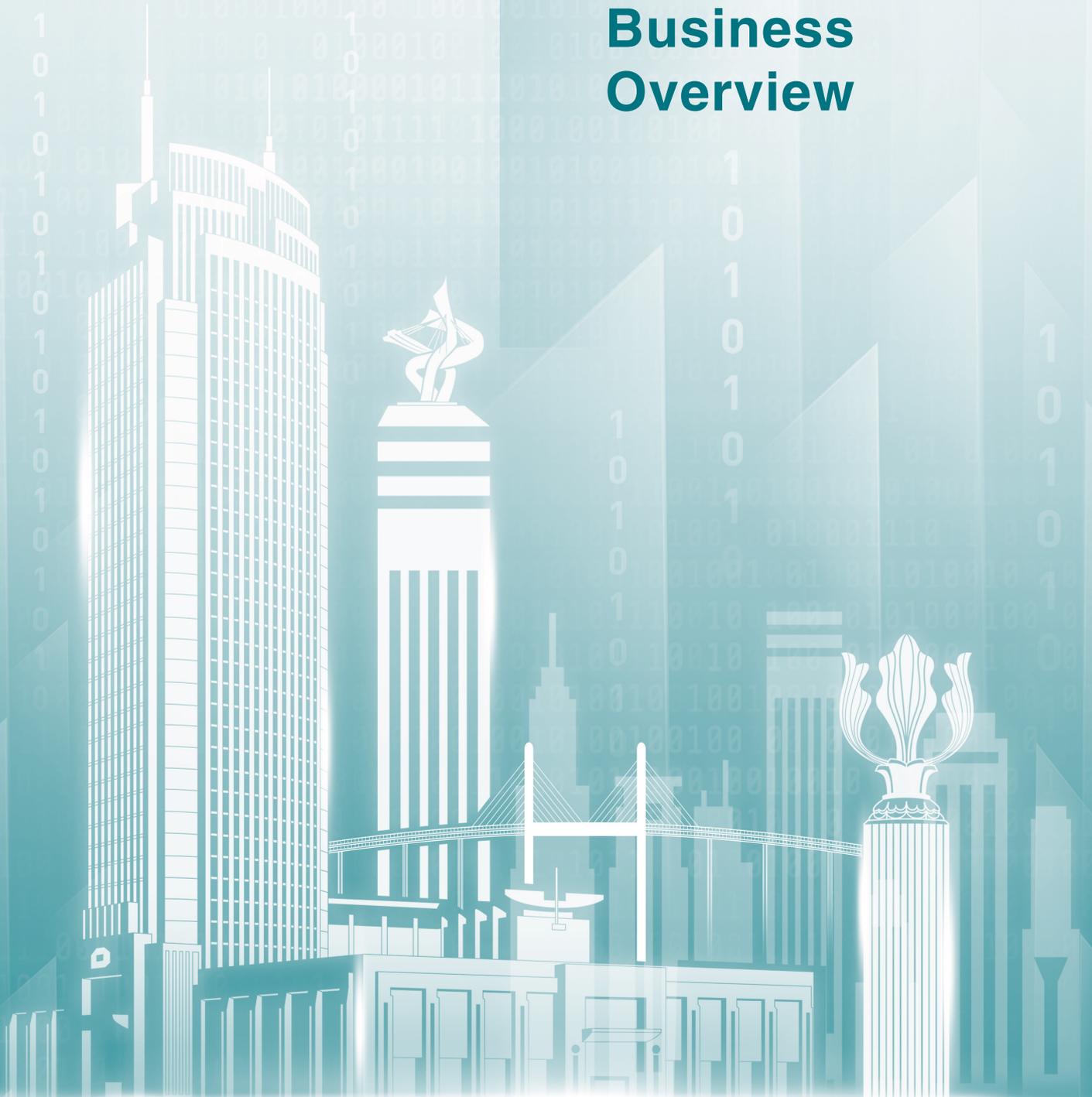
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會), which has merged with the China Insurance Regulatory Commission to establish the CBIRC in accordance with the Notice of the State Council on the Setup of Institutions (Guo Fa [2018] No.6) (國務院關於機構設置的通知(國發[2018]6號)) issued by the State Council on March 24, 2018
“Chaoyang RCB”	Guangdong Chaoyang Rural Commercial Bank Co., Ltd. (廣東潮陽農村商業銀行股份有限公司), a joint stock company incorporated on December 27, 2020 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules, as currently in force
“Director(s)”	the director(s) of our Bank
“Domestic Share(s)”	ordinary share(s) issued by our Bank in the mainland of the PRC
“Domestic Shareholder(s)”	holder(s) of Domestic Share(s)
“Dongguan Dalang Dongying County Bank”	Dongguan Dalang Dongying County Bank Company Limited (東莞大朗東盈村鎮銀行股份有限公司), a company incorporated on June 25, 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Group” or “we” or “us”	the Bank and the subsidiaries of the Bank
“H Share(s)”	ordinary share(s) issued by our Bank in Hong Kong, PRC
“H Shareholder(s)”	holder(s) of H Share(s)
“Hezhou Babu Dongying County Bank”	Hezhou Babu Dongying County Bank Company Limited (賀州八步東盈村鎮銀行股份有限公司), a company incorporated on August 8, 2012 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huizhou Zhongkai Dongying County Bank”	Huizhou Zhongkai Dongying County Bank Company Limited (惠州仲愷東盈村鎮銀行股份有限公司), a joint stock company incorporated on December 13, 2010 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank

Definitions

“Listing Rules”	unless otherwise indicated in the context, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited currently in force
“Model Code”	the Model Code for Securities Transaction by Directors of Listed Issuers sets forth in Appendix 10 to the Listing Rules
“Non-performing loan(s)” or “NPL(s)”	loans classified as substandard, doubtful and loss under the Bank’s five-level loan classification system, with reference to the Guidelines of Risk-based Classification of Loans issued by CBRC in 2007
“One Core with Two Wings”	refers to the strategic layout where Guangdong-Hong Kong-Macao Greater Bay Area is regarded as the core, and east and west of Guangdong as the two wings of the Bank, forming a new pattern of regional group operation that takes root in Dongguan, serves the Guangdong-Hong Kong-Macao Greater Bay Area, and radiates across Guangdong Province
“PBoC” or “Central Bank”	The People’s Bank of China, the central bank of the PRC
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Reporting Period”	the six months ended June 30, 2022
“Sannong”	the Chinese acronym of, collectively, nongye (agriculture), nongcun (rural areas) and nongmin (farmers)
“SFO”	unless otherwise indicated in the context, the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) currently in force
“Share(s)”	ordinary share(s) of the Bank, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s), including Domestic Shareholder(s) and H Shareholder(s)
“SME(s)”	collectively, small and micro enterprise(s) by number of employees, operating revenue, total assets and other indicators in accordance with the 2017 Measures for Classification of Large, Medium, SMEs for the Purpose of Statistics (《統計上大中小微型企業劃分辦法(2017)》) issued by the National Bureau of Statistics of China
“Supervisor(s)”	the supervisor(s) of our Bank
“Three-chain”	the customer groups of industrial chain, supply chain and value chain of modern manufacturing enterprises

the “Report” or this “Report”	2022 Interim Report of Dongguan Rural Commercial Bank Co., Ltd.
“Three-innovation”	the customer groups of start-up entrepreneurs, innovative research and development institutions and advanced technology manufacturer
“Three major personnel” stationing system	refers to the grass-root work system that Dongguan Rural Commercial Bank uses to provide rural revitalization financial services, in which branches of the Bank dispatch service personnel to all administrative villages and communities within their jurisdiction, to serve as revitalization financial instructors, party building and co-construction liaisons, and inclusive financial service personnel
“three threes (三個三)”	refers to the management system of core customer groups, including the modern “Sannong”, the “Three-chain” of modern manufacturing, and the “Three-innovation” of SMEs
“yuan”	refers to Renminbi, unless otherwise specified
“Yunfu Xinxing Dongying County Bank”	Yunfu Xinxing Dongying County Bank Company Limited (雲浮新興東盈村鎮銀行股份有限公司), a joint stock company incorporated on December 23, 2011 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank
“Zhanjiang RCB”	Zhanjiang Rural Commercial Bank Co., Ltd. (湛江農村商業銀行股份有限公司), a joint stock company incorporated on October 26, 2019 in the PRC with limited liability and a non-wholly owned subsidiary of our Bank

Chapter I Profile and Business Overview



I. CORPORATE INFORMATION

Chinese legal name	東莞農村商業銀行股份有限公司
Abbreviation of Chinese name	東莞農村商業銀行
English legal name	Dongguan Rural Commercial Bank Co., Ltd.
Abbreviation of English name	DRC Bank or DRCB
Legal representative	Wang Yaoqiu
Authorized representatives under the Listing Rules	Ye Jianguang, Wong Wai Chiu
Authorised representative under the Hong Kong Companies Ordinance	Wong Wai Chiu
Secretary to the Board of Directors	Ye Jianguang
Joint company secretaries	Ye Jianguang, Wong Wai Chiu

II. GENERAL INFORMATION

Registered address	No.2, Hongfu East Road, Dongcheng District, Dongguan City, Guangdong Province, the PRC
Postal code	523123
Website	www.drcbank.com
Customer service hotline	(86) 769-961122
Principal place of business in Hong Kong	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Place of listing of H shares	The Stock Exchange of Hong Kong Limited
Stock abbreviation and code	DRCB, 9889.HK
H Shares Registrar	Computershare Hong Kong Investor Services Limited
Domestic Shares Depository	China Securities Depository and Clearing Corporation Limited
Domestic auditor	Pan-China Certified Public Accountants LLP
International auditor	KPMG
PRC legal advisor	C&T Partners
Hong Kong legal advisor	King & Wood Mallesons
Compliance advisor	ICBC International Capital Limited
Designated information disclosure websites	Website of the Hong Kong Stock Exchange (www.hkex.com.hk) Website of the Bank (www.drcbank.com)
Place for inspection of information disclosure	Office of the Board of Directors of the Bank
Date of establishment as joint stock company	December 22, 2009
Registered capital	RMB6,888,545,510
Unified Social Credit Code	914419007829859746
Financial license number ⁽¹⁾	B1054H344190001

Note:

- (1) The Bank's original financial license number was B1054H244190001. Pursuant to the Notice of the General Office of the China Banking and Insurance Regulatory Commission on the Renewal of New License (Yin Bao Jian Ban Fa [2021] No. 75), the Bank has completed the renewal of new financial license in July 2022, and the license number is changed to be B1054H344190001 after renewal.

III. COMPANY PROFILE

Dongguan Rural Commercial Bank, as an independent legal entity, is a headquarter-level local jointstock commercial bank. Our development history can be traced back to 1952 and our predecessor is Dongguan Rural Credit Cooperative Association. The Bank completed the reform as unified legal person in 2005, completed the reform as joint-stock company in 2009, and successfully listed on the Hong Kong Stock Exchange in September 2021 (stock code: 9889.HK). In February 2022, in order to implement the overall arrangement for the system and mechanism reform of small and medium rural financial institutions in Guangdong Province, and to promote our Bank to be developed as a leading high-quality rural commercial bank group in Guangdong Province with influence in China in a market-oriented and legal manner, the power to oversee Dongguan Rural Commercial Bank was transferred from Guangdong Province Rural Credit Cooperatives Association (廣東省農村信用社聯合社) to Dongguan Municipal Government with the approval of Guangdong Provincial Government.

Since the reformation from rural credit cooperative to rural commercial bank in 2009, Dongguan Rural Commercial Bank has been growing rapidly. In particular, since the promotion of the third transformation in 2016, the Bank has achieved sustained and coordinated development of quality, scale and efficiency. As of the end of June 2022, the total assets of the Group amounted to RMB628.577 billion, the balance of deposits was RMB445.533 billion, and the balance of loans was RMB316.883 billion.

According to the statistics of the international authoritative journal “The Banker” in 2022, in terms of tier-one capital as of December 31, 2021, Dongguan Rural Commercial Bank ranked 215th in the global banking industry, up by 46 places as compared to the ranking announced in 2021 and improved for five consecutive years. Dongguan Rural Commercial Bank ranked 39th in the “Top 100 Banks in China of 2022”, released by China Banking Association in terms of net core tier-one capital and other statistical indicators as of December 31, 2021, being the sixth place among rural commercial banks in the PRC; and ranked 1,278th in the “2022 Global 2000 by Forbes”. In terms of brand honor, Dongguan Rural Commercial Bank was granted the “Dongguan City Government Quality Award”, the “Dongguan City Benefit Contribution Award” and the “Dongguan City Civilized Unit” by the Dongguan Municipal Party Committee and Municipal Government. The Bank was awarded with the title of “National Role Model Bank of Rural Commercial Bank” by the CBIRC, “China Top 500 Private Enterprises” by All-China Federation of Industry and Commerce, and “2020 China Top 500 Enterprises of Service Industry” by China Enterprise Confederation and China Entrepreneurs Association. In the banking awards initiated and organised by domestic authoritative media, Dongguan Rural Commercial Bank won various awards, including the “Best Rural Commercial Bank of the Year” and the “Annual Special Contribution Award for Supporting Local Economic Development”, etc. According to CCICR and other credit rating institutions, our corporate credit rating has remained at AAA since October 2017, the highest credit rating of corporates in China, and the rating outlook maintained stable.

As of the end of June 2022, Dongguan Rural Commercial Bank has established a total of 505 business entities (including the headquarters), with 39 tier-one branches and sub-branches, 195 tier-two sub-branches and 270 offices, and has developed a variety of onsite and offsite financial services such as 7*24-hour telephone banking, online banking, mobile banking and WeChat banking. In addition, Dongguan Rural Commercial Bank has been boosting financial cultural innovation. The Dongguan Numismatic Museum, elaborately built by the Bank, has nearly 20,000 pieces (sets) in its collection, and has been awarded as the “National Grade III Museum”, “Top Ten Folk Collections in Guangdong Province” and the “Dongguan Patriotism Education Base”. The Bank has also built the bank heritage museum that inherits its nearly 70 years of development history, demonstrating the charm of local finance.

In recent years, Dongguan Rural Commercial Bank has further developed into a regional group. The Bank established four branches outside Dongguan including Nansha branch in Guangdong Pilot Free Trade Zone, Hengqin branch in Guangdong Pilot Free Trade Zone, Huizhou sub-branch and Qingxin sub-branch, as well as four county banks in Huizhou Zhongkai, Yunfu Xinxing, Dongguan Dalang and Hezhou Babu, and strategically became the controlling shareholder of Zhanjiang RCB and Chaoyang RCB, and invested in Guangdong Shunde Rural Commercial Bank Co., Ltd., Guangdong Xuwen Rural Commercial Bank Co., Ltd., Guangdong Lechang Rural Commercial Bank Co., Ltd. and Yaan Rural Commercial Bank Co., Ltd., preliminarily forming a new regional group development pattern of “One Core with Two Wings” with Dongguan as center, Guangdong-Hong Kong-Macao Greater Bay Area as the core, and East Guangdong and West Guangdong as two complements. The Bank radiated financial services to customer groups in the Greater Bay Area, built customer ecosystem in the Greater Bay Area, and fully contributed to the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and the integrated development of Guangdong, Hong Kong and Macau.

IV. DEVELOPMENT STRATEGY, INVESTMENT VALUE AND CORE COMPETITIVENESS

Development Vision:

Build a regional modern rural commercial banking group

Strategic Plan:

Initiate the “1+12348” strategic deployment, and further advance “transformation and value enhancement” mission in the third transformation.

“**One Guidance**” refers to the high-quality development led by the Party building in the new era, to unify the Party leadership with corporate governance, the Party building with operation and management of the Bank as well as Party’s discipline with cadres’ requirements through enhancing spirit construction, organization construction, discipline construction and team construction.

“**1 Goal**” means building a modern rural commercial bank group with further capital marketization, more significant digital transformation, and more distinctive group operation under the environment of Guangdong-Hong Kong-Macao Greater Bay Area as the core, with East Guangdong and West Guangdong as the two complements.

“**2 Starting points**” refers to (1) focusing on “digitalization”, to reshape our business logic, profit model, operation system, risk control model and organizational system with digital mindset to accelerate the building of a smart digital bank; and (2) focusing on “collectivization”, to explore the construction of a new rural commercial bank model that is compatible with the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and to implement a coordinated development strategy so as to achieve full customer coverage, comprehensive services, and full linkage of risk control.

“**3 Major drivers**” refers to (1) adhering to technology-driven, empowering value creation with technology, and deepening the integration of technology and business, so as to gradually realize the transformation from technology-supported to technology-driven; (2) insisting on talent-driven, exerting great effort to build a talent-driven organization, forming an endless talent generating, training and incentivizing mechanism, and giving full play to human capital advantage; and (3) insisting on capital-driven, fully integrating capital management into business management, improving capital utilization, and improving

the return on capital of subsidiaries to maximize capital value.

“4 Beams of foundation” refers to (1) focusing on core customers, that is, focusing on the modern “Sannong” customer group, the “Three-chain” customer group in advanced manufacturing, and the “Three-innovation” customer group of medium, small and micro enterprises, so as to create a dynamic customer ecology; (2) focusing on core businesses, promoting the comprehensive development of corporate finance, retail finance, SME finance, interbank finance and digital finance to create business segments with competitive advantage; (3) focusing on risk management, adhering to the management principle of “rule-based management”, improving the construction of a comprehensive risk management platform, and promoting the integration of risk culture with business and management; and (4) focusing on organizational management, building an empowering commercial bank, and realizing the transformation from organizational control to organizational empowerment.

“8 Pillars of support” refers to (1) building the dual pillars of “grid + scenario”, creating a comprehensive core customer service management system, and creating value for customers; (2) building the dual pillars of “market share + rate of return”, creating a market-leading core business system, and comprehensively serving the real economy; (3) building the dual pillars of “compliance operation + risk management and control”, creating a modern comprehensive risk management system to strive for the balance between risk management and value creation; and (4) building the dual pillars of “incentive and restraint + corporate culture”, creating a high-quality organizational management system, stimulating the initiative of the team, and enhancing the unity of the team.

Investment Value and Competitive Advantages:

Prosperous operating area, unique strategic opportunities. The Group has deeply cultivated the Dongguan market, developed based on the Greater Bay Area, seized the the opportunity to develop the two provincial sub-centers in Shantou and Zhanjiang, stabilized the main structure of “One Core with Two Wings”, with the market share in terms of deposits and loans ranked first in the Dongguan banking industry for consecutive years. The strong economic strength, complete industrial infrastructure and abundant market vitality of Dongguan and the Guangdong-Hong Kong-Macao Greater Bay Area have laid important foundation and secured the performance improvement and sustainable development of the Group. The national strategy of “Guangdong-Hong Kong-Macao Greater Bay Area”, the location advantage of “Three-zone superposition”⁽¹⁾ in Dongguan and the new starting point of “double 10,000 (雙萬)”⁽²⁾ of the city have also provided broad potential customer base and development prospect for the Group.

Clear and firm development strategy, balancing scale, quality and effectiveness. The Group adheres to strategy-led development, clearly defines the development vision of building a regional modern rural commercial bank group, initiates the “1+12348” strategic plan, maintains strategic focus, effectively responds to complex economic cyclical fluctuation, and insists on the road of coordinated

Notes:

- (1) “Three-zone superposition” refers to the Guangdong-Hong Kong-Macao Greater Bay Area, the construction of Shenzhen as a pilot demonstration zone for socialism with Chinese characteristics, and the construction of Dongguan as a provincial manufacturing supply-side structural reform and innovation experimental zone.
- (2) “double 10,000 (雙萬)” refers to GDP of trillions and a population of 10 million in Dongguan.

development of quality, scale and effectiveness. The operating scale of the Group grows steadily and moves towards the rank of medium-sized banks, with the asset quality continues to be optimized, non-performing loan ratio remains at a low level in the industry, profitability rises steadily which continues to create value for Shareholders, and return on assets and return on capital rank among the first echelon of Hong Kong-listed domestic banks.

Origin-focused service structure, quality and effective business development. The Group always adheres to the main responsibility and main business of “supporting agriculture, supporting SMEs and supporting real economy”, with traditional business alongside emerging business focusing on customers, centering on transformation, being supported by technology and being driven by innovation, and strives to achieve a comprehensive improvement in market share acquisition ability, innovation and development ability, product coverage ability and professional operation ability, and provides customers with efficient and comprehensive financial services, gradually forming a situation of general development of core businesses with “excellent and strong” corporate finance, “comprehensive and strong” retail finance, “solid and strong” SMEs finance, “flexible and strong” interbank finance as well as “fine and strong” digital finance.

Coordinated development of organization and management, flexible and efficient operating mechanism. The Group effectively leverages the advantages as a regional small and medium-sized bank, adheres to market-oriented operation, deepens organizational reform, and continues to promote empowerment for tier-1 cities. The Group makes quick decisions on business deployment, responds quickly to customer needs, identifies risks quickly, and achieves high operational efficiency. The Group makes full use of networks and geographical advantages, implements the “133” project of rural revitalization financial services according to local conditions, and innovatively builds the “1+3+N” grid marketing model. The Group focuses on serving the core customer groups of the “three threes (三個三)”, and further promotes inclusive financial services to maintain strong market competitiveness.

Solid risk management and continued excellent asset quality. The Group adheres to the operating principle of seeking progress while maintaining stability, and emphasizes the mutual promotion and coordinated development of “steady growth” and “risk prevention”. The Group implements the principle of “rule-based management”, builds a full-coverage risk management and control system, applies full-process risk control technology and creates a risk control culture in which all employees participate, enhances the digitalization of risk management, and effectively prevents and mitigates various risks, maintaining asset quality at an excellent level, escorting the sustainable development of business operation.

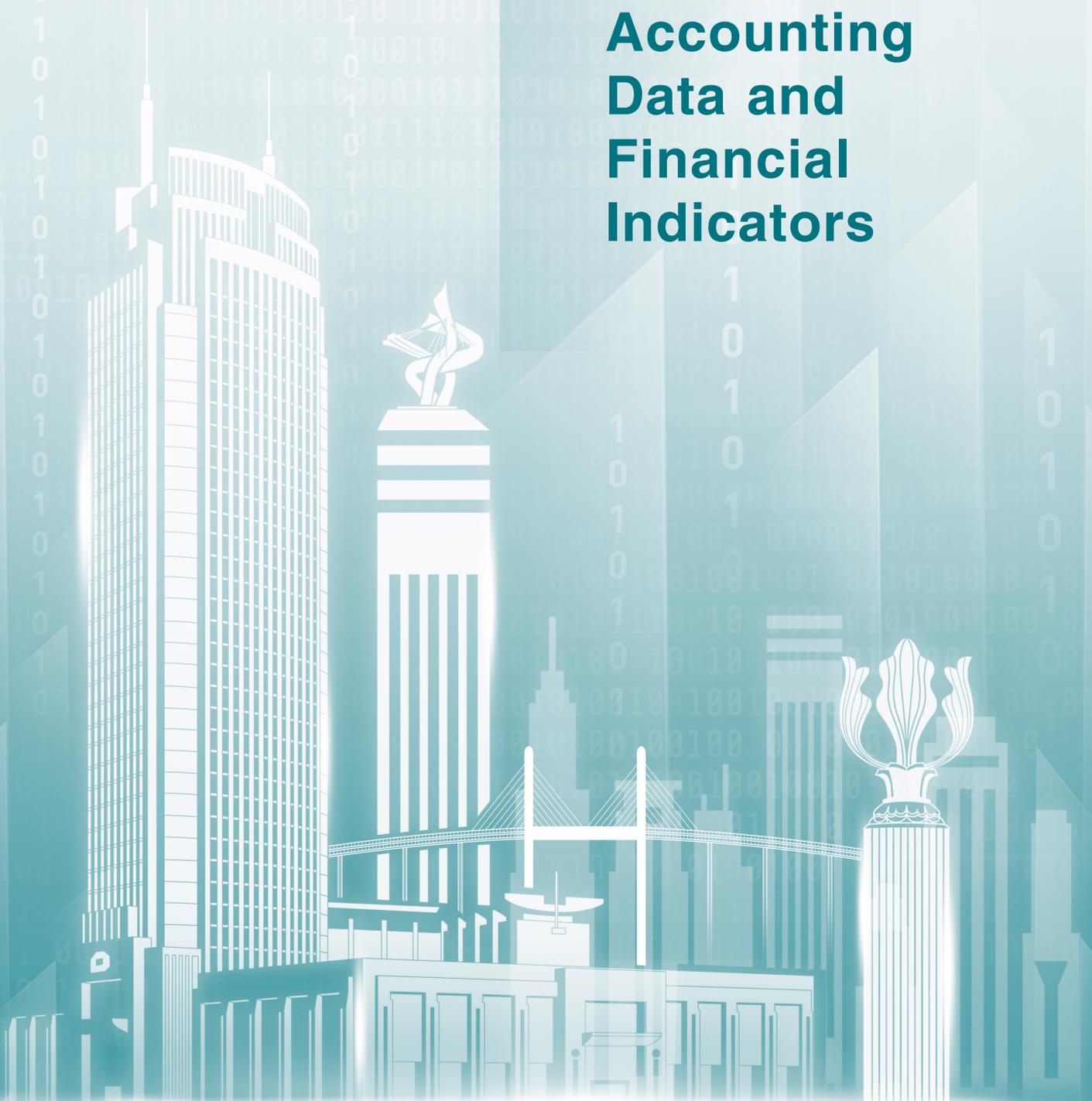
Technology-driven development, full power acceleration of digital development. With the strategy of “running in small steps and winning locally”, and through the empowerment of financial technology (“fintech”) innovation, the Group continuously improves the top-level design of digital transformation, strengthens the training of fintech talents, establishes digital mindset, reshapes operation mechanism and strengthens data governance. The Group also enhances the organizational coordination capabilities, deepens the implementation of digital application, promotes the close integration of technology and business, strives to create a new model of digital finance, and accelerates the creation of “smart digital bank”.

Professional and solid corporate governance with realistic and pragmatic corporate culture. The Group has established a sound governance structure of “the shareholders’ general meeting, the Board of Directors, the Board of Supervisors and senior management”, and formed a “diversified interests, coordination and checks and balances” shareholding structure with state-owned, private, foreign, natural person and employee shareholders through Listing; the senior management team has extensive experience in financial management with strong stability, which could affirm management ideas and team building. The Group creates good corporate culture, adheres to the business philosophy of “customers are our greatest wealth”, deeply roots the corporate atmosphere of “respecting superiors, loving inferiors, being sincere to others, and being truthful to facts”, insists on the enterprise motto of “accompanying, trusting and growing with each other”, and unites the entire Group for coordinated and common development with corporate culture.

V. MAJOR HONORS AND AWARDS DURING THE REPORTING PERIOD

No.	Name of honor/award	Awarding/granting organization	Date
1	Top 20 Enterprises in Dongguan by Principal Operating Income in 2021 (2021年度東莞市主營業務收入前20名企業)	CPC Dongguan Committee, the People’s Government of Dongguan Municipality	February 2022
2	Dongguan City Benefit Contribution Enterprise 2021 (2021年度東莞市效益貢獻企業)	CPC Dongguan Committee, the People’s Government of Dongguan Municipality	February 2022
3	2021 China Bond Member Business Development Quality Evaluation Top 100 Self-operated Settlement (2021年度中債成員業務發展質量評價自營結算100強)	China Central Depository & Clearing Co., Ltd.	February 2022
4	2021 “China Financial Outlook Blue Book” Excellent Case – Demonstration Unit for Financial Assistance to Rural Revitalization (2021《中國金融展望藍皮書》優秀案例 – 金融助力鄉村振興示範單位)	Xinhuanet client-side	March 2022
5	2021 Top 100 Private Enterprises in Guangdong Province (2021廣東省百強民營企業)	Guangdong Federation of Industry and Commerce (廣東省工商業聯合會)	March 2022
6	Ranked 1,278th in the 2022 Global 2000 (2022全球企業2000強第1278位)	Forbes Magazine, a journal in the U.S.	May 2022
7	Advanced unit of mobile payment demonstration town construction in 2021 (2021年移動支付示範鎮建設工作先進單位)	Guangzhou branch of the People’s Bank of China	May 2022
8	Ranked 39th in the “2022 China Top 100 Banking Industry List” (based on net core tier 1 capital) (「2022年中國銀行業100強榜單」第39名 (按核心一級資本淨額統計))	China Banking Association	June 2022
9	“Guangdong Poverty Alleviation Cotton Tree” Bronze Cup (「廣東扶貧濟困紅棉杯」銅杯)	Leading Group for Rural Work of the Guangdong Provincial Committee of the Communist Party of China	June 2022
10	Ranked 215th in the “2022 World Bank 1000” (ranked based on tier-1 capital) (「2022全球銀行1000強」榜單第215位 (按一級資本排名))	The Banker, a magazine in the U.K.	July 2022

Chapter II Highlights of Accounting Data and Financial Indicators



Chapter II Highlights of Accounting Data and Financial Indicators

(Unit: RMB'000)

Operating results	For the six months ended June 30		Increase/(decrease) percentage for the Reporting Period as compared to the corresponding period of the previous year (%)
	2022	2021	
Operating income	7,212,689	6,487,923	11.17
Profit before tax	3,957,731	3,470,478	14.04
Net profit	3,642,068	3,226,495	12.88
Net profit attributable to the shareholders of the Bank	3,540,384	3,142,240	12.67

(Unit: RMB/share)

Per share	As at June 30/ For the six months ended June 30		As at December 31 /For the year ended December 31	Increase/(decrease) percentage for the Reporting Period as compared to the corresponding period of the previous year (%)
	2022	2021	2021	
Net asset per share attributable to the shareholders of the Bank	7.09	6.58	6.88	7.75
Basic earnings per share ⁽¹⁾	0.51	0.55	0.93	(7.27)
Diluted earnings per share ⁽¹⁾	0.51	0.55	0.93	(7.27)

Note:

- (1) The change in basic earnings per share and diluted earnings per share as compared with the corresponding period of the previous year was mainly due to the fact that the Bank was listed on the Main Board of the Hong Kong Stock Exchange on September 29, 2021, and the total number of issued shares increased to 6,888,545,510 shares.

(Unit: RMB'000)

Scale indicators	As at June 30, 2022	As at December 31, 2021	Increase/(decrease) percentage as at the end of the Reporting Period as compared to the end of the previous year (%)
Total assets	628,577,479	593,361,093	5.94
Including: Gross loans and advances to customers (excluding accrued interest)	316,883,069	298,114,972	6.30
Expected credit loss provision/ Impairment provision for loans and advances to customers ⁽¹⁾	10,088,982	9,091,156	10.98
Total liabilities	577,047,257	543,378,980	6.20
Including:	445,533,161	413,961,013	7.63
Total deposits from customers (excluding accrued interest)			
Share capital	6,888,546	6,888,546	–
Shareholders' equity	51,530,222	49,982,113	3.10
Including: Equity attributable to shareholders of the Bank	48,870,625	47,378,632	3.15
Non-controlling interests	2,659,597	2,603,481	2.16

Note:

- (1) Including the provision for expected credit losses on loans and advances to customers measured at amortized costs and the provision for expected credit losses on loans and advances to customers at fair value through other comprehensive income.

Chapter II Highlights of Accounting Data and Financial Indicators

(Unit: %)

Profitability indicators	For the six months ended June 30		Increase/(decrease) for the Reporting Period as compared to the corresponding period of the previous year
	2022	2021	
Return on average total assets (annualized) ⁽¹⁾	1.19	1.14	0.05
Return on average equity (annualized) ⁽²⁾	13.85	15.70	(1.85)
Net interest spread (annualized) ⁽³⁾	1.82	1.92	(0.10)
Net interest margin (annualized) ⁽⁴⁾	1.88	1.98	(0.10)
Cost-to-income ratio ⁽⁵⁾	29.07	31.99	(2.92)

Notes:

- (1) Annualized rate of return was calculated by dividing the annualized net profit for the period by the average balance of total assets at the beginning and the ending of the period.
- (2) Annualized rate of return was calculated by dividing the annualized net profit for the period by the average balance of total shareholders' equity at the beginning and the ending of the period (i.e. the ending balance considering the annualized net profit).
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost ratio of interest-bearing liabilities.
- (4) Calculated by dividing the annualized net interest income for the period by the average balance of total interest-earning assets.
- (5) Calculated by dividing the total operating expenses (excluding tax and surcharges) by total operating income.

(Unit: %)

Capital adequacy indicators⁽¹⁾	As at June 30, 2022	As at December 31, 2021	Increase/(decrease) as at the end of the Reporting Period as compared to the end of the previous year
Core tier-one capital adequacy ratio ⁽²⁾	13.32	13.90	(0.58)
Tier-one capital adequacy ratio ⁽³⁾	13.35	13.94	(0.59)
Capital adequacy ratio ⁽⁴⁾	14.53	16.29	(1.76)
Ratio of total equity to total assets	8.20	8.42	(0.22)

Notes:

- (1) Calculated in accordance with relevant requirements of the Administrative Measures for the Capital of Commercial Banks (Trial) (《商業銀行資本管理辦法(試行)》). The calculation scope of capital adequacy ratio comprises of all branches and financial institution subsidiaries in compliance with the requirements of the Administrative Measures for the Capital of Commercial Banks (Trial).
- (2) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by total risk-weighted assets.
- (3) Calculated by dividing tier-one capital, net of tier one capital deductions, by total risk-weighted assets.
- (4) Calculated by dividing total capital, net of capital deductions, by total risk-weighted assets.

Chapter II Highlights of Accounting Data and Financial Indicators

(Unit: %)

Asset quality indicators	As at June 30, 2022	As at December 31, 2021	Increase/(decrease) as at the end of the Reporting Period as compared to the end of the previous year
Non-performing loan ratio ⁽¹⁾	0.84	0.84	–
Allowance coverage ratio ⁽²⁾	390.34	375.34	15.00
Allowance to total loan ratio ⁽³⁾	3.27	3.15	0.12

Notes:

- (1) Calculated by dividing the amount of total non-performing loans (excluding accrued interest) by total loans (excluding accrued interest), where the loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value but not the fair value on the combination date.
- (2) Calculated by dividing the balance of loan impairment provision by total non-performing loans (excluding accrued interest), where the balance of loan impairment provision does not include the balance of loan impairment provision recorded under loans in other comprehensive income and the loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value but not the fair value on the combination date.
- (3) Calculated by dividing the balance of loan impairment provision by total loans (excluding accrued interest), where the balance of loan impairment provision does not include impairment allowances recorded under loans in other comprehensive income and the loans of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value but not the fair value on the combination date.

(Unit: %)

Other indicator	As at June 30, 2022	As at December 31, 2021	Increase/(decrease) as at the end of the Reporting Period as compared to the end of the previous year
Loan-to-deposit ratio ⁽¹⁾	71.20	72.11	(0.91)

Note:

- (1) Calculated by dividing total loans to customers (excluding accrued interest) by total deposits (excluding accrued interest). The loans and deposits of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, were calculated by the original book value but not the fair value on the combination date.

Chapter III Management Discussion and Analysis



I. OVERALL OPERATION RESULTS DURING THE REPORTING PERIOD

(I) Operation Overview

In the first half of 2022, in the face of the domestic and foreign environment with increasing difficulties and severe challenges, the Group resolutely implemented the requirements of “preventing the pandemic, stabilizing the economy, and developing safely”, firmly implemented the strategic deployment of the three-year development plan “1+12348”, and adhered to the continuous and coordinated development of quality, scale and effectiveness. In the first half of the year, we maintained a steady improving operating situation as a whole, and played an active role in implementing the “dual coordination”⁽¹⁾, serving the real economy to improve quality and efficiency, and helping stabilize the broader economic market.

As at the end of the Reporting Period, the total assets of the Group amounted to RMB628.577 billion, representing an increase of RMB35.216 billion or 5.94% as compared with the end of the previous year. The balance of deposits was RMB445.533 billion, representing an increase of RMB31.572 billion or 7.63% as compared with the end of the previous year. The balance of loans was RMB316.883 billion, representing an increase of RMB18.768 billion or 6.30% as compared with the end of the previous year. The Bank has achieved steady growth in the scale of assets and liabilities.

As at the end of the Reporting Period, the non-performing loan ratio of the Group was 0.84%. The capital adequacy ratio of the Group was 14.53%, the tier 1 capital adequacy ratio was 13.35%, and the allowance coverage ratio was 390.34%. The asset quality remained at an excellent level and the overall risk was stable and controllable.

During the Reporting Period, the Group realized a pre-provision profit of RMB5.073 billion, a year-on-year increase of RMB690 million or 15.75%; the net profit was RMB3.642 billion, a year-on-year increase of RMB416 million or 12.88%. ROA (return on assets) and ROE (return on equity) was 1.19% and 13.85%. The main efficiency indicators ranked among the top of Hong Kong listed banks in Mainland China, with profitability growing steadily.

(II) Implementation of Business Development Strategies

During the Reporting Period, the Group actively responded to the challenges brought about by the recurring pandemics and fluctuations in economic operation, closely focused on the deployment of the “1+12348” strategic plan, and continued to build the core competitiveness system of “four beams and eight pillars (四樑八柱)” that can support our long-term development in the future, and we worked hard to achieve a new round of higher-quality development.

Note:

- (1) “dual coordination” refers to the simultaneous coordination of pandemic prevention and control as well as economic and social development.

1. **Built the core customer management system that provides both inclusive services and basic customers services based on the dual pillars of “grid + scenario”.**

During the Reporting Period, the Bank adhered to the business philosophy of “customers are our greatest wealth”, through the use of the “133” project of rural revitalization financial services and the “1+3+N” grid service model, focused on promoting the “three threes (三個三)” core customer management project, and comprehensively promoted the construction of a customer ecosystem in which customers and the Bank are interconnected, influenced and depended on each other, and provided customers with a full range of comprehensive financial services.

Firstly, deepened the marketing of the “three threes” core customer groups. The Bank deeply cultivated the customer groups of “modern Sannong”, continued to carry out the work of “visiting villages”, “visiting streets” and “visiting factories” and “granting credit limit to whole village” activities, deeply understood the financial needs of the “Sannong” customer group, actively innovated products and services, and participated in the co-construction and sharing of rural areas in an all-round way. In the first half of the year, the Bank has visited nearly 140,000 villagers and completed the registration of 330,000 villagers, covering over 90% of the villagers’ households in Dongguan. As of the end of June 2022, the balance of Bank’s loans to customers of the “modern Sannong” was RMB61.927 billion, an increase of RMB5.615 billion or 9.97% over the beginning of the year. **The Bank operated the “Three-chain” customer base of the modern manufacturing industry.** By strengthening the construction of the manufacturing customer base ecosystem, the Bank has actively transformed its service model and continuously improved its service efficiency. As of the end of June 2022, the Bank’s manufacturing loan balance was RMB45.951 billion, an increase of RMB6.572 billion or 16.69% over the beginning of the year; the balance of medium and long-term loans to the manufacturing industry was RMB25.830 billion, an increase of RMB3.943 billion or 18.02% over the beginning of the year. **The Bank served the “Three-innovation” customer groups of small, medium and micro enterprises.** In terms of credit support, loan renewal guarantee, product innovation, interest rate concessions and others, the Bank implemented targeted services to small, medium and micro enterprises, and strengthened the marketing and services for “specialized and innovative” enterprises. In the first half of the year, the Bank granted a total of RMB46.692 billion loans to SMEs, supporting 15,568 SMEs to overcome the pandemic. The balance of loans to the “Three-innovation” customer group in small, medium and micro enterprises reached RMB2.92 billion, a net increase of RMB422 million or 16.89% over the beginning of the year.

Secondly, accelerated the construction of “1+3+N” grid construction. During the Reporting Period, each business line of the Bank advanced the construction of “1+3+N” grid service pillar system centering on the construction of customer ecosystem, which effectively improved the core customer bases’ operation capability and comprehensive customer contribution. **The Bank accurately grasped the “1” and promoted the “Head Office-to-Head Office” marketing.** The Bank continuously deepened the cooperation with “primary” partners, and developed quality core customer bases. Particularly, the Bank proactively supported the construction of major projects in Dongguan, with a total credit amount of RMB28.950 billion. **The Bank broadened the “3” along the chain and strengthen chain marketing.** In combination with the characteristics of industrial layout in Dongguan, the Bank continuously extended the marketing scope along the industrial chain, supply chain and value chain. As to the industrial chain, the Bank innovated and developed products such as “all-in-one” account pre-opening, enriched the application scenarios of the industrial chain and enhanced the stickiness of customer cooperation in the industrial chain, created a closed-loop customer base ecosystem, and deposited low-cost settlement funds. As to the supply chain, the Bank continued to strengthen the sci-tech empowerment

in combination with the digital transformation, optimized the functions of the industrial financial service platform, modern Sannong financial service platform, cash management system and other banking platforms, provided more targeted services for the supply chain customers. As to the value chain, the Bank proactively changed the service mode, realized the “strong alliance” of product professional advantages through the linkage of head offices and branches, providing customers with cross-business comprehensive service solutions, and deeply exploring the customer value chain. **The Bank expanded the “N” in batches and strengthened the network marketing.** The coverage and effectiveness of business marketing have been comprehensively improved by acquiring customers by mass marketing. The Bank effectively drove the growth of retail deposits and AUM from customers through payroll on behalf of others and mortgage cooperation, and effectively improved the Bank’s customer acquisition ability of its own channel scenarios through online new marketing mode.

Thirdly, strengthened the construction of “scenario” pillars. Focusing on the banking system, the Bank constantly enriched the scenario applications, optimized the functions of the industrial financial service platform based on users’ needs, and further expanded the scope of scenario applications by introduction of products and services such as “half-second discounting (半秒贴)”. There were 1,568 contracts signed through the industrial financial service platform, and the platform volume reached RMB4.536 billion in the first half of the year, representing 160% of volume for the whole year of 2021. **Focusing on the online and offline channels, the Bank realized the full coverage of consumption scenarios,** deepened the online consumption scenarios, covered daily livelihood consumption with online discounts, and increased the card utilization rate of customers by virtue of the traffic of online shopping platforms. Also, the Bank aimed at the offline consumption traffic and carried out fee reduction activities of consumption cooperated with merchants. As of the end of the Reporting Period, the Bank’s credit card activity rate was 55.89%, representing an increase of 1.21 percentage point over the same period last year. The Bank promoted the digital transformation of offline outlets, formulated the Work Plan for Outlet Transformation and Upgrading and the Reform Plan for Post Structure of Business Lines of Branches, and accelerated the digital transformation of outlets. The Bank sped up the construction progress of 5G outlets, focused on system construction, design and decoration as well as “finance + scenario” application, constantly diversified the scenario-based services, and empowered the development of channels and brand building of new outlets.

2. Built the core business system to advance both traditional business and emerging business based on the dual pillars of “market share + rate of return”.

During the Reporting Period, the Bank adhered to the “transformation and improvement of traditional driving forces” and “development and expansion of new driving forces”, further consolidated the growth pattern of core business with multi-source driving forces and multi-point support, and further created five major brands featured financial business including “excellent and strong” corporate finance, “comprehensive and strong” retail finance, “solid and strong” SMEs finance, “flexible and strong” interbank finance as well as “fine and strong” digital finance, realized the comprehensive improvement in terms of market share, innovative development ability, product coverage ability and professional operating ability.

Chapter III Management Discussion and Analysis

Please refer to the “Business Operation during the Reporting Period” in the chapter headed “Management Discussion and Analysis” of this report for details.

3. Created the risk management system with emphasis on both innovative development and forward-looking stability based on the dual pillars of “compliance operation + risk management and control”.

The Bank continued to improve risk management measures and systems, constantly adapted to the requirements of the regulatory authorities on risk management, and formed a set of “4321” comprehensive risk management system that meets the standards of listed banks. Particularly, the Bank set up the “four-in-one” risk governance mechanism of the Board of Directors, the Discipline Committee, the Board of Supervisors and the senior management, set up the risk management mechanism of “three lines of defense” before, during and after the risk, created the dual risk prevention mechanism of “business system + audit system”, and established the compensation deferral, recourse and reduction mechanism, which played the role of risk control escort. Meanwhile, the Bank continued to strengthen risk prevention and control in the following key areas.

Firstly, the Bank consolidated the foundation of compliance construction by system governance.

The Bank continuously improved the construction of risk management system, formulated the Opinions on the Implementation of Comprehensive Risk Management in 2022, clarifying the key points of risk management for the year, and implemented the meeting mechanism of risk control and review, so as to plug the risk loopholes in operation and management in a timely manner. The Bank strengthened the compliance audit, benchmarked regulatory requirements and the Bank’s rules, strictly controlled the compliance audit of new systems, new businesses and new products, and advanced the checkpoint of compliance risk.

Secondly, the Bank strengthened the compliance operation ability under the guidance of supervision.

The Bank improved the case prevention management mechanism, organized and carried out internal control management self-inspection, internal control risk investigation and internal control execution inspection, established the risk information collection mechanism, strengthened risk management in key fields, and improved the execution of internal control system. The Bank strengthened the construction of compliance culture, formulated the 2022-2023 Compliance Culture “Five Strengths” Development Plan, promoted the integration of compliance culture into all work of business development, continuously improved the employees’ awareness of compliance performance, organized the employees of the Bank to carry out special study on key systems and typical cases every quarter, and carried out compliance knowledge inspection activities by hierarchy.

Thirdly, the Bank promoted the refined risk management with sci-tech innovation. The Bank further promoted the digital transformation of risk control, built the compliance management database based on the “three-in-one” system, further strengthened the digital monitoring of operational risk, created a new generation of internal control supervision and management system, and improved the internal control supervision quality and efficiency. The Bank continuously improved the digital risk control management level, promoted the construction of digital risk control projects, persistently performed the operation and maintenance of existing systems and optimized 60 system functions, introduced the pre-lending investigation system and the depository system, and commenced the construction of the credit risk alert phase II project and the non-performing asset management system. The Bank strengthened the business continuity security, promoted the preparation of contingency plan of “three centers in

two places” and business continuity emergency drill, and improved the awareness of contingency management. The Bank continuously optimized the “sky-eye” audit system, independently developed 116 audit models, and issued audit monitoring reports and business risk reminder according to the regular audit monitoring, so as to reveal business risks and put forward audit recommendations in a timely manner.

Fourthly, the Bank improved the comprehensive risk management with strategic guidance. The Bank strengthened the credit risk prevention and control, formulated the Opinions on Credit Risk Prevention and Control in 2022 and the Guiding Opinions on Credit Business Investment, clarifying the credit work objectives and credit investment orientation of the Bank, and continuously improved the credit risk system and structure. The Bank strengthened the management of treasury business, strengthened the review of risk bonds, organized and convened the meeting of bond and inter-bank credit group, reviewed 290 credit projects, and strictly controlled the access of bond business. The Bank strengthened the risk preference management, formulated the Group Risk Limit Management Plan and the Group Risk Preference Statement, and built the consolidated risk preference system with clear orientation. The Bank carried out the risk stress testing, continuously optimized the stress testing schemes of various risks, constantly enriched the stress testing scenarios, and completed the regulatory stress testing tasks such as solvency sensitivity, liquidity risk and infectious risk with quality and quantity.

4. Created organizational management system of structural transformation paralleling with management empowerment based on the dual pillars of “incentive and restraint + corporate culture”.

Guided by the strategic goals, the Bank actively continued to stimulate the enthusiasm, initiative and creativity of employees by means of incentive and restraint and based on corporate culture. The Bank promoted the building of empowering modern banking organization system, and guided the operation to converge towards strategic transformation.

Firstly, strengthened core “competitiveness” with sound performance appraisal. The Bank adopted the balanced scorecard model and set up four assessment dimensions of finance, customer management, internal process and learning and growth, and continuously improved management and learning and growth capabilities of individuals and teams. The Bank has comprehensively built its core competitive advantages in customer operation, business development, risk prevention and control, and internal management. The Bank innovatively set up the business linkage indicators of the head office departments, strengthened the cooperation awareness of business departments, strengthened the orientation of customer acquisition and motivation. The Bank improved the risk compliance assessment mechanism, improved the compliance operation quality, standardized the assessment management mechanism, and strengthened the implementation of assessment management.

Secondly, matched the development of the “new system” with optimization of organizational structure. During the Reporting Period, the Bank established the data management department to comprehensively promote digital transformation with data as the core driving force. The Bank prepared to establish the audit center under the audit department to strengthen the supervision and evaluation of business operation, risk management, internal control compliance and corporate governance of subordinated institutions, so as to promote stable operation and value enhancement of subordinated institutions. The Bank established the consumer rights protection center as tier-one department of the head office, improved the construction of consumer rights protection system and mechanism, and strengthened consumer rights protection and service supervision.

Thirdly, cultural orientation with IP image project. The Bank promoted corporate IP design and developed peripheral applications, injected visual and distinctive cultural elements into the brand image of Dongguan Rural Commercial Bank, and created a younger corporate brand image. The Bank strengthened the publicity and implementation of the “six in one” core corporate culture, and deeply rooted the corporate cultural values among employees of the Bank. Meanwhile, the Bank and the Dongguan Numismatic Museum selected the Xiegang sub-branch of the Bank as the first pilot unit to innovate and create a “financial cultural education garden” with the functions of cultural display and knowledge education.

(III) Business Operation during the Reporting Period

1. Retail financial business

The Bank’s retail finance business focused on grid management, leveraged its advantages in outlets, channels and customer groups, firmly seized new opportunities such as promoting consumption, expanding domestic demand and technological development, innovated services for the new citizen customer base, promoted the construction of customer ecological management system, deepened the retail transformation, and promoted the upgrade of retail business services. The Bank launched the “X version” of the Rural Revitalization Card for young customers and achieved a cumulative issuance of 606,700 credit cards, and the assets of consumer finance and credit card amounted to RMB23.635 billion as of the end of the Reporting Period. During the Reporting Period, the annual average daily asset management scale (AUM) of the retail customer base has reached RMB253.167 billion, a year-on-year increase of 12.34%. Through technological empowerment to promote the innovation and development of wealth business, the Group promoted the transformation of wealth management business in a sustained way. As at the end of the Reporting Period, the total wealth management scale of the Bank reached RMB48.432 billion, of which personal wealth management accounted for 88.31%.

With the goals of increasing customer value, increasing the number of customers, and deepening product penetration, the Bank’s private banking business provided customers with a full range of asset allocation services by building a full-life-cycle agency asset management product system and promoting family trust business. Through the “1+3+N” grid business model, the Bank has deeply managed the business circle, family circle and circle of friends of private banking customers, and built a dynamic customer ecosystem. Through the establishment of the distinctive “Dongguan Enterprise Club” brand, we have created a service of “people – home – entrepreneurs” for private banking customers. By focusing on the inheritance line, we have cultivated a new generation of young private banking customers. As at the end of the Reporting Period, the asset management scale (AUM) of private banking customers reached RMB47.524 billion, an increase of 9.73% over the end of the previous year.

2. Corporate financial business

The Bank advanced the overall development of businesses by focusing on the development of industrial finance. As of the end of the Reporting Period, the balance of corporate deposits of the Group achieved RMB181,457 million and the balance of corporate loans (including direct discounted and rediscounted bills) achieved RMB208,474 million. The Company deepened and implemented the “1+3+N” grid service model, continuously enriched the industrial financial service system, successfully launched the cloud service of the public resource trading center, and upgraded industrial financial services with technology empowerment. As at the end of the Reporting Period, the Bank’s industrial finance loan balance was

RMB127.268 billion. We proactively developed the “commercial bank + investment banking” model, with the balance of investment banking business being RMB6.374 billion. During the Reporting Period, the Bank’s international business settlement volume reached USD5.806 billion, foreign exchange settlement and sales on behalf of customers reached USD3.355 billion, and the balance of trade financing was equivalent to RMB5.043 billion. Cross-border financial services were increasingly improved.

The Bank persisted in provision of local finance services by innovating the “1+3+N” grid-based service model. We have organized and cooperated with the Dongguan Municipal Government’s special debt work, vigorously supported major construction projects and livelihood projects in Dongguan. We supported the city’s water supply “one network” project. During the Reporting Period, 23 township water supply projects have successfully set up special accounts with the Bank. The Bank has connected with the city’s static parking system, and has successfully connected with the smart parking systems in 26 towns and streets. The Bank has successfully connected with the smart medical projects of a hospital in Dongguan, promoted the digital transformation of bank-medical cooperation. Besides, the rural revitalization financial service center of the Bank increased its support for modern Sannong and implemented financial services. As at the end of the Reporting Period, the Bank issued loans to “modern Sannong” customers with a balance of RMB61.927 billion, and the balance of agriculture-related loans reached RMB32.657 billion.

3. Small and micro finance business

The Group implemented the business strategy of “Full Services for All SMEs”. With focus on the theme of high-quality development of small and micro enterprises, the Bank made every effort to speed up the pace of digital transformation, optimized the business approval process and created a green financing channel for SMEs, and actively promoted the grid-based marketing of “walking through the streets and alleys, going into factories and stores”, effectively improved the overall efficiency of financial services for SMEs. The Bank formed a professional SMEs service team linked by the headquarter and branches, established a diversified, multi-category, full-coverage small and micro product system, innovatively launched special products such as “Qingchuang Loan(青創貸)”, “Fumin Loan(富民貸)” and “Litchi Loan(荔枝貸)”, and made great efforts to significantly improve the SME financial supply scale, quality, efficiency. As of the end of the Reporting Period, the Bank’s loan balance to SMEs (full caliber of the CBIRC) was RMB136.360 billion, among which, the balance of inclusive loans to SMEs with no more than RMB10 million credit line each (excluding discounted bills) was RMB29.527 billion, representing an increase of 11.00% over the end of last year. During the Reporting Period, the weighted interest rate of inclusive SME loans was 4.93%, representing a decrease of 0.59 percentage point compared to that of the previous year; the non-performing ratio of inclusive SME loans was 1.07%, which was controlled within 3 percentage point of the non-performing loan ratio of the Group. The Group has steadily promoted the “transactional volume increment and business expansion, quality improvement and cost reduction” of SME financial services.

4. Interbank financial business

The Group adhered to the general strategy of “seeking progress while maintaining stability” for the inter-bank financial business. The Group has closely followed the pace of the Group’s strategic development, proactively adapted to the requirements of the new situation, enhanced its synergy capability, enhanced its swing trading capability, strengthened technological empowerment, optimized its strategy research and risk management and control system, effectively consolidated the distinctive advantages of the inter-bank financial business, maintained a stable profitability, and continued to enhance its market influence. During the Reporting Period, the online business transaction volume of the Bank in the interbank market exceeded RMB5.78 trillion, and market transactions were active. In terms of interbank financial assets, the Group conducted in-depth research and evaluation of interest rate trends, and carried out asset allocation at the right time, further optimized the asset structure and effectively increased the income contribution of swing trading. In addition, the Group has also actively participated in green bond investment. At the end of the the Reporting Period, the face value of the green bond held by the Bank reached RMB3.986 billion. In terms of inter-bank financial liabilities, the Group has strengthened the refined management of liabilities and effectively controlled costs. During the Reporting Period, the issuance scale of inter-bank certificates of deposits totaled RMB36.880 billion, and the issuance interest rate was at a relatively low level among banks of the same level. In terms of intermediary business, the Group practiced the concept of “customers are our greatest wealth”, actively explored customer groups, and increased income from intermediary businesses through book-entry treasury bond underwriting, gold leasing and other businesses.

5. Digital finance business

Adhering to the goal of digital transformation and the strategy of “planning in the whole area, highlighting key points, running in small steps, and quickly winning in local areas”, the Group has accelerated the construction of a “smart digital bank”, promoted the integration of channel services under the new retail transformation, and explored the customer grouping operation of mobile banking. Through the digitalization of traditional business, the intelligentization of financial services, and the ecologicalization of scene services, the Bank has actively built a “digital economic symbiosis” that is closely integrated with local governments, industries and characteristic customer groups. As at the end of the Reporting Period, the number of personal mobile banking users of the Bank has reached 3,740,400, an increase of 11.17% over the end of last year.

(IV) Development of Financial Technology

The Group continued to increase the investment in financial technology resources, strengthened innovative research on financial technology, and promoted the application of emerging technologies in business scenarios. The Bank continued to promote the upgrade of mobile banking functions. During the Reporting Period, the Bank launched functions such as RMB1 Activity(1元活動), Easy Payment (易代發) and holiday skinning, and newly launched WeChat Banking and WeChat Mini Programs, expanded customer marketing channels and improved customer service levels. During the Reporting Period, the total investment in technology of the Group was RMB161.6126 million. The Bank continues to strengthen building of financial technology talent team and to create financial technology innovation capacity. As of the end of the Reporting Period, the Group had 684 technological personnel (including dispatched personnel).

II. KEY OPERATING DATA FOR THE REPORTING PERIOD

(I) Income Statement Analysis

During the Reporting Period, the Group achieved operating income of RMB7.213 billion, representing an increase of 11.17% over the same period last year, and realized net profit of RMB3.642 billion, representing an increase of 12.88% from the same period last year. The main reasons include: firstly, the Group is committed to promoting the development of intermediary business, increasing bond swing trading and improving price spread, which resulted in a year-on-year increase of 46.17% in net non-interest income; secondly, the steady increase in the scale of interest-earning assets and interest-bearing liabilities resulted in a year-on-year increase of 2.53% in net interest income.

The key items of the Group's income statement and the comparative changes are as follows:

(Unit: RMB'000)

Item	For the six months ended June 30		Amount of increase/ (decrease)	Increase/ (decrease) percentage(%)
	2022	2021		
Net interest income	5,334,478	5,202,933	131,545	2.53
Net non-interest income	1,878,211	1,284,990	593,221	46.17
Operating income	7,212,689	6,487,923	724,766	11.17
Operating expense	(2,158,320)	(2,132,868)	(25,452)	1.19
Expected credit losses	(1,115,363)	(912,223)	(203,140)	22.27
Operating profit	3,939,006	3,442,832	496,174	14.41
Share of profits of associates	18,725	27,646	(8,921)	(32.27)
Profit before tax	3,957,731	3,470,478	487,253	14.04
Income tax expense	(315,663)	(243,983)	(71,680)	29.38
Net profit	3,642,068	3,226,495	415,573	12.88
Net profit attributable to shareholders of the Bank	3,540,384	3,142,240	398,144	12.67
Net profit attributable to non-controlling interests	101,684	84,255	17,429	20.69

1. Net interest income

During the Reporting Period, the net interest income of the Bank amounted to RMB5,334 million, representing a year-on-year increase of RMB132 million or 2.53%, mainly due to the fact that the increase in interest income brought about by the steady growth in the size of interest-earning assets outweighed the impact of the decline in net interest margin on the growth in net interest income.

The following table sets forth the interest income, interest expense and net interest income of the Group during the periods indicated:

(Unit: RMB'000)

Item	For the six months ended June 30		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2022	2021		
Interest income	11,303,499	10,753,461	550,038	5.11
Interest expense	(5,969,021)	(5,550,528)	(418,493)	7.54
Net interest income	5,334,478	5,202,933	131,545	2.53

(1) Net interest spread and net interest margin

During the Reporting Period, the average yield on interest-earning assets of the Group was 3.98%, representing a year-on-year decrease of 0.11 percentage point; the average cost of interest-bearing liabilities was 2.16%, representing a year-on-year decrease of 0.01 percentage point; the net interest spread was 1.82%, representing a year-on-year decrease of 0.10 percentage point; the net interest margin was 1.88%, representing a year-on-year decrease of 0.10 percentage point.

During the Reporting Period, the decrease in the average yield on interest-earning assets of the Group as compared to the same period of the previous year was mainly due to the re-pricing of loan interest rates and the continuous impact of policies to support the real economy, as well as the impact of the downward interest rate in the bond market.

During the Reporting Period, the decrease in the average cost ratio of Group's interest-bearing liabilities as compared to the same period of the previous year was mainly affected by the decline in market interest rates, and the cost ratios of inter-bank liabilities have declined.

The following table sets forth the average balances of our interest-earning assets and interest-bearing liabilities, the related interest income or expense and the related average yields on assets or related average costs of liabilities for the periods indicated:

(Unit: RMB'000)

Item	For the six months ended June 30					
	2022			2021		
	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾ (%)	Average balance	Interest income/expense	Average yield/cost ⁽¹⁾ (%)
Interest-earning assets						
Loans and advances to customers	306,961,465	7,851,638	5.12	273,188,756	7,093,206	5.19
Financial investments ⁽²⁾	197,824,932	2,989,463	3.02	192,820,994	3,244,332	3.37
Deposits with Central Bank	30,963,305	219,720	1.42	33,415,005	239,240	1.43
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	32,460,044	242,678	1.50	26,730,845	176,683	1.32
Total	568,209,746	11,303,499	3.98	526,155,600	10,753,461	4.09
Interest-bearing liabilities						
Deposits from customers	419,789,513	4,258,638	2.03	376,964,934	3,646,199	1.93
Bonds issued	61,580,177	903,088	2.93	55,287,769	871,139	3.15
Borrowings from Central Bank	17,782,397	226,980	2.55	29,458,366	429,809	2.92
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	54,178,320	568,600	2.10	49,008,026	594,386	2.43
Leasing liability	468,982	11,715	5.00	433,013	8,995	4.15
Total	553,799,389	5,969,021	2.16	511,152,108	5,550,528	2.17
Net interest income		5,334,478			5,202,933	
Net interest spread⁽³⁾			1.82			1.92
Net interest margin⁽⁴⁾			1.88			1.98

Notes:

- (1) Calculated by dividing the annualized interest income/expense for the period by the average balance during the period.
- (2) Mainly consisted of interest-earning financial assets at amortized cost and financial assets at fair value through other comprehensive income.
- (3) The arithmetic difference between the average yield of all interest-earning assets and the average cost of all interest-bearing liabilities.
- (4) Calculated by dividing the annualized net interest income during the period by the average balance of total interest-earning assets.

Chapter III Management Discussion and Analysis

The following table sets forth the year-on-year changes in the Group's interest income and interest expense due to changes in volume and interest rates:

(Unit: RMB'000)

Item	For the six months ended June 30, 2022 as compared to 2021		
	Increase/(decrease) due to changes in		Net increase/ (decrease) ⁽³⁾
	Volume ⁽¹⁾	Interest rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	876,891	(118,459)	758,432
Financial investments ⁽⁴⁾	84,195	(339,064)	(254,869)
Deposits with Central Bank ⁽⁵⁾	(17,553)	(1,967)	(19,520)
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	37,868	28,127	65,995
Changes in interest income	981,401	(431,363)	550,038
Interest-bearing liabilities			
Deposits from customers	414,221	198,218	612,439
Bonds issued ⁽⁶⁾	99,146	(67,197)	31,949
Borrowing from Central Bank	(170,357)	(32,472)	(202,829)
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	62,707	(88,493)	(25,786)
Lease liabilities	747	1,973	2,720
Changes in interest expense	406,464	12,029	418,493
Changes in net interest income	574,937	(443,392)	131,545

Notes:

- (1) Refers to average balance of the period minus average balance of the previous period, multiplied by average yield/cost rate of the previous period.
- (2) Refers to average yield/cost rate of the period minus average yield/cost rate of the previous period, multiplied by the average balance of the period.
- (3) Represents interest income/expense of the period minus interest income/expense of the previous period.
- (4) Mainly consisted of interest-earning financial assets at amortized costs and financial investment at fair value through other comprehensive income.
- (5) Mainly consisted of statutory deposit reserves and surplus deposit reserves.
- (6) Mainly consisted of interbank certificates of deposits, tier-two capital bonds, green financial debt securities, Sannong financial bonds and SME financial bonds.

During the Reporting Period, the increase in interest income was mainly due to the fact that the impact of the increase in the scale of interest-earning assets outweighed that of the interest rate reform; the increase in interest expenses was mainly influenced by the increase in the scale of interest-bearing liabilities.

(2) Interest income

During the Reporting Period, interest income amounted to RMB11.303 billion, representing a year-on-year increase of RMB550 million or 5.11%. The following table sets forth the composition of the Group's interest income, their respective proportion and average yield during the indicated periods:

(Unit: RMB'000)

Item	For the six months ended June 30					
	2022			2021		
	Amount	% of total (%)	Average yield (%)	Amount	% of total (%)	Average yield (%)
Loans and advances to customers	7,851,638	69.46	5.12	7,093,206	65.96	5.19
Financial investments	2,989,463	26.45	3.02	3,244,332	30.18	3.37
Deposits with Central Bank	219,720	1.94	1.42	239,240	2.22	1.43
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	242,678	2.15	1.50	176,683	1.64	1.32
Total interest income	11,303,499	100.00	3.98	10,753,461	100.00	4.09

(i) Interest income from loans and advances to customers

Interest income from loans and advances to customers accounted for 69.46% and 65.96% of our interest income for the six months ended June 30, 2022 and 2021, respectively. The following table sets forth the average balance, interest income and average yield for each component of our loans and advances to customers for the periods indicated:

(Unit: RMB'000)

Item	For the six months ended June 30					
	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	201,390,991	5,371,942	5.33	164,483,576	4,459,439	5.42
Personal loans and advances	79,375,463	2,205,922	5.56	83,318,339	2,285,046	5.49
Discounted bills	26,195,011	273,774	2.09	25,386,841	348,721	2.75
Total	306,961,465	7,851,638	5.12	273,188,756	7,093,206	5.19

During the Reporting Period, interest income from loans and advances to customers amounted to RMB7.852 billion, representing an increase of RMB758 million or 10.69% over the corresponding period last year. The increase in interest income was mainly due to the continuous inclination of credit resources to local economic construction and industrial transformation and upgrading, which drove the scale of corporate loans to maintain high growth, and contributed to a 20.46% increase in loan interest income.

Chapter III Management Discussion and Analysis

(ii) Financial investment interest income

For the six months ended June 30, 2022 and 2021, financial investment interest income accounted for 26.45% and 30.18% of total interest income, respectively. The majority of interest income from financial investments is derived from interest income from bond investment.

During the Reporting Period, the Group achieved interest income from financial investments of RMB2.989 billion, representing a decrease of RMB255 million or 7.86% from the corresponding period last year. The decrease in financial investment interest income was due to the overall decline of interest rates in the bond market and therefore decrease in the yield of new investment.

(iii) Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

The average balance, interest income and average rate of return of each component of the Group's financial assets held under resale agreements and deposits and placements with banks and other financial institutions are as follows:

(Unit: RMB'000)

Item	For the six months ended June 30					
	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Financial assets held under resale agreements	18,374,237	166,876	1.82	14,323,477	138,839	1.94
Deposits and placements with banks and other financial institutions	14,085,807	75,802	1.08	12,407,368	37,844	0.61
Total	32,460,044	242,678	1.50	26,730,845	176,683	1.32

During the Reporting Period, interest income from financial assets held under resale agreements and deposits and placements with banks and other financial institutions amounted to RMB243 million, representing a year-on-year increase of 37.35%, mainly due to the increase in deposit scale, investment in financial assets held under resale agreements with residual funds while making sure the safety of fund position, which resulted in an increase in the average balance of financial assets purchased under resale agreements over the same period of last year, which promoted the increase in interest income.

(3) Interest expense

During the Reporting Period, interest expense of the Group amounted to RMB5,969 million, representing a year-on-year increase of RMB418 million or 7.54%. The following table sets forth the composition of the Group's interest expenses and their corresponding proportion and average cost for the periods indicated:

(Unit: RMB'000)

Item	For the six months ended June 30					
	2022			2021		
	Amount	% of total (%)	Average cost (%)	Amount	% of total (%)	Average cost (%)
Deposits from customers	4,258,638	71.35	2.03	3,646,199	65.69	1.93
Bonds issued	903,088	15.13	2.93	871,139	15.69	3.15
Borrowing from the Central Bank	226,980	3.80	2.55	429,809	7.74	2.92
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	568,600	9.53	2.10	594,386	10.71	2.43
Lease liabilities	11,715	0.19	5.00	8,995	0.17	4.15
Total interest expense	5,969,021	100.00	2.16	5,550,528	100.00	2.17

(i) Interest expense on customer deposits

For the six months ended June 30, 2022 and 2021, interest expenses on customer deposits accounted for 71.35% and 65.69% of total interest expenses, respectively.

The following table sets forth the average balance, interest expense and average cost rate of each component of the Group's customer deposits during the period indicated:

(Unit: RMB'000)

Item	For the six months ended June 30					
	2022			2021		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Demand	97,843,790	422,657	0.86	86,888,378	319,871	0.74
Time	77,216,752	1,483,604	3.84	67,003,659	1,266,068	3.78
Subtotal	175,060,542	1,906,261	2.18	153,892,037	1,585,939	2.06
Personal deposits						
Demand	112,786,965	344,902	0.61	104,288,639	294,226	0.56
Time	131,942,006	2,007,475	3.04	118,784,258	1,766,034	2.97
Subtotal	244,728,971	2,352,377	1.92	223,072,897	2,060,260	1.85
Total	419,789,513	4,258,638	2.03	376,964,934	3,646,199	1.93

During the Reporting Period, the Group's interest expense on customer deposits was RMB4.259 billion, representing an increase of RMB612 million or 16.80% year-on-year. The increase in interest expense on customer deposits was mainly due to the increase in both scale and interest rate. Firstly, the Group continued to maintain the top position in the deposit market share in Dongguan City, and the growth of deposits was stable, which promoted the increase in scale; secondly, the proportion of the time deposits increased, which resulted in a slight increase in the overall interest rate.

(ii) Bonds issued

During the Reporting Period, interest expense on bonds issued amounted to RMB903 million, representing an increase of 3.67% year-on-year, mainly due to planning matured liabilities in advance, increasing issuance of interbank certificates of deposits when the market interest rate is lower, which resulted in an increase in the average size of the issued bonds.

(iii) Interest expense on borrowing from the Central Bank

During the Reporting Period, the Group's interest expense on borrowings from the Central Bank amounted to RMB227 million, representing a decrease of RMB203 million or 47.19% year-on-year, which is mainly due to the reduction of average scale of medium-term lending facility compared to the same period in 2021.

- (iv) Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

The average balance, interest expense and average cost of components of financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions are as follows:

(Unit: RMB'000)

Item	For the six months ended June 30					
	2022			2021		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Financial assets sold under repurchase agreements	23,006,999	192,262	1.67	23,253,916	253,933	2.18
Deposits and placements from banks and other financial institutions	31,171,321	376,338	2.41	25,754,110	340,453	2.64
Total	54,178,320	568,600	2.10	49,008,026	594,386	2.43

During the Reporting Period, the interest expense on financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions payable by the Group amounted to RMB569 million, representing a decrease of RMB26 million or 4.34% year-on-year, mainly due to the downward market interest rate and corresponding decrease in costs of liabilities.

2. Net non-interest income

During the Reporting Period, net non-interest income amounted to RMB1.878 billion, representing a year-on-year increase of RMB593 million or 46.17%. The following table sets forth the composition of net non-interest income of the Group for the periods indicated:

(Unit: RMB'000)

Item	For the six months ended June 30		Amount of increase/ (decrease)	Increase/ (decrease) percentage(%)
	2022	2021		
Net fee and commission income	482,457	340,892	141,565	41.53
Net trading gains	744,057	576,203	167,854	29.13
Net income from financial investments	594,795	344,675	250,120	72.57
Other operating income	56,902	23,220	33,682	145.06
Total	1,878,211	1,284,990	593,221	46.17

Chapter III Management Discussion and Analysis

(1) Net fee and commission income

Details of net fee and commission income of the Group are set forth as follows:

(Unit: RMB'000)

Item	For the six months ended June 30			
	2022		2021	
	Amount	% of total (%)	Amount	% of total (%)
Fee income from settlement business	37,840	7.84	28,543	8.37
Bank card fee income	113,427	23.51	135,108	39.63
Fee income from trust and fiduciary activities	168,780	34.98	125,253	36.74
Income from wealth management business	235,527	48.82	87,086	25.55
Income from other businesses	42,212	8.75	41,536	12.18
Fee and commission income	597,786	123.90	417,526	122.47
Fee and commission expense	(115,329)	(23.90)	(76,634)	(22.47)
Net fee and commission income	482,457	100.00	340,892	100.00

(2) Net trading gains

During the Reporting Period, the Group's net trading gains amounted to RMB744 million, representing a year-on-year increase of RMB168 million, mainly due to the capture of opportunities of market volatility, disposal of bond assets and increase in price spread income.

(3) Net income from financial investments

During the Reporting Period, the Group's net income from financial investments amounted to RMB595 million, representing a year-on-year increase of RMB250 million, mainly due to the downward market interest rate, and increase in the financial investment and asset disposal, realizing price spread income.

(4) Income from other businesses

During the Reporting Period, other operating income of the Group amounted to RMB57 million, representing a year-on-year increase of RMB34 million, mainly due to the increase in incentive income of deferred payment instrument for inclusive SME loans.

3. Operating expense

During the Reporting Period, the Group's operating expenses amounted to RMB2.158 billion, basically the same as the same period last year, which was mainly the result of the Group's continuous improvement in revenue and expenditure management, cost reduction and efficiency enhancement.

The following table sets forth the main components of the Group's operating expenses for the periods indicated:

(Unit: RMB'000)

Item	For the six months ended June 30		Amount of increase/ (decrease)	Percentage increase/ (decrease) (%)
	2022	2021		
Staff costs	1,528,993	1,531,014	(2,021)	(0.13)
Taxes and surcharges	61,528	57,503	4,025	7.00
General and administrative expenses	337,548	288,463	49,085	17.02
Depreciation and amortization	227,817	251,167	(23,350)	(9.30)
Others	2,434	4,721	(2,287)	(48.44)
Total	2,158,320	2,132,868	25,452	1.19

(1) Staff costs

Staff costs is the largest component of the Group's operating expenses, accounted for 70.84% and 71.78% of operating expenses for the six months ended June 30, 2022 and 2021, respectively.

The following table sets forth the main components of the Group's staff costs for the periods indicated:

(Unit: RMB'000)

Item	For the six months ended June 30		Amount increase/ (decrease)	Percentage increase/ (decrease) (%)
	2022	2021		
Salaries, bonuses, allowances and subsidies	1,132,509	1,112,603	19,906	1.79
Pension and other social benefits	313,664	318,589	(4,925)	(1.55)
Enterprise annuity scheme	60,220	63,356	(3,136)	(4.95)
Others	22,600	36,466	(13,866)	(38.02)
Total	1,528,993	1,531,014	(2,021)	(0.13)

During the Reporting Period, the Group's staff costs amounted to RMB1.529 billion, which was basically the same as the corresponding period, mainly due to the overall stability of the staff size.

Chapter III Management Discussion and Analysis

(2) Depreciation and amortization

During the Reporting Period, the Group's depreciation and amortization amounted to RMB228 million, representing a decrease of RMB23 million year-on-year, depreciation and amortization were basically the same over the corresponding period, mainly due to minor change in the scale of property and equipment.

4. Expected credit losses

(Unit: RMB'000)

Item	For the six months ended June 30		Amount increase/ (decrease)	Percentage increase/ (decrease) (%)
	2022	2021		
Loans and advances to customers	925,621	769,363	156,258	20.31
Financial investments	151,601	72,698	78,903	108.54
Loan commitments and guarantee contracts	473	54,323	(53,850)	(99.13)
Financial assets held under resale agreements, deposit and placement from banks and other financial institutions	6,823	12,202	(5,379)	(44.08)
Other assets	30,845	3,637	27,208	748.09
Total	1,115,363	912,223	203,140	22.27

(1) Loans and advances to customers

During the Reporting Period, the Group's provision for expected credit loss on loans and advances to customers were RMB926 million, representing an increase of RMB156 million from the same period of the previous year, which is firstly due to the fact that the increase in loan scale has led to an increase in the provision for impairment so as to improve the risk resistance ability; and secondly due to the increase in loan write-off compared with the same period of last year.

(2) Financial investment

During the Reporting Period, the Group's provision for expected credit loss on financial investments amounted to RMB152 million, representing an increase of RMB79 million from the same period of the previous year, mainly due to the increase in the provision for impairment losses caused by the increase in the scale of financial investment.

5. Income tax expense

During the Reporting Period, the Group's income tax expenses amounted to RMB316 million, representing a year-on-year increase of RMB72 million or 29.38%. The effective income tax rate was 7.98%, representing an increase of 0.95 percentage point from the same period of the previous year, mainly due to the decline in the proportion of tax-exempt income earned from investing in treasury bonds.

(Unit: RMB'000)

Item	For the six months ended June 30		Amount of increase/ (decrease)	Increase/ (decrease) percentage (%)
	2022	2021		
Current income tax expense	522,114	431,081	91,033	21.12
Deferred income tax expense	(206,451)	(187,098)	(19,353)	10.34
Total	315,663	243,983	71,680	29.38

(II) Balance Sheet Analysis

1. Assets

As at the end of the Reporting Period, the total assets of the Group was RMB628.577 billion, representing an increase of RMB35.216 billion or 5.94% over the end of last year, mainly due to the increase in asset scale driven by the steady growth in the scale of loans and financial investment.

The following table sets forth the balance of main components of the Group's total assets as of the dates indicated:

(Unit: RMB'000)

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Net loans and advances to customers	307,447,722	48.91	289,684,534	48.82
Cash and balances with Central Bank	38,563,495	6.14	36,211,311	6.10
Financial investments ⁽¹⁾	256,192,866	40.76	242,261,644	40.83
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	16,225,669	2.58	15,772,779	2.66
Investment in associates	464,294	0.07	455,392	0.08
Goodwill	520,521	0.08	520,521	0.09
Property and equipment	2,559,494	0.41	2,546,928	0.43
Right-of-use assets	950,013	0.15	923,130	0.16
Deferred tax assets	3,551,091	0.56	3,331,121	0.56
Others ⁽²⁾	2,102,314	0.34	1,653,733	0.27
Total assets	628,577,479	100.00	593,361,093	100.00

Notes:

- (1) Financial investments include bonds, funds, beneficiary rights of credit assets, and unlisted equity investments.
- (2) Consisted of derivative financial assets, advances to suppliers, long-term deferred expenses, foreclosed assets, clearing and settlement, and precious metal, etc.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Group's net loans and advances to customers amounted to RMB307.448 billion, representing an increase of RMB17.763 billion or 6.13% over the end of last year.

(Unit: RMB'000)

Item	As at June 30, 2022	As at December 31, 2021	Amount (increase/ decrease)	Percentage (increase/ decrease) (%)
Total loans and advances to customers	316,883,069	298,114,972	18,768,097	6.30
Add: accrued interest	597,165	598,457	(1,292)	(0.22)
Less: allowance for expected credit loss ⁽¹⁾	10,032,512	9,028,895	1,003,617	11.12
Net loans and advances to customers	307,447,722	289,684,534	17,763,188	6.13

Note:

- (1) Excluding the provision for the expected credit loss of bills rediscounting and forfeiting which is included in other comprehensive income.

The Group's loans and advances to customers mainly consisted of corporate loans, personal loans and discounted bills. For details of the Group's loans and advances to customers, please refer to the "Loan Quality Analysis" section in this chapter.

- (2) Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

As at the end of the Reporting Period, the amount of the financial assets held under resale agreements and deposits and placements with banks and other financial institutions was RMB16.226 billion, an increase of 2.87% compared with the end of the previous year, mainly due to the rising scale of placements with banks and other financial institutions resulting from the increase in customers of placements with banks and other financial institutions.

Chapter III Management Discussion and Analysis

The breakdown of financial assets held under resale agreements and deposits and placements with banks and other financial institutions as of the dates indicated is as follows:

(Unit: RMB'000)

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits with domestic banks and other financial institutions	4,460,096	27.39	4,638,314	29.30
Deposits with overseas banks and other financial institutions	1,729,820	10.62	4,724,001	29.84
Placements with domestic banks and other financial institutions	7,298,784	44.82	1,640,000	10.36
Bonds held under resale agreements	2,796,078	17.17	4,826,568	30.50
Sub-total	16,284,778	100.00	15,828,883	100.00
Add: accrued interest	17,588		13,770	
Less: impairment allowance	76,697		69,874	
Total	16,225,669		15,772,779	

(3) Financial Investments

As at the end of the Reporting Period, the Group's financial investments mainly include bonds, beneficiary rights of credit assets, funds and unlisted equity investments. The Group's total financial investment was RMB256.193 billion, representing an increase of RMB13.931 billion or 5.75% over the end of last year.

The following table sets forth the composition of the Group's financial investments as at the dates indicated:

(Unit: RMB'000)

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Financial assets at fair value through profit or loss	50,472,915	19.70	43,512,900	17.96
Financial investment at amortized cost	106,669,020	41.64	108,445,277	44.76
Financial assets at fair value through other comprehensive income	99,050,931	38.66	90,303,467	37.28
Total	256,192,866	100.00	242,261,644	100.00

In particular, the detailed distribution of the types and amounts of bonds held by the Group as of the dates indicated is as follows:

(Unit: RMB'000)

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Debt securities issued by the central and local governments	150,450,524	65.85	141,643,926	65.57
Debt securities issued by financial institutions	62,085,563	27.18	52,520,073	24.31
Debt securities issued by enterprises	7,485,161	3.28	14,531,482	6.73
Interbank certificates of deposits	8,438,518	3.69	7,313,324	3.39
Total	228,459,766	100.00	216,008,805	100.00

In particular, the top ten financial bonds (based on nominal value) held by the Group are as follows:

(Unit: RMB'000)

Name of bonds	Issuer	Nominal value	Annual interest rate (%)	Maturity date
19 CDB bond 10 (19國開10)	China Development Bank	4,640,000.00	3.6500	2029-05-21
19 CDB bond 15 (19國開15)	China Development Bank	3,260,000.00	3.4500	2029-09-20
19 CDB bond 08 (19國開08)	China Development Bank	1,860,000.00	3.4200	2024-07-02
19 CDB bond 05 (19國開05)	China Development Bank	1,660,000.00	3.4800	2029-01-08
15 CDB bond 10 (15國開10)	China Development Bank	1,590,000.00	4.2100	2025-04-13
19 CDB bond 03 (19國開03)	China Development Bank	1,500,000.00	3.3000	2024-02-01
19 EIBC bond 05 (19進出05)	Export-Import Bank of China	1,500,000.00	3.2800	2024-02-11
20 ADBC bond 05 (20農發05)	Agricultural Development Bank of China	1,460,000.00	2.2500	2025-04-22
18 CDB bond 10 (18國開10)	China Development Bank	1,270,000.00	4.0400	2028-07-06
18 CDB bond 05 (18國開05)	China Development Bank	970,000.00	4.8800	2028-02-09

Chapter III Management Discussion and Analysis

2. Liabilities

As at the end of the Reporting Period, the total liabilities of the Group were RMB577.047 billion, representing an increase of RMB33.668 billion or 6.20% over the end of last year, which is mainly due to the increase in the scale of liabilities driven by the increase in the scale of customer deposits.

The following table sets out the composition of the Group's total liabilities as at the dates indicated:

(Unit: RMB'000)

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits from customers	451,315,240	78.21	419,065,517	77.12
Bonds issued	56,610,435	9.81	67,857,602	12.49
Borrowings from Central Bank	20,910,898	3.62	11,274,598	2.07
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	42,610,496	7.38	40,204,765	7.40
Lease liabilities	487,103	0.08	459,079	0.08
Financial liabilities at fair value through profit or loss	652,922	0.11	492,648	0.09
Taxes payable	988,438	0.17	583,389	0.11
Other liabilities ⁽¹⁾	3,471,725	0.62	3,441,382	0.64
Total liabilities	577,047,257	100.00	543,378,980	100.00

Note:

(1) Mainly consisted of derivative financial liabilities, employee benefits payable, purchases payable, accrued expenses and others.

(1) Deposits from customers

The following table sets forth the Group's deposits from customers by product category as at the dates indicated:

(Unit: RMB'000)

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Corporate deposits				
– Demand	101,223,848	22.72	96,481,862	23.31
– Time	80,233,409	18.01	72,505,963	17.52
Sub-total	181,457,257	40.73	168,987,825	40.83
Personal deposits				
– Demand	115,300,099	25.88	108,524,863	26.22
– Time	144,060,432	32.33	132,886,394	32.10
Sub-total	259,360,531	58.21	241,411,257	58.32
Other deposits⁽¹⁾	4,715,373	1.06	3,561,931	0.85
Principal of customer deposits in total	445,533,161	100.00	413,961,013	100.00
Add: accrued interest	5,782,079		5,104,504	
Total deposits from customers	451,315,240		419,065,517	

Note:

(1) Consisted of remittance outstanding and margin deposit.

As at the end of the Reporting Period, in respect of the structure of deposits from customers of the Group, personal deposits accounted for 58.21% with its balance increased by RMB17.949 billion or 7.44% as compared to the end of the previous year; and corporate deposits accounted for 40.73%, with its balance increased by RMB12.469 billion or 7.38% as compared to the end of the previous year. In terms of maturity structure, demand deposits accounted for 48.60%, representing a decrease of 0.93 percentage point as compared to the end of the previous year; and time deposits accounted for 50.34%, representing an increase of 0.72 percentage point as compared to the end of the previous year.

Chapter III Management Discussion and Analysis

- (2) Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

As at the end of the Reporting Period, the Group's financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions amounted to RMB42.610 billion, representing an increase of 5.98% over the end of the previous year, mainly due to the increase in scale of deposits from banks and other financial institutions arising from the broadening of customer base of counterparties.

The breakdown of financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions of the Group as at the dates indicated is as follows:

(Unit: RMB'000)

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Deposits from domestic banks	9,352,393	21.95	8,983,021	22.34
Deposits from non-banking domestic financial institutions ⁽¹⁾	20,789,334	48.79	16,111,478	40.07
Placements from domestic banks	2,000,000	4.69	1,100,000	2.74
Bonds sold under repurchase agreements	6,255,680	14.68	12,732,949	31.67
Notes sold under repurchase agreements	4,080,866	9.58	1,004,938	2.50
Sub-total	42,478,273	99.69	39,932,386	99.32
Add: accrued interest	132,223	0.31	272,379	0.68
Total	42,610,496	100.00	40,204,765	100.00

Note:

- (1) Including wealth management subsidiaries of commercial banks, fund companies, trust companies and other non-bank financial institutions. The data for the corresponding period was adjusted accordingly.

3. Shareholders' equity

As of the end of the Reporting Period, the total shareholders' equity of the Group was RMB51.530 billion, representing an increase of RMB1.548 billion or 3.10% from the end of the last year, mainly due to the increase of RMB1.543 billion in undistributed profit.

The following table sets forth the composition of the shareholders' equity of the Group as at the dates indicated:

(Unit: RMB'000)

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Share capital	6,888,546	13.37	6,888,546	13.78
Capital reserve	6,230,429	12.09	6,230,429	12.47
Surplus reserve	7,737,394	15.02	7,737,394	15.48
General reserve	6,329,025	12.28	6,329,025	12.66
Revaluation reserve	738,775	1.43	789,488	1.58
Undistributed profit	20,946,456	40.65	19,403,750	38.82
Total equity attributable to shareholders of the Bank	48,870,625	94.84	47,378,632	94.79
Non-controlling interests	2,659,597	5.16	2,603,481	5.21
Total shareholders' equity	51,530,222	100.00	49,982,113	100.00

As at the end of the Reporting Period, the Group's share capital was RMB6.889 billion, the capital reserve was RMB6.230 billion, and the undistributed profit was RMB20.946 billion.

4. Asset rights restrictions as of the end of the Reporting Period

As at the end of the Reporting Period, certain assets of the Group was used as collateral for the repurchase business and the business of borrowing from the Central Bank. For details of the collateral assets, please refer to Note 37(e) "Collateral" to the consolidated financial statements in the Financial Report chapter of this Report. As at the end of the Reporting Period, the details of the fair value of the assets used as collateral are as follows:

(Unit: RMB'000)

Item	As at June 30, 2022	Reason for restriction
Bonds	6,936,788	Repurchase business
Bills	4,045,298	Repurchase business
Bonds	24,233,948	Borrowing from the Central Bank
Loans	5,000	Borrowing from the Central Bank
Bills	645,688	Borrowing from the Central Bank
Total	35,866,722	

(III) Cash Flow Statement Analysis

During the Reporting Period, net cash inflow generated from operating activities of the Group was RMB27.666 billion, representing an increase of RMB17.589 billion from the same period of the previous year, mainly due to the increase in the borrowing from the Central Bank compared to the same period last year. Net cash outflow generated from investing activities was RMB10.224 billion, representing an increase of RMB1.588 billion from the same period of the previous year, mainly due to the fact that cash recovered from financial investments was offset by increased financial investment expenses. Net cash outflow generated from financing activities was RMB14.274 billion, representing an increase of RMB16.724 billion from the same period of the previous year, mainly due to the cash inflow from the small and micro enterprise bonds issued in the same period last year, while the redemption of tier-two capital bonds and payment of some expired green financial bonds during the Reporting Period resulted in cash outflow.

(Unit: RMB'000)

Item	For the six months ended June 30		Amount increase/ (decrease)	Percentage increase/ (decrease) (%)
	2022	2021		
Net cash flow from operating activities	27,666,032	10,077,499	17,588,533	174.53
Net cash flow from investing activities	(10,224,376)	(8,636,786)	(1,587,590)	18.38
Net cash flow from financing activities	(14,273,999)	2,449,956	(16,723,955)	(682.62)

(IV) Loan Quality Analysis

During the Reporting Period, affected by a series of unexpected factors at home and abroad, such as the recurring COVID-19 pandemic, the tightening policy of the United States and the conflict between Russia and Ukraine, as well as the triple pressure of demand contraction, supply shock and weakening expectation on domestic economic development, the Group prudently assessed the loan quality in strict accordance with the regulatory requirements. As at the end of the Reporting Period, the balance of non-performing loans of the Group was RMB2.512 billion, representing an increase of RMB128 million from the end of last year, and the non-performing loan ratio was 0.84%. Subsequently, the Group will strictly control the quality of new loans, further strengthen the disposal and collection to make sure that the overall loan quality will be steadily improved.

1. Loan distribution by five-tier loan classification

(Unit: RMB'000)

Item	As at June 30, 2022		As at December 31, 2021	
	Amount	Percentage of total (%)	Amount	Percentage of total (%)
Normal	308,858,665	97.47	289,987,437	97.27
Special mention	5,511,962	1.74	5,743,473	1.93
Substandard	577,672	0.18	673,300	0.23
Doubtful	1,806,063	0.57	1,591,004	0.53
Loss	128,707	0.04	119,758	0.04
Total loans to customers	316,883,069	100.00	298,114,972	100.00
NPLs and NPL ratio⁽¹⁾	2,512,442	0.84	2,384,062	0.84

Note:

- (1) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans, and not the fair value on the combination date.

As at the end of the Reporting Period, the Group's normal loans amounted to RMB308.859 billion, accounting for 97.47% of all loans, representing an increase of RMB18.871 billion from the end of last year, which was mainly as a result of normal business growth; special mention loans amounted to RMB5.512 billion, representing a decrease of RMB232 million from the end of last year which was mainly due to that individual special mention loans were downgraded to non-performing loans.

As at the end of the Reporting Period, the balance of non-performing loans of the Group was RMB2.512 billion, representing an increase of RMB128 million from the end of last year, which was mainly due to the increase in the non-performing loan rates of personal mortgages, consumption and operating loans affected by the pandemic.

The Group calculated the migration ratio of loans pursuant to the Notice of the CBIRC for Amendments to the Definition and Calculation Formula of Off-site Regulation Basic Indicators of the Banking Industry (Yin Bao Jian Fa [2022] No.2) issued by the CBIRC. As at the end of the Reporting Period, the migration ratio of the Group's normal loans was 0.74%, the risk of normal loans was relatively low and maintained stable; and the migration ratio of special mention loans was 12.15%, the migration ratio of substandard loans was 73.68%, and the migration ratio of doubtful loans was 2.99%.

Chapter III Management Discussion and Analysis

2. Loans and non-performing loans by product type

(Unit: RMB'000)

Item	As at June 30, 2022				As at December 31, 2021			
	Amount	Percentage of total (%)	NPL amount	NPL ratio ⁽¹⁾ (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio ⁽¹⁾ (%)
Corporate loans⁽²⁾								
Working capital loans	77,678,894	24.51	652,636	1.02	73,039,199	24.50	824,546	1.28
Fixed asset loans	100,522,519	31.72	506,397	0.50	85,547,457	28.70	452,304	0.53
Others	5,158,080	1.63	49,308	0.96	4,794,844	1.61	49,308	1.03
Sub-total	183,359,493	57.86	1,208,341	0.73	163,381,500	54.81	1,326,158	0.88
Personal loans								
Personal business loans	33,551,031	10.59	439,127	1.33	29,199,175	9.79	363,974	1.18
Property mortgages	39,610,813	12.50	454,715	1.15	40,260,382	13.50	356,414	0.89
Credit card overdrafts	6,458,680	2.04	143,354	2.22	6,663,366	2.24	117,995	1.77
Personal consumption loans	28,788,066	9.08	266,905	0.93	32,743,978	10.98	219,521	0.73
Sub-total	108,408,590	34.21	1,304,101	1.21	108,866,901	36.51	1,057,904	0.98
Discounted bills⁽³⁾								
Bank acceptance draft	25,114,986	7.93	-	-	25,866,571	8.68	-	-
Trade acceptance draft	-	-	-	-	-	-	-	-
Sub-total	25,114,986	7.93	-	-	25,866,571	8.68	-	-
Total	316,883,069	100.00	2,512,442	0.84	298,114,972	100.00	2,384,062	0.84

Notes:

- (1) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Chaoyang RCB, both our subsidiaries, was calculated based on the original book value of the loans, and not the fair value on the combination date.
- (2) Forfeiting is included in corporate loans.
- (3) Mainly includes discounted and re-discounted bills.

As at the end of the Reporting Period, the non-performing loan ratio of corporate loans (excluding discounted bills) was 0.73%, decreased 0.15 percentage point as compared with the end of last year; the non-performing loan ratio of personal loans was 1.21%, increased 0.23 percentage point as compared with the end of previous year due to the impact of the pandemic on individual and household income.

3. Loans and non-performing loans by industry

(Unit: RMB'000)

Industry ⁽¹⁾	As at June 30, 2022				As at December 31, 2021			
	Amount	Percentage of total (%)	NPL amount	NPL ratio ⁽²⁾ (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio ⁽²⁾ (%)
Corporate loans and advances	183,359,493	57.86	1,208,341	0.73	163,381,500	54.81	1,326,158	0.88
Wholesale and retail	33,622,093	10.61	389,868	1.24	31,115,441	10.44	474,198	1.61
Leasing and commercial services	35,351,662	11.16	266,974	0.91	29,905,756	10.03	212,131	0.90
Manufacturing	43,057,711	13.59	111,524	0.33	37,262,640	12.50	140,177	0.38
Construction	21,888,757	6.91	143,955	0.66	20,653,224	6.93	205,588	0.99
Real estate	16,775,362	5.29	16,400	0.10	14,443,949	4.85	16,500	0.12
Finance	5,991,567	1.89	-	-	5,848,025	1.96	-	-
Production and supply of power, gas and water	6,420,472	2.03	-	-	5,414,406	1.82	-	-
Transportation, logistics and postal services	3,470,498	1.10	-	-	3,163,288	1.06	-	-
Water, environment and public utilities management	3,564,659	1.12	243,841	7.48	2,843,796	0.95	243,944	9.37
Health, social security and welfare	2,483,876	0.78	-	-	2,877,962	0.97	-	-
Education	4,138,025	1.31	-	-	3,143,938	1.05	-	-
Information transmission, software and information technology services	1,079,004	0.34	-	-	1,438,604	0.48	-	-
Accommodations and catering industries	2,609,746	0.82	13,032	0.50	2,302,218	0.77	13,537	0.59
Agriculture, forestry, animal husbandry and fishery	2,003,025	0.63	22,747	1.14	2,152,266	0.72	20,083	0.96
Residential services and other services	195,460	0.06	-	-	199,430	0.07	-	-
Culture, sports, and entertainment	122,658	0.04	-	-	134,320	0.05	-	-
Scientific research and technical services, and geological prospecting	584,918	0.18	-	-	432,899	0.15	-	-
Mining	-	-	-	-	13,300	0.00	-	-
Public management and social organizations	-	-	-	-	36,038	0.01	-	-
Discounted bills	25,114,986	7.93	-	-	25,866,571	8.68	-	-
Personal loans	108,408,590	34.21	1,304,101	1.21	108,866,901	36.51	1,057,904	0.98
Total	316,883,069	100.00	2,512,442	0.84	298,114,972	100.00	2,384,062	0.84

Notes:

- (1) Classified based on the Industrial Classification for National Economic Activities (《國民經濟行業分類》) issued by the Standardization Administration of China on June 30, 2017.
- (2) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB and Chaoyang RCB, our subsidiaries, was calculated based on the original book value of the loans, respectively, and not the fair value on the combination date.

Chapter III Management Discussion and Analysis

As at the end of the Reporting Period, the non-performing loans of the Group's corporate loans were mainly concentrated in industries including wholesale and retail industries, leasing and commercial services, with the non-performing loan ratios of 1.24% and 0.91%, respectively. Among which, the non-performing loan balance of the leasing and commercial services industry was RMB267 million, representing an increase of RMB55 million compared with the beginning of the year. Such increase was mainly because the operating conditions of certain individual small and micro enterprise customers have deteriorated due to the pandemic, resulting in their loans with interest overdue for more than 60 days, and were classified as non-performing loans.

4. Loans and non-performing loans classified by types of guarantees

(Unit: RMB'000)

Guarantee method	As at June 30, 2022				As at December 31, 2021			
	Amount	Percentage of total (%)	NPL amount	NPL ratio (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio (%)
Collateralized loans	168,157,113	53.07	1,373,223	0.88	156,304,340	52.43	1,142,849	0.79
Pledged loans	39,855,932	12.58	253,901	0.64	41,152,064	13.80	255,163	0.62
Guaranteed loans	78,535,982	24.78	353,946	0.49	68,643,992	23.03	546,734	0.85
Unsecured loans	30,334,042	9.57	531,372	1.75	32,014,576	10.74	439,316	1.37
Total	316,883,069	100.00	2,512,442	0.84	298,114,972	100.00	2,384,062	0.84

5. Loans and non-performing loans classified by region

(Unit: RMB'000)

Region	As at June 30, 2022				As at December 31, 2021			
	Amount	Percentage of total (%)	NPL amount	NPL ratio (%)	Amount	Percentage of total (%)	NPL amount	NPL ratio (%)
Dongguan	254,412,570	80.29	2,066,690	0.81	236,567,843	79.35	1,999,798	0.85
Outside Dongguan	62,470,499	19.71	445,752	0.94	61,547,129	20.65	384,264	0.82
Total	316,883,069	100.00	2,512,442	0.84	298,114,972	100.00	2,384,062	0.84

6. Loan to top ten single borrowers

As at the end of the Reporting Period, the Group's loan balance to any single borrower did not exceed 10% of the Group's net capital. The following table sets forth the Group's loan balance to the top ten

single borrowers (excluding group borrowers) as at the end of the Reporting Period, none of which was non-performing loan:

(Unit: RMB'000)

Borrower	Industry	As at June 30, 2022		
		Balance of loans	Percentage of total loans (%)	Percentage of net capital (%)
Customer A	Leasing and commercial services	2,969,840	0.94	5.52
Customer B	Construction	1,873,310	0.59	3.48
Customer C	Leasing and commercial services	1,766,500	0.56	3.28
Customer D	Real estate	1,393,000	0.44	2.59
Customer E	Leasing and commercial services	1,300,000	0.41	2.42
Customer F	Water, environment and public utilities management	1,047,500	0.33	1.95
Customer G	Manufacturing	1,000,000	0.32	1.86
Customer H	Construction	994,000	0.31	1.85
Customer I	Construction	970,000	0.31	1.80
Customer J	Leasing and commercial services	958,800	0.30	1.78
Total		14,272,950	4.50	26.54

As at the end of the Reporting Period, the total loans to the largest single borrower of the Group was RMB2.970 billion, accounting for 5.52% of the net capital of the Group. The total loans to top ten single borrowers was RMB14.273 billion, accounting for 26.54% of the net capital of the Group and 4.50% of the total loans of the Group.

The following table sets forth the concentration indicators of the Group during the indicated periods:

(Unit: %)

Concentration indicators	As at June 30, 2022	As at December 31, 2021	Regulatory requirements
Percentage of loans to the largest single customer to net capital	5.52	5.33	≤10
Percentage of credits to a single group customer to net capital	10.47	10.13	≤15
Percentage of loans to top ten customers to net capital	26.54	25.25	—

*Note:*The data as at December 31, 2021 is calculated based on the audited data in accordance with relevant regulatory standard. The data on June 30, 2022 is calculated based on the reviewed data in accordance with relevant regulatory standard.

Chapter III Management Discussion and Analysis

As at the end of the Reporting Period, the balance of loans to any single borrower granted by the Bank did not exceed 10% of the net capital of the Bank.

7. Loans overdue

(Unit: RMB'000)

Type	As at June 30, 2022		As at December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	312,344,383	98.38	295,597,638	98.95
Loans past due	5,135,851	1.62	3,115,791	1.05
– Within 3 months	2,905,976	0.92	1,190,617	0.40
– From 3 months to 1 year	1,291,845	0.41	1,272,800	0.43
– More than 1 year to less than 3 years	840,515	0.26	470,835	0.16
– More than 3 years	97,515	0.03	181,539	0.06
Total loans and advances to customers⁽¹⁾	317,480,234	100.00	298,713,429	100.00
Less: allowance for expected credit loss	10,032,512	–	9,028,895	–
Net loans and advances to customers	307,447,722	–	289,684,534	–

Note:

- (1) Total loans and advances to customers represent the credit risk exposure including the loan principal amount and accrued interest balance.

As at the end of the Reporting Period, the balance of overdue loans of the Group was RMB5.136 billion, accounting for 1.62% of all loans. Among which, the balance of loans past due within 3 months amounted to RMB2.906 billion, mainly due to that individual loan customers had tight cash flows affected by the pandemic, and had loans past due periodically. The balance of loans past due for 3 months to 1 year amounted to RMB1.292 billion. The balance of loans past due for more than 1 year to less than 3 years amounted to RMB841 million; the balance of loans past due for more than 3 years amounted to RMB98 million.

8. Restructured loans

A restructured loan is a loan for which contractual terms have been renegotiated due to changes in the borrower, guarantee, or repayment. During the Reporting Period, the Group actively negotiated with borrowers for disposal and restructuring of loans, and partial existing restructured loans were settled in full. The following table sets forth the balance and proportion of the Group's restructured loans as at the dates indicated:

(Unit: RMB'000)

Type	As at June 30, 2022		As at December 31, 2021	
	Amount	% of total (%)	Amount	% of total (%)
Restructured loans	62,268	0.02	145,013	0.05

9. Foreclosed assets

As at the end of the Reporting Period, the foreclosed assets of the Group are as follows:

(Unit: RMB'000)

Type	As at June 30, 2022	As at December 31, 2021
Property and equipment	265,210	265,210
Land use rights	119,596	119,596
Sub-total	384,806	384,806
Less: Provision for impairment losses	277,023	277,023
Total	107,783	107,783

10. Disposal of non-performing assets

As at the end of the Reporting Period, the balance of the Group's non-performing loans was RMB2.512 billion, representing an increase of RMB128 million from the end of the previous year, and the non-performing loan ratio was 0.84%, the same as that at the end of the previous year. In the first half of 2022, a total of RMB943 million of non-performing loans has been resolved, including cash settlement of RMB494 million, and debt restructuring of RMB69 million, with RMB245 million being written-off and RMB135 million has its quality being improved.

11. Changes in provision for impairment of loans and advances to customers

During the Reporting Period, the Bank made provision for credit losses of RMB926 million, with RMB981 million provided for loans and advances to customers measured at amortized cost, and RMB56 million for loans and advances to customers measured at fair value through other comprehensive income. RMB245 million of non-performing loans was written off, while RMB277 million of written-off loans were recovered. As at the end of the Reporting Period, the balance of provision for expected credit losses of loans was RMB10,089 million, of which the balance of impairment on loans and advances to customers measured at amortized cost was RMB10,033 million and the changes in provision for expected credit losses are as follows:

(Unit: RMB'000)

	For the six months ended June 30	
	2022	2021
Balance as at the end of last period	9,028,895	7,340,817
Addition for the period	914,144	956,930
Derecognition or settlement for the period	(1,705,570)	(1,978,256)
Write off for the period	(244,921)	(30,905)
Re-measurement	2,039,964	2,029,724
Closing balance	10,032,512	8,318,310

In addition, the balance of provision for expected credit losses of loans and advances to customers measured at fair value through other comprehensive income (rediscounted bills and forfeiting) amounted to RMB56 million as of the end of the Reporting Period.

(V) Capital Management

As at the end of the Reporting Period, the Group's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 14.53%, 13.35% and 13.32%, respectively, all of which meeting the regulatory requirements. During the Reporting Period, the Group's profit maintained steady growth, and achieved endogenous capital growth. As the Bank fully redeemed the tier-two capital bonds of RMB4 billion at face value on June 12, 2022, the capital adequacy ratio decreased by 1.76 percentage point as compared to the end of the previous year.

The Group continues to strengthen capital management by: firstly, strengthen the management on capital planning, optimize capital allocation strategies based on capital planning guidelines and realized the effective transmission from capital planning to capital budgeting and capital allocation; secondly, optimize the asset allocation structure on and off the balance sheet to improve the efficiency of capital utilization gradually; and thirdly, continue to optimize the capital structure, adhere to the principle of giving priority to endogenous accumulation and supplementing from external sources, and broaden the channels for capital replenishment.

1. Capital adequacy ratios analysis

The Group calculates and discloses the capital adequacy ratio in accordance with the relevant provisions of the Administrative Measures for Capital Management of Commercial Banks (Trial) (with effect from January 1, 2013). The scope of capital adequacy ratio calculation includes all branches of the Bank as well as financial institution-type subsidiaries that fall within the provisions of the Administrative Measures for Capital Management of Commercial Banks (Trial).

(Unit: RMB'000)

Item	As at June 30, 2022	As at December 31, 2021
Core tier-one capital	49,838,631	48,302,837
Core tier-one capital deductions	538,605	614,169
Net core tier-one capital	49,300,026	47,688,668
Other tier-one capital	129,068	123,227
Net tier-one capital	49,429,094	47,811,895
Tier-two capital	4,352,547	8,058,585
Net capital	53,781,641	55,870,480
Total risk-weighted assets	370,187,352	342,993,018
Including: Credit risk-weighted assets ⁽¹⁾	331,647,390	308,782,560
Market risk-weighted assets ⁽²⁾	15,048,519	10,719,015
Operational risk-weighted assets ⁽³⁾	23,491,443	23,491,443
Core tier-one capital adequacy ratio (%) ⁽⁴⁾	13.32	13.90
Tier-one capital adequacy ratio (%) ⁽⁵⁾	13.35	13.94
Capital adequacy ratio (%) ⁽⁶⁾	14.53	16.29

Chapter III Management Discussion and Analysis

Notes:

- (1) Credit risk is measured under weighted method.
- (2) Market risk is measured under standardized method.
- (3) Operational risk is measured under basic indicator method.
- (4) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by total risk-weighted assets.
- (5) Calculated by dividing tier-one capital, net of tier-one capital deductions, by total risk-weighted assets.
- (6) Calculated by dividing total capital, net of capital deductions, by total risk-weighted assets.

In accordance with the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》), information on capital composition, explanation and breakdown of relevant items and the main characteristics of the capital instruments of the Group will be further disclosed subsequently in the “Investor Relations – Information Disclosure – Regulatory Capital” section on the Chinese version website of the Bank (www.drcbank.com).

2. Leverage ratio

The leverage ratio was calculated and disclosed by the Group in accordance with the relevant provisions under the Administrative Measures on the Leverage Ratio of Commercial Banks (Revision) (《商業銀行槓桿率管理辦法(修訂)》).

(Unit: RMB'000)

Item	As at June 30, 2022 ⁽²⁾	As at December 31, 2021 ⁽³⁾
Net tier-one capital	49,429,094	47,811,895
Adjusted balance of on- and off-balance sheet assets	635,839,239	599,358,375
Leverage ratio (%) ⁽¹⁾	7.77	7.98

Notes:

- (1) Calculated by dividing the net tier-one capital by the adjusted balance of on- and off-balance sheet assets.
- (2) The data as at June 30, 2022 is calculated on a regulatory basis according to the reviewed data of the Group.
- (3) The data as at December 31, 2021 is calculated on a regulatory basis according to the audited data of the Group.
- (4) The leverage ratios of the Group at the end of the first quarter of 2022, the end of 2021 and the end of the third quarter of 2021 were 8.05%, 7.98% and 7.84%, respectively, among which the leverage ratios at the end of the first quarter of 2022 and the end of the third quarter of 2021 were based on the standards adopted under the off-site supervision statement of the CBIRC on a group consolidated basis.

For more details on leverage ratio, please refer to the “Information on Leverage Ratio” in the unreviewed supplementary information in the “Financial Report” chapter of this Report.

(VI) Segment Operating Results

Our principal business activities include corporate banking, retail banking and treasury business. The following table sets forth our operating income of principal business segment for the periods indicated:

(Unit: RMB'000)

Item	For the six months ended June 30			
	2022		2021	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking	3,486,618	48.34	3,220,545	49.64
Retail banking	2,936,079	40.71	2,680,255	41.31
Treasury business	671,641	9.31	554,127	8.54
Others	118,351	1.64	32,996	0.51
Total operating income	7,212,689	100.00	6,487,923	100.00

(VII) Off-balance Sheet Items Analysis

Off-balance sheet items of the Group mainly include letter of credit, issuance of letter of guarantee, acceptance bills and unused line of credit card. As at the end of the Reporting Period, the balances of issuance of letter of credit, issuance of letter of guarantee, acceptance bills and unused limit of credit card were RMB250 million, RMB3,912 million, RMB3,614 million and RMB10,975 million, respectively.

In particular, commitments include financial guarantees and other credit commitments and capital commitments, and the distribution of which is as follows:

Chapter III Management Discussion and Analysis

1. Financial guarantees and other credit commitments

(Unit: RMB'000)

Item	As at June 30, 2022	As at December 31, 2021	Percentage increase/ (decrease) as as at the end of the Reporting Period as compared to the end of the previous year (%)
Letter of credit	249,666	299,112	(16.53)
Letter of guarantee	3,912,131	3,088,837	26.65
Bank acceptance bills	3,613,869	2,897,495	24.72
Unused limit of credit card	10,974,775	10,562,244	3.91
Total	18,750,441	16,847,688	11.29

2. Capital commitments

(Unit: RMB'000)

Item	As at June 30, 2022	As at December 31, 2021
Property and equipment contracted, but not provided for	776,664	705,405

As at the end of the Reporting Period, the Group has no major contingent liabilities; and there were no material lawsuits involving the Bank or its subsidiaries as defendant.

For details of off-balance sheet commitments, please refer to Note 37 “Contingent Liabilities and Commitments” to the consolidated financial statements in the “Financial Report” chapter in this Report.

(VIII) Other Financial Information Disclosed in accordance with Regulatory Requirements

1. Contingent liabilities and pledged assets

For details of our contingent liabilities and pledged assets as at the end of the Reporting Period, please refer to Note 37 “Contingent Liabilities and Commitments” to the consolidated financial statements in the “Financial Report” chapter in this Report.

2. Overdue debts

The Group had no overdue debts during the Reporting Period.

3. Analysis of investment

The Group had no new investment in equity during the Reporting Period.

4. Disposal of major assets and equity interests

The Group had no major disposals of asset and equity interests during the Reporting Period.

5. Structured entities controlled by the Bank

As of the end of the Reporting Period, the scale of structured entities that the Group have issued and managed and included in the scope of the consolidated financial statements was RMB5.513 billion.

III. DISTRIBUTION CHANNELS

(I) Physical Distribution Channel

As of the end of the Reporting Period, the Bank had 504 branches and sub-branches (excluding the headquarters), including 500 in Dongguan and 4 in other cities within the province. The Bank's number of branches in Dongguan ranks first in terms of number of bank branches in Dongguan. The Bank has 2 branches outside Dongguan in Guangzhou and Zhuhai, and 2 sub-branches outside Dongguan in Huizhou and Qingyuan.

In addition, the Bank established four county banks with third parties in Dongguan, Huizhou and Yunfu in Guangdong Province, and Hezhou in Guangxi Zhuang Autonomous Region, and these four county banks have 10 branches in total (excluding their headquarters). The Bank also established two rural commercial banks with third parties in Zhanjiang City and Shantou City in Guangdong Province, and these two rural commercial banks have 173 branches in total (excluding their headquarters).

(II) Self-service Banking Channel

As at the end of the Reporting Period, the Bank had 1,665 automatic teller machines (ATMs), self-service enquiry terminals, self-service card issuing terminals and intelligent service terminals; among them, there are 963 automatic teller machines (ATMs), 313 self-service enquiry terminals, 39 self-service card issuing terminals and 350 intelligent service terminals.

(III) E-banking Channel

During the Reporting Period, the Bank continued to optimize customer experience of e-banking channels, continuously deepened the construction of financial and non-financial ecosystems, further enhanced the digital operation capabilities of online channels and improved the channel business system. The electronic channels of the Bank mainly include mobile banking, online banking, WeChat banking, telephone banking, etc. As at the end of the Reporting Period, the Bank's comprehensive counter replacement rate of electronic channels was 97.43% representing an increase of 0.25% over the end of the previous year.

IV. RISK MANAGEMENT

The Bank further established a comprehensive risk management governance framework, and clarified that the Board of Directors assumes the ultimate responsibility for comprehensive risk management, the senior management assumes the responsibility for the implementation of comprehensive risk management, the Board of Supervisors is responsible for supervising the performance of duties and responsibilities by the Board of Directors and senior management in comprehensive risk management, and the Chief Risk Officer maintains full independence and reports directly to the Board of Directors on overall risk management. The Comprehensive Risk Management Department of the Head Office is responsible for coordinating the daily work of comprehensive risk management and implementing the construction of the comprehensive risk management system. Each risk defense line, functional department and business department bears the direct responsibility for the risk management of the department. They are responsible for the Bank's credit risk, liquidity risk, market risk, compliance risk, operational risk, reputation risk, information technology risk, money laundering risk, strategic risk and other management work according to the division of responsibilities.

During the Reporting Period, the Bank adhered to the principles of "matching, full coverage, independence and effectiveness" of comprehensive risk management, followed the business philosophy of "stability and compliance", and continued to build a comprehensive risk management system around strategic objectives and risk appetite. These measures ensure that the Bank's risk tolerance is compatible with its capital adequacy level, and is committed to maximizing risk returns. During the Reporting Period, under the background of recurring domestic pandemics and intense international situation, the Bank continued to identify and analyze risks, formulated practical risk appetite and risk limit management strategies, and actively responded to and prevented various risks.

(I) Credit Risk Management

Credit risk refers to the risk of economic loss caused by the failure of the Bank's counterparties in performing their relevant obligations according to the agreed conditions.

The Bank has established and implemented standardized credit review and extensive management policies and procedures, and continuously improved credit risk management related procedures, systems and methods to identify, measure, supervise, reduce and control risks caused by credit business. In terms of the credit risk management policies and procedures, the Bank has continuously improved its credit risk management system, formulated and introduced relevant business management systems based on actual business development. During the Reporting Period, the Bank has formulated (revised) the "Implementation Rules for Collateral Management of Dongguan Rural Commercial Bank Co., Ltd. (2022 Edition)", "Implementation Rules for Batch Transfer of Non-performing Assets of Dongguan Rural Commercial Bank Co., Ltd. (2022 Edition)", which further strengthened the Bank's credit risk management. In terms of the organizational structure and responsibilities of credit risk management, at the head office level, the Bank has established a comprehensive risk management department, which is a dedicated risk management department independent of other business departments that undertakes credit risk management functions. At the branch level, the Bank has established the risk compliance department, which is responsible for the risk management of the branches' credit business, and has achieved vertical credit risk management. In terms of the methods of asset risk classification, the Bank has adopted a series of standards derived from the guidelines of the CBIRC to establish a classification mechanism, and categorized loans into five categories based on the overall risk level of loans, namely normal, special mention, substandard, doubtful and loss. Through the continuous supervision and analysis of the borrower's financial risks, non-financial risks, cash flow, guarantees and other factors, it can accurately reflect the borrower's ability to repay, willingness to repay and risk fluctuations in each specific period. In terms of the construction of the credit risk management system, the risk data pool and credit risk alert system of the Bank have been operating normally, and are comprehensively used in the entire process from pre-disbursement, disbursement to post-disbursement of loans. During the Reporting Period, the Bank completed the construction and launch of the pre-loan investigation system, which further improved the quality and efficiency of pre-loan investigation and moved forward the threshold of risk management and control.

As of the end of June 2022, the credit risk of the Group was generally controllable, and the non-performing loan ratio of the Group was within the control target.

For more information on credit risk management, please refer to Note 40.1.1 "Credit risk management" to the consolidated financial statements in the "Financial Report" chapter in this Report.

(II) Liquidity Risk Management

Liquidity risk refers to the risk that a commercial bank cannot obtain sufficient funds in a timely manner at a reasonable cost to repay debts due, perform other payment obligations and meet other capital needs for normal business operations.

The Bank adopted a prudent liquidity risk management strategy. On the basis of meeting regulatory requirements, we properly balanced the level of income and liquidity, maintained moderate liquidity, and controlled liquidity risk within a reasonable range to ensure the safe operation of the Bank. The Board of Directors of the Bank assumes the ultimate responsibility for liquidity risk management. Senior management is responsible for the effective organization and implementation of the Bank's liquidity risk management system. The assets and liabilities management department and the financial market department are jointly responsible for the daily management of liquidity risk. All departments of each business line and branches cooperate to carry out an active liquidity risk management.

During the Reporting Period, the Bank measured liquidity risk based on the structural allocation of assets and liabilities, with a number of indicators, including liquidity ratio, RMB excess reserve ratio, liquidity gap ratio, liquidity coverage ratio and net stable funding ratio. Through stress testing scenarios combining mild, moderate and severe stress, the Bank analyzed the ability to withstand liquidity events or liquidity crises, and reasonably allocated sufficient liquidity reserve assets to cope with liquidity risks. The Bank has established a limit management and alert monitoring mechanism to ensure that the liquidity risk is controlled within an acceptable and reasonable range by regulating the daily asset-liability portfolio. The Bank has formulated specific emergency plans and organized emergency drills regularly to improve emergency response capabilities.

During the Reporting Period, the Bank's liquidity risk was generally controllable, and no major liquidity risk events occurred. The main liquidity risk regulatory indicators have met the standard monthly. The stress test results also showed that the Bank has sufficient risk mitigation capability under stressful scenarios to cope with crisis.

Chapter III Management Discussion and Analysis

1. Liquidity coverage ratio

The Group calculates and discloses the liquidity coverage ratio in accordance with the relevant provisions of the Measures for Information Disclosure of Liquidity Coverage Ratio of Commercial Banks (《商業銀行流動性覆蓋率信息披露辦法》) as follows:

(Unit: RMB'000)

Item	As at June 30, 2022	As at December 31, 2021	Minimum Regulatory Requirements
Liquidity ratio	81.57%	80.63%	≥25%
Qualified high-quality liquid assets	144,043,550.00	143,477,150.30	–
Net cash outflows	65,436,731.10	63,109,398.10	–
Liquidity coverage ratio	220.13%	227.35%	≥100%

Note: The data in the above table are all based on the standards adopted under the off-site regulatory report of the CBIRC on a group consolidated basis.

2. Net stable funding ratio

The Group calculates and discloses the net stable funding ratio in accordance with the relevant provisions of the Measures for Information Disclosure of Net Stable Funding Ratio of Commercial Banks (《商業銀行淨穩定資金比例信息披露辦法》) as follows:

(Unit: RMB'000)

Item	As at June 30, 2022	As at March 31, 2022	As at December 31, 2021
Available stable funding	441,407,126.65	428,870,582.06	413,234,980.79
Required stable funding	315,536,878.09	307,876,206.89	286,481,650.55
Net stable funding ratio	139.89%	139.30%	144.24%

Note: The data in the above table are all based on the standards adopted under the off-site regulatory report of the CBIRC on a group consolidated basis.

(III) Market Risk Management

Market risk includes interest rate risk, exchange rate risk, stock price risk and commodity price risk, refers to the risk of losses in on- and off-balance sheet businesses from adverse changes in market prices (interest rate, exchange rate, stock prices and commodity prices). The market risk faced by the Bank mainly included interest rate risk and exchange rate risk.

The Bank has established and continued to improve its market risk management policy, which clearly defines the responsibility of the Board of Directors and its committees thereunder, the senior management and its committees thereunder, the Board of Supervisors, relevant risk management and business departments in the process of market risk identification, measurement, monitoring and reporting.

During the Reporting Period, the Bank followed the principle of prudent market risk management, maintained a prudent market risk appetite, and took measures such as limit management, duration control, sensitivity analysis, scenario simulation and stress testing to measure, monitor and manage interest rate risks in the trading book and banking book, and exchange rate risk, respectively, so as to ensure that market risks are controlled within a reasonable range.

In accordance with the provisions of the Capital Management Measures for Commercial Banks (Trial), the Bank adopts the standard method to measure market risk capital. As of the end of June 2022, the Bank's market risk-weighted assets were RMB14.390 billion. The capital provision was made in a prudent way and has fully covered market risks. The stress test of interest rate risk and exchange rate risk showed that the impact of interest rate and exchange rate changes on the Bank was controllable, and the overall market risk was at a manageable level.

1. Interest rate risk management

Interest rate risk management refers to the process of identifying, measuring, monitoring and controlling interest rate risk.

The objectives of the Bank's interest rate risk management include establishing a sound interest rate risk management system, controlling fluctuations in income and economic value, ensuring that the Bank operates within an acceptable interest rate risk range, balancing interest rate risk and income, and ultimately maximizing risk returns.

In terms of the trading book, the Bank strengthened and improved the interest risk measurement and limit management of trading accounts. The Bank conducted measurement management of the interest rate risk of trading accounts by adopting various methods including change in fair value through profit and loss and floating profit and loss monitoring, gap analysis, value-at-risk (VaR), and interest rate sensitivity analysis (PVBP and duration). The Bank further optimized the interest rate risk limit management system of trading accounts, continued to monitor interest rate risk limits, and reported and alerted risks in a timely manner; continued to conduct stress tests on interest rate risk in the trading accounts, including bond valuation stress tests and derivatives stress tests; the Bank examined the impact of changes in market yields and changes in credit spreads (shifts) on the valuation of bonds held, and the impact of changes in the yield curve on the economic value of the derivative portfolio. During the Reporting Period, the Bank has adopted prudent investment management strategy in general, and dynamically adjusted risk exposures based on market changes using bond transactions, derivative instruments hedging and other methods. All interest rate risk indicators in the trading book were kept within the target range.

In terms of the banking book, the Bank has mainly adopted gap analysis, duration analysis, scenario simulation, stress testing and other methods to measure interest rate risk in the banking book, and regularly evaluated the impact of interest rate changes on net interests income and economic value under different interest rate conditions. During the Reporting Period, the Bank adhered to the principles of prudence, comprehensiveness and independence, paid close attention to external policies and changes in market interest rates. With the main goal of stabilizing the net interest margin, the Bank flexibly adjusted the pricing of its businesses, as well as the management strategy of assets and liabilities. In addition, in combination with the relevant provisions of the Measures for the Quality Management of Liabilities of Commercial Banks (《商業銀行負債質量管理辦法》) and the Measures for the Supervision and Rating of Commercial Banks (《商業銀行監管評級辦法》) issued by the CBIRC, the Bank improved its interest rate risk indicator system of banking accounts. As of the end of June 2022, all interest rate risk limit indicators for the banking account have remained within the target range.

2. Exchange rate risk management

Since 2022, the exchange rate volatility of the RMB has increased. Affected by various factors such as the Russian-Ukrainian war, the Sino-US interest rate spread, and recurring pandemics, the RMB exchange rate has generally declined. During the Reporting Period, the Bank took the control of foreign exchange exposure as the main means of exchange rate risk management, and adopted the management strategy of maintaining a low exposure to reduce the risk losses caused to the Bank by drastic exchange rate fluctuations; continued to enrich its exchange rate risk management methods, and flexibly used foreign exchange derivatives to hedge risk exposures as needed. As of the end of June 2022, the Bank's cumulative foreign exchange exposure ratio was 0.62%, decreased by 2.23 percentage point from the beginning of the year, far below the regulatory bottom line of equal to or less than 20%, and the exchange rate risk level was low, and the overall exchange rate risk was controllable.

(IV) Compliance Risk Management

Compliance risk refers to the risk of possible legal sanctions, regulatory penalties, significant financial loss or loss of reputation due to failure to comply with laws, rules and guidelines and internal rules and regulations.

During the Reporting Period, the Bank insisted on operating in compliance with laws and regulations, steadily carried out various tasks, and strictly prevented and controlled compliance risks. Firstly, the construction of the institutional system has been improved. In accordance with regulatory requirements, the Bank continued to follow up on new systems and revised existing systems to ensure the implementation of the "establishment, revision and abolition" of the system thereby ensuring the comprehensiveness and compliance of the system. In addition, the Bank strictly controlled the compliance of new businesses and new products, and put the compliance risk control at the front. Secondly, compliance reports were carried out. The Bank organized the heads of various institutions to give written or on-site work reports on compliance management, compliance concept transmission, and compliance culture building in 2021. It gave full play the role of the management of various institutions as models for compliance, effectively improved the compliance management awareness of heads of institutions at all levels, and solidly promoted compliance risk management. Thirdly, risk assessments were carried out. We organized the scientific evaluation on the effectiveness of compliance risk management of the Bank, and conducted a comprehensive assessment to prevent potential risks caused by management loopholes. Fourthly, a compliance culture transmission plan has been formulated. The Bank formulated the Construction Plan for the 2022-2023 "Top Five" Compliance Culture (2022-2023年合規文化「五強」建設方案), and through the construction of "strong benchmarking, edification, warning, learning and brand", the compliance culture has been promoted to penetrate into all operations and development work, and employees' awareness of compliance performance has been continuously improved.

(V) Operational Risk Management

Operational risk refers to the risk of loss resulting from inadequate or faulty internal procedures, staff and IT systems, and external events.

During the Reporting Period, the Bank established a sound operational risk management system to ensure that business operations are in compliance with laws and regulations, which provided a healthy internal operating environment for business development. Firstly, we established and improved the organizational structure, clarified the division of responsibilities between the Board, senior management and all levels, and ensured the effectiveness, comprehensiveness and prudence of operational risk management. Secondly, we established and improved the operational risk system. The Bank established a sound operational risk management system and conducted regular system assessments to ensure the integrity, rationality and effectiveness of the system. We incorporated outsourcing risk into the scope of operational risk management, promoted legal compliance of outsourcing business, and optimized resource allocation. Thirdly, we promoted the application of core operational risk tools. The Bank continuously optimized internal control and sorted out the digital process checklist database, consolidated the basic data construction of operational risk and control self-assessment. According to the actual situation of business operations, we timely adjusted and updated key risk indicators to further enhance the rationality and sensitivity of indicator monitoring; established an operational risk information collection mechanism to collect, analyze and follow-up risk information to further prevent operational risks. Fourthly, by strengthening up business supervision and inspection, risk investigation, employee behavior management, and accountability for violations, the Bank has strengthened the compliance of employee behavior and business operations, and reduced the occurrence of employee operational risk events. During the Reporting Period, there were no major operational risk events.

(VI) Large-scale Risk Exposure Management

Pursuant to the Management Measures for Large-scale Risk Exposure of Commercial Banks (《商業銀行大額風險暴露管理辦法》) issued by the CBIRC (Order No. 1 of China Banking and Insurance Regulatory Commission in 2018), large-scale risk exposure refers to the credit risk exposure to a single customer or a group of related customers of a commercial bank that exceeds 2.5% of its tier-one net capital.

The Bank actively established and improved the organizational structure and management system for large-scale risk exposure management, incorporated large-scale risk exposure management into comprehensive risk management system, actively promoted the system construction related to the large-scale risk exposure management, so as to strictly prevent concentration risks. As of the end of June 2022, the Group's indicators related to large-scale risk exposure were in compliance with regulatory requirements.

(VII) Reputational Risk Management

Reputational risk refers to the risks that may be caused by negative evaluations on the Bank by stakeholders, the public, the media and others due to the operation and management of the Bank, the behavior of employees or external events, thereby damaging the brand value of the Bank, affecting the normal operations of the Bank, and even affecting market stability and social stability. Reputational events refer to relevant acts or activities that cause significant damage to the Bank's reputation.

The Bank has established a reputational risk pre-assessment mechanism to promote the reputational risk control in advance. By making full use of the intelligent reputational monitoring system, implementing 7x24 hours omni-channel reputational monitoring and strengthening manual monitoring, the Bank has created the intelligent reputational monitoring mechanism of "technical defense + manual defense". Also, the Bank has prepared the Reputational Risk Events Response Manual of Dongguan Rural Commercial Bank, continuously improved the media public relations literacy and reputational risk response capabilities of relevant business personnel of various branches.

During the Reporting Period, the Bank further strengthened the quarterly reputational risk screening of each branch, and regularly investigated major customer complaints as well as improper marketing and publicity behaviors that occurred in branches each quarter which may cause widespread public concern, etc.. The Bank also investigated and identified potential reputational risks, and promptly released reputational risk warnings. During the Reporting Period, the overall reputation of the Bank was stable and good, and no major reputational events occurred.

(VIII) Information Technology Risk Management

Information technology risk refers to risks arising from natural factors, human factors, technology loopholes and management defects during the course of the application of information technology by the Bank, including operation, legal and reputation risks.

The Bank established an organizational structure with three lines of defense for information technology risk management with clear division of responsibilities. It covers the control and management of information technology risk management before, during and after the event. The Bank established a complete policy and institutional system for information security, information technology risk management and business continuity management, and realized monitoring and early warning of key information technology risk indicators. The Bank regularly organized and carried out technology risk assessments, information security inspections and business continuity emergency drills. During the Reporting Period, the Bank further strengthened information technology risk investigation, identified potential information technology risks in a timely manner, and continued to improve information technology risk prevention and control capabilities through a number of measures such as upgrading technology infrastructure, optimizing technical architecture, revising emergency plans, and improving work procedures. During the Reporting Period, there were no major information technology risk events.

(IX) Strategic Risk

Strategic risk refers to the risk where the strategic goal is higher than expected due to the failure of strategic behavior to effectively maintain the match between the enterprise and the environment.

The Bank continued to pay attention to strategic risks. We have established a strategic risk management organizational system with the Board of Directors, the Board of Supervisors and senior management as the core, to ensure the implementation of the overall development plan, to evaluate the implementation of the development plan on a regular basis and to identify the main risk factors for achieving strategic goal. For relevant risk factors, we have formulated necessary measures and continuously tracked the risk factors, and carried out dynamic management of strategic objectives with reference to internal and external environments.

During the Reporting Period, the Bank deepened the implementation and monitoring mechanism of the “Outline of the Second Three-Year Development Plan for the Third Transformation of Dongguan Rural Commercial Bank Co., Ltd. (Group) (2021-2023)”. By improving the breakdown of different tasks in the plan, the Bank refines the annual work tasks of the development plan, regularly collects information on the implementation of the development plan, and continuously monitors the progress of achieving the strategic objectives to ensure that the development strategy is in line with the internal and external environment, and continue to play a strategic leading role. During the Reporting Period, the Bank’s progress of achieving the strategic objectives was generally in line with expectations.

(X) Anti-Money Laundering Management

Money laundering risk refers to the possibility of money laundering activities caused by the external threat of money laundering against the weak procedures of countries (or systems).

During the Reporting Period, the Bank strengthened the anti-money laundering and anti-terrorist financing risk management system, and continued to improve the compliance and effectiveness of anti-money laundering duties. Firstly, through measures such as strengthening the performance of senior executives, improving the anti-money laundering internal control system, strengthening the internal supervision and inspection of anti-money laundering, and strengthening the incentives and restraints of anti-money laundering performance appraisal, the Bank continued to improve the construction of the anti-money laundering internal control mechanism. Secondly, by promoting the “full life cycle” due diligence management of customers, the Bank optimized the monitoring model for large-value and suspicious transactions, improved the list monitoring and management mechanism, and enhanced the compliance of anti-money laundering obligations. Thirdly, by effectively carrying out money laundering risk assessment and management of institutions, customers and businesses, the Bank strictly implemented risk control measures, and carried out self-examination and self-correction for monitoring money laundering risk warnings, which enhanced the effectiveness of money laundering risk prevention capabilities.

(XI) Internal Control

During the Reporting Period, the Bank established a corporate governance structure with reasonable division of labor, clear authority and responsibilities and checks and balances, as well as a multi-level internal control organizational structure. The Board of Directors, the Board of Supervisors and senior management performed their respective duties and formed a scientific and effective division of responsibilities and checks and balances mechanism. Each department of the head office formulated a comprehensive, systematic and standardized work system based on the functions of the department, and clarified management requirements, job responsibilities, business standards, work procedures, practice standards and accountability to ensure that all business activities are carried out in an orderly manner. Meanwhile, the Bank established the system compliance review and follow-up evaluation mechanism to ensure the compliance, applicability and effectiveness of the system.

During the Reporting Period, the Bank promoted the cultural concept of “compliance creates value”, implemented the management guideline of “rule-based management”, regularly cultivated compliance awareness, established an internal supervision and inspection mechanism, and strictly implemented various systems such as cadre exchanges, job rotation, relatives avoidance, mandatory vacations and others. Various internal control systems have been implemented effectively, and risk control measures have been effectively implemented, as a result, there were no major economic lawsuits, criminal cases or serious violations of regulations and disciplinary matters during the Reporting Period.

(XII) Internal Audit

The Bank implements an independent and vertical internal audit management system. The audit work is directly led by the chairman of the Board of Directors and is managed by the chairman of the Board of Supervisors. The Board of Directors assumed ultimate responsibility for the independence and effectiveness of internal audit, considered and approved internal audit rules, mid- and long-term audit plans and annual audit plans, etc., provided necessary safeguards for independent and objective internal audit work, and assessed the independence and effectiveness of internal audit. The Audit Committee of the Board of Directors is responsible for reviewing important systems and reports such as internal audit rules, considering and approving mid and long-term audit plans and annual audit plans as well as guiding, assessing and evaluating internal audit, reviewing and monitoring its effectiveness, and ensuring that there are sufficient resources for the operation of internal audit functions. The Bank has set up an audit department with five secondary audit centers, which specifically undertake internal audit responsibilities, and are responsible for reviewing, evaluating and urging for improvements of the Bank’s business operation, risk management, internal control compliance and corporate governance to promote stable operation and value enhancement of the Bank.

During the Reporting Period, the Bank adhered to and strengthened the Party's leadership over our audit work, focused on the faithful performance of our main responsibilities and main business, scientifically formulated the annual audit plan, and further promoted the digital transformation of audit. Focusing on the integrity of data access, the accuracy of model screening, and the comprehensiveness of personnel portraits, the Bank continued to iterate the new generation of audit information systems. With the organizational method of "Bank-wide audit work as a whole" and the execution mechanism of "business review + data review", the Bank has made full use of big data technology to carry out 20 special audit projects such as internal control evaluation, seal management, M&A loans, real estate loans, network information security and customer information protection, as well as the economic responsibility audit of personnel in important positions. The Bank earnestly fulfilled its responsibilities as the third line of defense for risk prevention and control, and acted as the "escort" of high-quality development.

V. MAJOR SUBSIDIARIES

(I) Zhanjiang RCB

Zhanjiang RCB was established on October 26, 2019, and its address is Building 2, Comprehensive Business Building, No. 51 Renmin Avenue Middle, Zhanjiang Economic and Technological Development Zone, Guangdong Province. The registered capital is RMB1,655 million, and the Bank holds 49.41% of its shares. The business scope of the company includes: taking RMB public deposits; offering short-term, medium-term and long-term RMB loans; handling domestic settlements; handling the acceptance and discounting of bills; issuing, paying and underwriting government bonds as an agent; trading government bonds and financial bonds; interbank lending; bank card (debit card) business; receipt and payment of money as an agent and acting as an insurance agent; providing safe deposit box services; other businesses approved by the banking regulatory authority under the State Council and other relevant regulatory authorities. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

(II) Guangdong Chaoyang RCB

Guangdong Chaoyang RCB was established on November 26, 1997. Its predecessor was Shantou Chaoyang Rural Credit Cooperative. It obtained the approval of Shantou Banking and Insurance Regulatory Commission for opening on December 27, 2020. Its address is No. 38 West Huancheng Road, Wenguang Street, Chaoyang District, Shantou City, Guangdong Province. The registered capital is RMB1,202 million, and the Bank holds 67.03% of its shares. The business scope of the company includes: taking RMB public deposits; offering RMB short-term, medium-term and long-term loans; handling domestic settlement; handling bill acceptance and discounting; issuing, paying and underwriting of government bonds as an agent; trading government bonds and financial bonds; inter-bank lending; bank card (debit card) business; agency collection and payment and agency insurance business; other businesses approved by the banking regulatory authority under the State Council and other regulatory agencies. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

(III) Huizhou Zhongkai Dongying County Bank

Huizhou Zhongkai Dongying County Bank was established on December 13, 2010, and its address is No. 8, Chenjiang Avenue Middle, Chenjiang District, Zhongkai High-tech Zone, Huizhou City, Guangdong Province. The registered capital is RMB300 million, and the Bank holds 51% of its shares. The business scope of the company includes: taking public deposits; offering short-term, medium-term and long-term loans; handling domestic settlements; handling the acceptance and discounting of bills; providing safe deposit box services; interbank lending; bank card (debit card) business; issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent and acting as an insurance agent; trading government bonds and financial bonds; other businesses approved by the banking regulatory authority. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

(IV) Yunfu Xinxing Dongying County Bank

Yunfu Xinxing Dongying County Bank was established on December 23, 2011, and its address is No. 68 and 69 Xinzhou Avenue South, Xincheng Town, Xinxing County, Yunfu City, Guangdong Province. The registered capital is RMB100 million, and the Bank holds 51% of its shares. The business scope of the company includes: taking RMB deposits; offering short-term, medium-term and long-term loans; handling domestic settlements; handling the acceptance and discounting of bills; interbank lending; bank card (debit card) business; issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent; other businesses approved by the banking regulatory authority. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

(V) Dongguan Dalang Dongying County Bank

Dongguan Dalang Dongying County Bank was established on June 25, 2012, and its address is shop 108-109, 1/F and 12/F, Yingfeng Building, No. 328 Fumin Middle Road, Dalang Town, Dongguan City, Guangdong Province. The registered capital is RMB100 million, and the Bank holds 35% of its shares. The business scope of the company includes: taking RMB public deposits; offering short-term, medium-term and long-term RMB loans; handling domestic settlements; handling the acceptance and discounting of bills; interbank lending; bank card (debit card) business; issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent and acting as an insurance agent; other businesses approved by the banking regulatory authority. (Operating with valid licenses) (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

(VI) Hezhou Babu Dongying County Bank

Hezhou Babu Dongying County Bank was established on August 8, 2012, and its address is No. 200 Jiangbei Middle Road, Lingfeng Community, Chengdong District, Hezhou City, Guangxi Zhuang Autonomous Region. The registered capital is RMB100 million, and the Bank holds 51% of its shares. The business scope of the company includes: taking RMB deposits; offering short-term, medium-term and long-term loans; handling domestic settlements; handling the acceptance and discounting of bills; interbank lending; bank card (debit card) business; issuing, paying and underwriting government bonds as an agent; receipt and payment of money as an agent and acting as an insurance agent; other businesses approved by the banking regulatory authority. (For items subject to approval in accordance with the laws, operating activities can only be conducted upon approval by relevant authorities).

For details on major subsidiaries, please refer to Note 18 “Subsidiaries” to the consolidated financial statements in the section headed “Financial Report” of this Report.

VI. Environmental Analysis and Future Prospect

(I) Industry Pattern and Trend Analysis

In the first half of 2022, affected by unexpected factors such as frequent spread of the pandemic and complex and turbulent international situation, China’s economy operation faced some serious contradictions and issues, and the economy obviously slowed down. However, since the second quarter, as the central and local policies to stabilize economic growth have been introduced successively, positive changes in economic performance increased, and the economic recovery improved generally. Looking forward to the second half of the year, as the continuous effort in expanding domestic demand and other policies, the national economy is expected to be recovering and operating within a reasonable range.

From the perspective of regional economic development, the State Council issued the General Plan for Opening-up of Guangzhou Nansha to Deepen Comprehensive Cooperation among Guangdong, Hong Kong and Macao in June to seize major historical opportunities such as the construction of the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen Pilot Demonstration Zone as well as two cooperation zones, namely Hengqin and Qianhai, which will fully release the unique development advantages brought by the superposition of major strategic benefits. Additionally, after Dongguan has reached the new starting point of “Double 10,000 (雙萬)” city, the city characteristics of “technological innovation + advanced manufacturing” have become more distinct. The high-quality manufacturing market entities have brought new impetus and development opportunities to Dongguan’s economy, and also provided a focus and entry point for our next stage of business operations.

The recovery of market environment is expected to drive the rebound of effective credit demand in the second half of the year, especially in terms of infrastructure loans. However, the current unexpected factors have not completely subsided, and commercial banks still need to pay attention to potential risks in key areas such as retail and real estate.

(II) Management Measures for the Second Half of 2022

In the second half of 2022, the second three-year development plan for the third transformation (2021-2023) of the Group will fully commence the “second half”. In the face of opportunities and challenges, we will follow the “1+12348” strategic plan, maintain strategic focus, strengthen strategic execution, continue to construct core competitiveness system of “four beams and eight pillars” that supports our long-term development in the future, and go all out to build us into a leading high-quality rural commercial bank group in Guangdong Province with influence in China.

Firstly, to fully focus on key businesses. The Bank will deepen the building of five major financial business brands. In terms of retail finance, the Bank will focus on seizing opportunities to expand wealth management business and mortgage loan business, stick to the main position of financial services for villagers, innovate special business scenarios for new urban residents, and continue to develop retail customer operation. In terms of corporate finance, the Bank will make great efforts to expand and optimize the business of customer base in the Bay Area, focus on building and improving the transaction banking system, enhance the linkage between domestic and foreign currencies, and promote the construction of a customer ecosystem of the Bank under the “1+3+N” grid service model. In terms of small and micro finance, the Bank will continue to carry out “helping enterprises and people in relief (助企惠民紓困)”, and solidly develop inclusive financial services to better meet the credit needs of SMEs. The Bank will also further optimize the approval process for small and micro loans in branches and improve the efficiency of approval process. In terms of interbank finance, the Bank will comprehensively adopt multi-type strategy model for asset allocation, and improve risk management and control capabilities, market research capabilities and investment and transaction capabilities to achieve diversification of asset management. In terms of digital finance, the Bank will continue to consolidate basic capabilities of online platform, improve the flexibility and efficiency of customer data analysis and operational activity analysis, and accelerate the construction of user experience remodeling projects.

Secondly, to reinforce the risk prevention and control barrier comprehensively. The Bank will further coordinate development and safety, and continue to enhance the perspectiveness, professionalism and control of risk management. The Bank will focus on strengthening the comprehensive risk management capabilities by improving the ability to prevent and mitigate credit risks, enhancing effectiveness in dealing with reputational risks, improving liquidity risk management at the group level and enhancing the level of intelligent digital risk control; hold the bottom line of compliance operation by strengthening the construction of systems, management of key areas of compliance and construction of compliance culture; by strengthening the full coverage of audit supervision in key areas, solidly iterate new version of the audit system, promote in-depth application of audit results and continuously improve the deterrent effect of audit supervision so as to achieve stable operation and sustainable development, and ensure high-quality development and promote high-quality transformation with high-quality risk control.

Thirdly, to fully activate grassroots development momentum. The Bank will continue to promote the transformation of outlets, further activate the operational efficiency of outlets, and enhance the comprehensive benefits of outlets. The Bank will also integrate more elements for the convenience and benefits of the people into financial services, provide customers with more financial and non-financial value services, and enhance the social benefits of the Bank. The Bank will continue to promote “empowerment for the front line”, and effectively allocate resources, increase momentum and reduce burdens for the development of grass-roots front-line businesses so as to build an empowering organization based on the principle that “the head office serves sub-branches, the middle and back office serve the front desk, and the management serves the operation”. The Bank will continue to promote the upgrading of corporate brand culture. Taking the 70th anniversary of establishment and the first anniversary of listing as an opportunity, the Bank will upgrade the young and dynamic corporate brand image as a listed bank, and enhance the sense of identity, belonging and honor of employees to the Group. The Bank will use the soft power of corporate culture to help achieve the development goals of the Group.

Fourthly, to accelerate the pace of reform and innovation comprehensively. On the one hand, to accelerate digital transformation. The Bank will reshape the business logic and operation mechanism with digital thinking, establish and improve the data center, promote integrated transformation of products, channels and system architecture, and strengthen the digital strategy execution capability. On the other hand, to accelerate the group development. By implementing flat management of the Group, improving the risk control system of the Group and strengthening business collaboration of the Group, the Bank will further improve the connection mechanism of corporate governance of the Group, build a modern financial group governance system, and provide more open and favorable conditions for subordinated institutions to improve operation and management standards, thereby increasing their contribution to the development of the Group.

Chapter IV Environmental, Social and Governance



The Bank always adheres to the corporate purpose of “accompanying, trusting and growing with each other”, takes “creating maximum value for inclusive finance” as its core value, and fully integrates the concept of environmental, social and governance (“ESG”) into the daily operation and management. The Bank went back to original aspiration to support rural revitalization, integrated industry and finance to promote regional development, developed green finance to support carbon peaking and neutrality goals, strengthened services for anti-pandemic reliefs, and took the responsibilities in consolidating poverty alleviation. The Bank gave back to society with practical actions, actively fulfilled its corporate social responsibility, promoted high-quality sustainable development of the economy, environment and society, and supported in achieving the goal of shared prosperity.

I. PRACTICE INCLUSIVE FINANCE AND FULFILL SOCIAL RESPONSIBILITIES

(I) Adhere to the Original Intention to Serve the Economy and People’s Livelihood

1. Focus on core customers and practice inclusive finance

Firstly, the Bank perform its financial services for new urban citizens in a sound manner. The Bank actively responded to the requirements of the Notice on Strengthening Financial Services for New Citizens issued by the CBIRC and the People’s Bank of China, established a cross-department and cross-line special service team, built demonstration service outlets for new urban citizens. The Bank also provided multi-channel characteristic financial services such as entrepreneurship and employment, housing, promotion of consumption upgrades and optimization of basic financial services, which effectively enhanced the sense of happiness and gain of new urban citizens and helped them integrate into Dongguan. As of the end of June 2022, the Bank has constructed 6 new urban citizen demonstration service outlets.

Secondly, the Bank responded to the financing needs of agriculture-related enterprises. In terms of supporting agriculture-related enterprises, the Bank launched the “133” project of rural revitalization financial services, and implemented the three dispatch systems. Combined with the “New Ten Measures to Help Enterprises and Benefit the People (助企惠民纾困新十條)” and other policies, the Bank increased its support to the “reconstruction for industry (工改工)” project of village groups, promoted the implementation of rural revitalization projects, and accelerated the cultivation of “hematopoietic” functions of village groups to comprehensively improve the efficiency and level of serving rural revitalization. As of the end of June 2022, the Bank reached cooperation intention of “giving credit limit to whole village” activities with a total of 560 villages (communities) with coverage ratio of 94.59%; the Bank’s total loan balance for “Modern Sannong” customers amounted to RMB61,927 million, accounting for approximately 21.32% of the general loans of the Bank, representing an increase of RMB5,615 million or 9.97% over the beginning of the year. The inclusive financial service level was further improved.

Thirdly, the Bank increased its support for SMEs. The Bank actively responded to the call for supporting the high-quality development of “specialized and innovative” enterprises in China, innovated and developed exclusive products, and provided full-cycle, full-coverage and all-round comprehensive financial services for “specialized and innovative” enterprises. The Bank innovated inclusive financial products and services, and focused on alleviating the problem of “difficult financing, expensive financing” for SMEs. The Bank introduced innovative products such as Financial Relief Loan (紓困貸), Industry Supportive Loan (穩業貸), E-drug Loan (E藥貸), Venture Capital Loan (創業貸), Seafood Loan (海鮮貸), Sci-insurance Loans (科保貸), Tea Loan (茶葉貸), Excellent Enterprise Loan (優企貸), Talent Loan (人才貸), Overpayment Quick Loans (超抵快貸), Enriching People Loan (富民貸) and Youth Entrepreneurship Loan (青創貸) to precisely connect with the needs of SMEs customers. As of the end of June 2022, the balance of full-caliber SMEs loan of the Bank was RMB136,360 million, a net increase of RMB16,586 million or 13.85% over the beginning of the year. The balance of SMEs loans with no more than RMB10 million credit granted each (including small and micro enterprise loans, individual industrial and commercial household loans as well as SMEs owner loans, and excluding discounting) was RMB29,527 million, an increase of 11.00% over the beginning of the year.

Fourthly, the Bank made efforts to reduce corporate financing costs. In the first half of 2022, the Bank has applied to the PBoC for refinancing loans of RMB4.642 billion, which effectively reduced the financing cost of enterprises. Of which, refinancing loans applied for supporting SMEs amounted to RMB4.605 billion, supporting 3,440 SME customers. The interest rate of newly issued SMEs loans in the first half of 2022 dropped by 0.27 percentage point compared with the interest rate of newly issued loans in 2021.

2. Focus on industrial transformation and drive regional development

The Bank insisted on continuously directing financial resources to key areas of the real economy, proactively responded to the national strategies such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Guangzhou-Shenzhen Science and Technology Innovation Corridor, followed the pace of industrial restructuring, and fully supported high-end manufacturing industry, new generation information industry, biomedical industry, environmental protection, education and other livelihood and key industries. The Bank offered eight comprehensive financial service plans, namely Green Financing (綠融通), Campus Financing (校融通), Bank-Hospital Financing (銀醫通), Smart Financing (智融通), Park Financing (園融通), Bay Area Financing (灣融通), City Financing (城新通) and Listing Financing (上市通), launched the public resource trading center cloud service, and comprehensively promoted the development in fields such as people's livelihood, urban modernization and manufacturing industry in Dongguan with higher level of intelligence and stronger digital productivity. In terms of industrial finance loan, as of the end of June 2022, the balance of industrial finance loan of the Bank was RMB127,268 million. Among them, the Bank provided credit support of RMB38,172 million for various parks, and provided loans of RMB26,804 million to 141 parks with the balance of loans amounted to RMB20,871 million. In terms of supporting the manufacturing industry, the balance of loans supporting manufacturing and related industries amounted to RMB45,951 million, representing an increase of RMB6,572 million or 16.69% as compared with the beginning of the year, of which the balance of medium and long-term loans supporting manufacturing and related industries was RMB25,830 million, representing an increase of RMB3,943 million or 18.02% as compared with the beginning of the year, accounted for 56.21% of the balance of loans to manufacturing and related industries. In terms of investment banking business, the Bank gradually transformed into a comprehensive financing service provider, and proactively developed the "commercial bank + investment banking" model to provide diversified comprehensive financial services for enterprises. As of the end of June 2022, the balance of investment banking business reached RMB6,374 million, providing customers with a full range of financial services.

(II) Actively Support Anti-pandemic Relief

The Bank actively implemented various arrangements of the Party Central Committee and the provincial and municipal governments, and placed the support for resumption of work and production of enterprises in more prominent position. In 2022, the Bank re-launched the "New Ten Measures to Help Enterprises and Benefit the People (助企惠民紓困新十條)", offered innovative and featured products, focused on increasing the support for relief of SMEs and individual industrial and commercial households in the manufacturing industry and industrial chain, and delivered financial "living water" to thousands of households, fully demonstrating the responsibility of financial institutions.

In order to help the relief of enterprises, Dongguan Rural Commercial Bank optimized and upgraded the “New Ten Measures to Help Enterprises and Benefit the People (助企惠民紓困新十條)”, and launched a number of relief measures. The Bank provided all-round assistance in terms of loan renewal, credit support and interest rate discounts, etc., which fully highlighted the Bank’s three images of inclusive financial relief of “continuous service, preferential interest rate and satisfying credit”. Firstly, the Bank supported the resumption of work and production of enterprises. The Bank has set up a special credit fund of RMB60 billion to fully support the relief of important economic entities in order to ensure production, reduce crisis and stabilize transition. In the first half of 2022, the Bank has issued inclusive SMEs loans of RMB13,363 million to support the growth and development of 14,078 SMEs, and survived the pandemic stably. Secondly, the Bank helped the relief of enterprises. The Bank adhered to the policy of “no withdrawal, no cut-off, no reduction or no delay of loans”, accurately matched relief measures with customer needs, and provided relief services to inclusive SMEs that have been severely affected by the pandemic but have growth potential by flexibly extending repayment period, renewing loans without principal repayment, adjusting principal repayment plans and extending loan periods. Thirdly, the Bank launched the interest rate preferential activities of “relief for the benefit of people”. The Bank lowered the interest rate of SMEs loan products overall during the period of interest rate preferential activities of inclusive finance loans; the Bank offered customers with new consumer loans credit and customers who meet the credit card consumption standards a maximum interest discount of 35%, so as to effectively reduce the consumption financing cost. Fourthly, the Bank accelerated the innovation of anti-pandemic products for SMEs. The Bank has launched featured products such as Youth Entrepreneurship Loans (青創貸), “Stable Business Loans (穩業貸)”, Rent Relief Loans (租金紓困貸), Industry Support Loans (行業扶持貸) and Policy Guaranteed Loans (政策擔保貸) to meet the financing needs of the young entrepreneurs, advanced manufacturing and high-tech enterprises, made every effort to solve the financing difficulties of SMEs, and helped Dongguan economy “stabilize enterprises, industries and employment”. In the first half of 2022, the Bank has granted loans of RMB700 million to 176 SMEs.

(III) Optimize Services and Protect Customers' Rights and Interests

The Bank adhered to the original aspiration of service, continuously improved the management system, simplified the service process, refined the service standards, and maintained professional, high-efficiency and warm services. In terms of improving the service process, the Bank provided convenient and efficient services for special consumers such as the disabled and elderly customers by offering green channels for special consumer groups, adding convenience measures such as voice prompts and handwritten input on self-service devices/smart devices, and providing door-to-door services, etc. In terms of branch upgrades of finance + scenarios, the Bank introduced theme scenarios gradually based on location factors and target customer groups to create flexible scenarios, and integrated services into various life scenarios. In terms of financial knowledge popularization and consumer education activities, the Bank organized anti-fraud campaign to enhance the financial decision-making power and risk prevention awareness of consumers. In 2022, the Bank launched a new anti-fraud publicity model of “cooperation between police and banks”, and took the initiative to cooperate with Dongguan Anti-Fraud Center to launch a series of WeChat tweets and short videos for anti-fraud publicity such as “preventing fraud by click farming” and “preventing fraud by impersonating public prosecutors” so as to publicize the latest anti-fraud knowledge to the masses of customers, and raise the awareness of anti-fraud of people.

Besides, the Bank actively protected the legitimate rights of consumers. Firstly, the Bank recognized the Consumer Rights Protection Center as the tier-1 department of the head office to further enhance the Bank's consumer rights protection efforts and improve the construction of consumer rights protection systems and mechanisms. During the Reporting Period, the Bank accumulatively completed 521 reviews of marketing activities, 52 reviews of systems and 23 reviews of products, effectively resolved 593 consumer complaints and disputes, and carried out special inspections on consumer rights protection in 120 business outlets. The implementation of the whole-process control mechanism of pre-review, process control and post-supervision has been gradually improved. Secondly, the Bank took industry standards as its external driving force and deep customer management as its internal driving force. By focusing on service standards, service supervision and “civilization creation” supervision, the Bank continuously deepened service and improved service quality. In the first half of 2022, the Bank conducted a total of 382 remote video inspections and on-site unannounced inspection for a total of 120 outlets with the inspection coverage rate of business outlets reaching 76%; the Bank received nearly 2.06 million times of customer service evaluations at the window, and customer satisfaction rate reached 99%. The overall service quality and visual image of outlets have been effectively improved. Thirdly, the Bank enriched publicity and education methods to present the most beautiful demeanor. In the first half of 2022, the Bank carried out a total of 692 consumer rights protection publicity and education activities of various forms, with 250,000 views, and the disabled people were covered for the first time, which achieved good publicity and social effects. The Bank performed outstandingly in consumer rights protection, and was awarded the highest rating A+ in the 2021 financial consumer rights protection assessment in Dongguan organized by the Dongguan Central Sub-branch of the People's Bank of China. In addition, the deposit insurance publicity activities of the Bank were selected as the “2021 Advanced Unit for Deposit Insurance Publicity Work in Dongguan” by the Dongguan Central Sub-branch of the People's Bank of China; the participating work of the Bank “undertaking of responsibility (一份責任·一種擔當)” stood out among many works of the “Most Beautiful Financial Consumer Rights Protector” in the banking and insurance industry of Guangdong in 2022, and won the highest award of the event, “The Most Beautiful Demeanor Award (Gold Award).”

(IV) Support and Consolidate Poverty Alleviation for Public Welfare

Dongguan Rural Commercial Bank always embraces the local complex of “born in Dongguan, raised in Dongguan, strive in Dongguan, and give back to Dongguan”, and strives to practice social responsibilities in a broader field of people’s livelihood based on financial services. The Bank strongly supported the poverty alleviation and implemented poverty alleviation and assistance work. As of the end of June 2022, the total amount of our Bank’s relief assistance for public welfare and charity reached RMB7.613 million. The Bank actively supported the construction project of featured high-quality demonstration villages, deeply participated in the rural revitalization work, promoted the effective connection between the achievement of poverty alleviation and rural revitalization, and actively promoted the construction of “the city in the Bay Area, high-quality Dongguan”. The Bank also strongly supported the education industry. The Bank initiated the establishment of the first education public welfare foundation in the financial industry of Dongguan in 2019. Through the foundation, the Bank supported the development of educational undertakings, such as supporting school infrastructure construction, subsidizing students in need of financial aid and donating study materials, etc., and continuously promoted the development of educational public welfare undertakings in relevant regions.

II. DEVELOP GREEN FINANCE AND SUPPORT DOUBLE-CARBON COMPLIANCE

(I) Develop Green Finance and Support Green Industries

The Bank has thoroughly implemented major strategic decisions of the Party Central Committee and the State Council on carbon peaking, carbon neutralization and strengthening the construction of ecological civilization, proactively implemented the green development concept and improved the green finance service through multiple measures. On one hand, the Bank has continuously improved the comprehensive financial service plan for the “Green Financing (綠融通)” environmental protection industry, and provided financing assistance to green environmental protection enterprises through a number of financial products such as the “Ecological Restoration Loans (生態修復貸)”, “Green Project Loans (綠色項目貸)” and “Energy Saving Loans (節能貸)”, to vigorously promote the steady development of green industry. As of the end of June 2022, the balance of green credit of the Bank was RMB9,396 million, representing an increase of RMB2,062 million or 28.12% over the beginning of the year. On the other hand, the Bank profoundly participated in the issuance and investment of green bonds, supporting the gathering and devotion of financial resources into green and low carbon industries. As of the end of the Reporting Period, the book balance of green financial bonds issued by the Bank is RMB1 billion, with all proceeds raised invested in loans to green projects as certified by third party institutions, and utilized in pollution prevention and treatment, resources conservation and recycling, and clean energy involved in green projects; the Bank continued to make investments in green bonds. As of the end of June 2022, the balance of green bonds investment was approximately RMB3,986 million, representing an increase of 49.40% from the beginning of the year.

(II) Promote Green Services and Realize Green Operation

The Bank added smart devices at business outlets, implemented paperless business processes, actively developed smart financial services, provided electronic certificates, and saved paper, thereby realizing energy conservation and emission reduction. In recent years, the Bank continued to optimize business processes and practice “green services”. The Bank has successively launched the mobile marketing platform, smart counters and cloud banking projects, and embedded functions such as paperless electronic certificates, electronic seals, OCR license identification and image acquisition in the business process, transferring banking business to smart device channels for processing. As of the end of the Reporting Period, the Bank put 350 smart devices into operation, and conducted 1.65 million transactions in the first half of 2022, representing an increase of 204% over the same period last year. The business volume and business substitution rate of smart devices showed “double-up trend”. The Bank realized paperless and low-carbon business processing, and further improved the effectiveness of green and environmental protection. According to statistics, in the first half of 2022, the use of paper certificates at the counter has decreased significantly as compared with that before the launch of paperless and electronic stamp project.

(III) Carry out Green Activities and Advocate Green Life

The Bank actively carried out various green activities, vigorously advocated green and healthy lifestyle, conducted environmental protection activities, afforestation, green hiking, etc., and procured employees to “devote themselves and start from the basics”, to beautify the ecological environment in practice, integrate the lifestyle concept of low carbon and environmental protection into personal life, actively create a good atmosphere for green life, so as to form an environment of happy work and healthy life. Meanwhile, the Bank vigorously promoted the civilized dining table of “Empty Your Plate (光盤行動)”, advocated the virtue of hard work and thrift, developed a good habit of healthy life and civilized dining, and created an atmosphere of “wasting food is shameful and thrift is honored” for the society, to effectively put an end of food waste.

III. IMPROVE GOVERNANCE LEVEL AND PROMOTE STABLE OPERATION

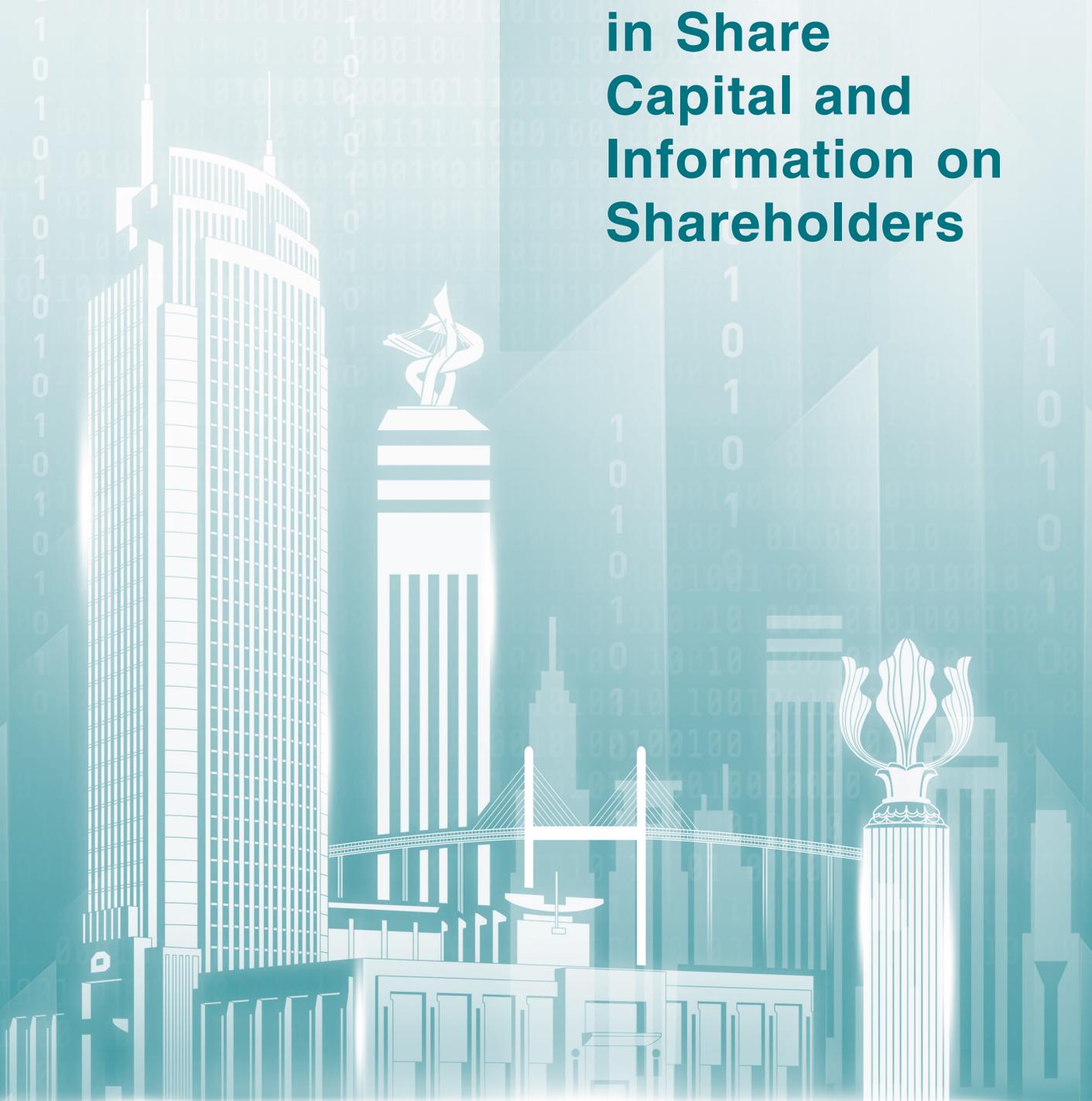
The Bank strictly followed modern enterprise management mechanism, adhered to the leadership of the Party, and established a system of “the shareholders’ general meeting, the Board of Directors, the Board of Supervisors and senior management”. The Bank improved comprehensive risk management and internal control management mechanisms, established a reasonable incentive and restraint mechanism, and built a corporate governance mechanism with efficient operation, mutual checks and balances and coordinated operation of the Bank.

In order to fully achieve the integration of social responsibility management concept with its own development strategy, corporate culture and business activities, the Bank has established an ESG management structure and set up an ESG working group. The Board of Directors is responsible for the decision-making and management of ESG work, the ESG work group is responsible for coordination of overall ESG work, and senior management is responsible for the implementation of specific ESG work, which provides strong mechanism guarantee for long-term stable development. The 2021 Corporate Social Responsibility Report (the Environmental, Social and Governance Report) released during the Reporting Period is the first ESG report of the Bank after the listing. The Bank continued to improve the quality of ESG information disclosure and fulfilled ESG responsibilities.

During the Reporting Period, the Board of Directors of the Bank earnestly fulfilled its responsibilities related to the environment, society and governance such as Sannong financial services, green finance, consumer rights protection and social responsibility. The Board of Directors and relevant committees considered and approved relevant resolutions including the “Resolution on the 2021 Work Report of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd.”, “Resolution on the 2021 Operation and Management Work Report of Dongguan Rural Commercial Bank Co., Ltd.”, “Resolution on the 2021 Work Report of Sannong Financial Services of Dongguan Rural Commercial Bank Co., Ltd.”, “Resolution on the Green Finance Development Plan of Dongguan Rural Commercial Bank Co., Ltd.”, “Resolution on the Consumer Rights Protection Work Report of Dongguan Rural Commercial Bank Co., Ltd. in 2021” and the 2021 annual report of the Bank, so as to further build and improve the ESG management system of the Bank, actively promote the fulfillment of social responsibilities by the Bank, and achieve long-term sustainable development.

For further details on environmental, social and corporate governance of the Bank, please refer to the “Corporate Governance” chapter in this Report and the “2021 Social Responsibility Report (Environmental, Social and Governance Report)” released by the Bank.

Chapter V Changes in Share Capital and Information on Shareholders



I. CHANGES IN SHARES

(I) Share Capital

During the Reporting Period, there was no change in the Bank's share capital. As at June 30, 2022, the Bank had a total of 5,740,454,510 Domestic Shares in issue, representing 83.33% of the total shares, including 1,361,799,326 Shares held by legal person, representing 19.77% of the total shares, 3,895,506,688 Shares held by public natural person (other than staff members), representing 56.55% of the total shares, and 483,148,496 Shares held by staff members, representing 7.01% of the total shares. All Domestic Shareholders are private enterprises and natural persons. There are 1,148,091,000 overseas listed foreign shares (H Shares), representing 16.67% of the total Shares.

(II) Details of Changes in Shares

During the Reporting Period, the changes in the Shares are as follows:

(Unit: Shares)

	As at December 31, 2021		Increase (decrease) during the period	As at June 30, 2022	
	Number	Percentage of issued shares (%)		Number	Percentage of issued shares (%)
Domestic Shares	5,740,454,510	83.33	–	5,740,454,510	83.33
Domestic Shares held by legal persons	1,361,799,326	19.77	–	1,361,799,326	19.77
Domestic Shares held by natural persons	4,378,655,184	63.56	–	4,378,655,184	63.56
Including: Shares held by staff members	483,148,496	7.01	–	483,148,496	7.01
Overseas listed foreign shares (H shares)	1,148,091,000	16.67	–	1,148,091,000	16.67
Total	6,888,545,510	100.00	–	6,888,545,510	100.00

Notes:

- (1) As at the end of the Reporting Period, there were 57,595 Domestic Shareholders. All Domestic Shares were deposited in China Securities Depository and Clearing Corporation Limited. The total number of registered H Shareholders was 23, of which HKSCC Nominees Limited, as a nominee, held the Shares on behalf of multiple Shareholders.
- (2) As at the end of the Reporting Period, 969,527 Domestic Shares were involved in judicial freezing, representing 0.01% of the total Shares.

Chapter V Changes in Share Capital and Information on Shareholders

- (3) The Bank has applied to the Hong Kong Stock Exchange and the Hong Kong Stock Exchange has granted a waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules; as such, the minimum public float of the Shares is 16.67%. According to publicly available information and to the knowledge of the Directors, during the Reporting Period, at least 16.67% of the issued Shares have been held by the public, in compliance with the requirements of the Listing Rules (as adjusted by the above waiver).

(III) Issuance of Securities

During the Reporting Period, the Bank did not issue any new Shares.

II. SHAREHOLDING STRUCTURE

(I) Number and Shareholdings of Shareholders

As at June 30, 2022, the total number of Shares of the Bank was approximately 6,889 million shares, comprising 5,740 million Domestic Shares and 1,148 million overseas listed foreign shares (H Shares). There were 83 legal person Shareholders holding approximately 1,362 million Domestic Shares, representing 19.77% of the total shares, all of which are private enterprise Shareholders; and 57,512 natural person Shareholders holding approximately 4,379 million Domestic Shares, representing 63.56% of the total shares.

(II) Top Ten Shareholders as at the End of the Reporting Period

As at June 30, 2022, the ten largest Shareholders of the Bank together held 30.11% of the Bank's total shares, with no single holder of Domestic Shares holding more than 5% of the total shares, indicating a relatively diverse shareholding structure. Among them, the largest Shareholders of Domestic Shareholders was Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司), holding 4.34% of the total Shares; the second largest Shareholder was Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司), holding 2.18% of the total shares; and the third largest Shareholder was Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司), holding 1.45% of the total Shares. All of these top three Domestic Shareholders are private enterprises.

As at June 30, 2022, shareholdings of the ten largest Shareholders are as follows:

No.	Name	Class of Shares	Nature of Shareholder	Number of shares (share)	Percentage of issued shares ⁽²⁾ (%)
1	HKSCC Nominees Limited ⁽¹⁾	H Shares	Other	1,148,047,990	16.67
2	Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司)	Domestic Shares	Non-state-owned legal person	299,246,910	4.34
3	Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司)	Domestic Shares	Non-state-owned legal person	150,104,602	2.18
4	Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司)	Domestic Shares	Non-state-owned legal person	99,660,304	1.45
5	Dongguan City Huimei Decoration Engineering Co., Ltd.* (東莞市惠美裝飾工程有限公司)	Domestic Shares	Non-state-owned legal person	82,468,873	1.20
6	Dongguan City Haida Industrial Co., Ltd.* (東莞市海達實業有限公司)	Domestic Shares	Non-state-owned legal person	74,027,320	1.07
7	Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司)	Domestic Shares	Non-state-owned legal person	69,784,524	1.01
8	Dongguan City Jianhua Paper Co., Ltd.* (東莞市建樺紙業股份有限公司)	Domestic Shares	Non-state-owned legal person	57,978,360	0.84
9	Dongguan City Fengjing Group Co., Ltd.* (東莞市峰景集團有限公司)	Domestic Shares	Non-state-owned legal person	57,978,360	0.84
10	Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司)	Domestic Shares	Non-state-owned legal person	35,080,472	0.51
Total				2,074,377,715	30.11

Notes:

(1) HKSCC Nominees Limited held a total of 1,148,047,990 H Shares of the Bank on behalf of various Shareholders, representing approximately 16.67% of the issued Shares. HKSCC Nominees Limited acts as the common nominee for the Shares held in the Central Clearing and Settlement System Depository of the Hong Kong Stock Exchange to facilitate trading of the H Shares on the Hong Kong Stock Exchange.

(2) Based on the total issued Shares of 6,888,545,510 Shares.

(III) Interest and Short Position of Directors , Supervisors and Chief Executives in the Shares, Underlying Shares and Debentures of the Bank or Any Associated Corporation

Please refer to the “Interests and Short Positions of Directors, Supervisors and Chief Executives” section in the “Directors, Supervisors, Senior Management, Employees and Branches” chapter of this Report.

(IV) Shareholding of Staff Members

As at June 30, 2022, the Bank had a total of 3,022 employee Shareholders, holding approximately 483 million Shares (excluding H Shares), which accounted for 7.01% of the total Shares.

Chapter V Changes in Share Capital and Information on Shareholders

(V) Interests and Short Positions of Substantial Shareholders and Other Persons under Hong Kong Laws and Regulations

As at June 30, 2022, according to the register kept by the Bank pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities, other than a Director or chief executive of the Bank, had an interest or short position in the Shares, the underlying Shares or debentures of the Bank which would fall to be disclosed to the Bank and Hong Kong Stock Exchange pursuant to divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Class of Shares	Number of Shares ⁽¹⁾ (share)	Approximate percentage of the relevant class of Shares (%)	Approximate percentage of interest in the Bank (%)
Mr. Guo Huiqiang	Interest in controlled corporation ⁽²⁾	Domestic Shares	299,247,910(L)	5.21	4.34
Ms. Yang Miaoxia	Interest of spouse ⁽³⁾	Domestic Shares	299,247,910(L)	5.21	4.34
Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司)	Beneficial owner	Domestic Shares	299,246,910(L)	5.21	4.34
	Interest in controlled corporation ⁽⁴⁾	Domestic Shares	1,000(L)		
Caitong Securities Co., Ltd.* (財通證券股份有限公司)	Interest in controlled corporation ⁽⁵⁾	H Shares	178,311,000(L)	15.53	2.59
Caitong Fund Management Co., Ltd.* (財通基金管理有限公司)	Other ⁽⁶⁾	H Shares	178,311,000(L)	15.53	2.59
Yam Tak Cheung	Interest in controlled corporation ⁽⁷⁾	H Shares	149,100,000(L)	12.99	2.16
Scoperto Limited	Beneficial owner	H Shares	149,100,000(L)	12.99	2.16
State-owned Assets Supervision and Administration Commission of the People's Government of Dongguan (東莞市人民政府國有資產監督管理委員會)	Interest in controlled corporation ⁽⁸⁾	H Shares	126,262,000(L)	11.00	1.83
Dongguan City Transportation Investment Group Co., Ltd.* (東莞市交通投資集團有限公司)	Interest in controlled corporation ⁽⁸⁾	H Shares	126,262,000(L)	11.00	1.83
Dongguan City Fook Man Group Company* (東莞市福民集團公司)	Interest in controlled corporation ⁽⁸⁾	H Shares	126,262,000(L)	11.00	1.83
Fook Man Development Company Limited	Beneficial owner	H Shares	126,262,000(L)	11.00	1.83
Guotai Asset Management Co., Ltd.* (國泰基金管理有限公司)	Investment manager	H Shares	103,874,000(L)	9.05	1.51

Notes:

1. The letter “L” denotes long position.
2. According to the information provided by Mr. Guo Huiqiang, the entire shareholding interest of Guangdong Canvest Investment Co., Ltd.* (“Canvest Investment”) was held by Mr. Guo Huiqiang. Accordingly, Mr. Guo Huiqiang is deemed to be interested in all the Shares that Canvest Investment interested in under the SFO.
3. Ms. Yang Miaoxia is the spouse of Mr. Guo Huiqiang. Accordingly, Ms. Yang is deemed to be interested in all the Shares that Mr. Guo is interested in under the SFO.
4. According to the information provided by Canvest Investment, Canvest Investment is also interested in 1,000 Domestic Shares held by its 90% owned subsidiary, Guangdong Canvest Environmental Investment Co., Ltd.* (廣東粵豐環保投資有限公司).
5. According to the information provided by Caitong Securities Co., Ltd. (“Caitong Securities”), Caitong Securities has 40% control over Caitong Fund Management Co., Ltd.* (“Caitong Fund Management”). Accordingly, Caitong Securities was deemed to be interested in the interest held by Caitong Fund Management.
6. According to the information provided by Caitong Fund Management, Caitong Fund Management is the asset manager of ten qualified domestic investor asset management plans and held the H Shares under such Qualified Domestic Institutional Investor (QDII) asset management plans to implement the investment plan of its client.
7. According to the information provided by Yam Tak Cheung, Yam Tak Cheung has 100% control over Scoperto Limited. Accordingly, Yam Tak Cheung was deemed to be interested in the interest held by Scoperto Limited.
8. According to the information provided by the State-owned Assets Supervision and Administration Commission of the People’s Government of Dongguan, Fook Man Development Company Limited is wholly-owned by Dongguan City Fook Man Group Company*, which in turn is wholly owned by Dongguan City Transportation Investment Group Co., Ltd.*, a company wholly-owned by the State-owned Assets Supervision and Administration Commission of the People’s Government of Dongguan. Accordingly, each of State-owned Assets Supervision and Administration Commission of the People’s Government of Dongguan, Dongguan City Transportation Investment Group Co., Ltd.* and Dongguan City Fook Man Group Company* is deemed to be interest in all the Shares held by Fook Man Development Company Limited.

(VI) Substantial Shareholders under the Interim Measures for Equity Management of Commercial Banks

According to the Interim Measures for Equity Management of Commercial Banks promulgated by the former CBRC, a substantial shareholder of a commercial bank refers to a shareholder who holds or controls more than 5% of the shares or voting rights of a commercial bank, or a shareholder who holds less than 5% of the total capital or total shares but have a significant impact on the operation and management of the commercial bank. The aforementioned significant influence includes, but not limited to, dispatching directors, supervisors or senior management personnel to commercial banks, influencing the financial and operational management decisions of commercial banks through agreements or other means, and other circumstances recognized by the CBIRC or its local offices.

1. Shareholders who hold 5% or above of the Shares of the Bank

As at June 30, 2022, save for HKSCC Nominees Limited, the Bank had no shareholder holding 5% or above of the Shares of the Bank.

2. Other substantial Shareholders within the regulatory scope

(1) Guangdong Canvest Investment Co., Ltd.* (廣東粵豐投資有限公司)

Guangdong Canvest Investment Co., Ltd. was established on November 27, 2002. Its legal representative is Guo Huiqiang (郭惠強) and its registered capital is RMB100 million. Its business scope includes: investment and establishment of industries, sales of steel, building materials, wood, construction machinery and hardwares.

The controlling shareholder of Guangdong Canvest Investment Co., Ltd. is Guo Huiqiang. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. As at the end of the Reporting Period, Guangdong Canvest Investment Co., Ltd. and its related parties held a total of 301,992,343 Shares, accounting for 4.38% of the total shares. The related parties of Guangdong Canvest Investment Co., Ltd. include Canvest Environmental Protection Investment Limited (廣東粵豐環保投資有限公司), Dongguan San Yang Industrial Development Co., Ltd. (東莞市三陽實業發展有限公司), Dongguan Zhuorui Industrial Investment Co., Ltd. (東莞市卓瑞實業投資有限公司), Lai Chun Tung (黎俊東) and others; among them, there is related relationship between the Bank's Director Lai Chun Tung and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Guangdong Canvest Investment Co., Ltd. and its related parties was RMB2.080 billion; non-credit related transactions during the Reporting Period amounted to RMB504,000. During the Reporting Period, Guangdong Canvest Investment Co., Ltd. and its related parties did not pledge their equities in the Bank.

(2) Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司)

Dongguan City Kanghua Investment Group Co., Ltd. was established on March 29, 2002, its legal representative is Wang Junyang (王君揚), its registered capital is RMB268.88 million, and its business scope includes: corporate management consulting, investment in various infrastructure construction projects, domestic commerce and material supply and marketing (excluding state-controlled and franchised projects), investment in medical projects (excluding operations), investment in educational projects, property leasing and property management.

The controlling shareholder of Dongguan City Kanghua Investment Group Co., Ltd. is Wang Junyang. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Kanghua Investment Group Co., Ltd. and its related parties held a total of 233,270,984 Shares, accounting for 3.39% of the total shares. The related parties of Dongguan City Kanghua Investment Group Co., Ltd. includes Dongguan City Xingye Group Co., Ltd. (東莞市興業集團有限公司), Dongguan City Xingda Property Investment Co., Ltd. (東莞市興達物業投資有限公司) and others; among them, there is related relationship between the Bank's Director Wang Junyang and the company. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Kanghua Investment Group Co., Ltd. and its related parties was RMB2.565 billion, and there were no non-credit related transactions during the Reporting Period. During the Reporting Period, Dongguan City Kanghua Investment Group Co., Ltd. and its related parties did not pledge their equities in the Bank.

(3) Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd.* (東莞市南方糧油有限公司)

Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. was established on June 30, 2004, its legal representative is Cai Hanzhen (蔡漢珍), its registered capital is RMB6 million, and its business scope includes: wholesale, retail, pre-packaged food, bulk food, operation and management of grain and feed wholesale market in Zhangmutou, wholesale and retail, general cargo storage, loading and unloading services.

The controlling shareholder of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. is Cai Hanzhen. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. As at the end of the Reporting Period, Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties held a total of 106,062,178 Shares, accounting for 1.54% of the total shares. The related parties of Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. includes Dongguan Leading Industry Co., Ltd., Cai Guowei (蔡國偉) and others; among them, there is related relationship between the Bank's Director Cai Guowei and the company. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties was RMB288 million, and there were no non-credit related transactions during the Reporting Period. During the Reporting Period, Dongguan Nanfang Foodgrain & Cooking Oil Co., Ltd. and its related parties did not pledge their equities in the Bank.

Chapter V

Changes in Share Capital and Information on Shareholders

(4) Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司)

Guangdong Haide Group Co., Ltd. was established on July 28, 2000, its legal representative is Ye Jinqun (葉錦泉), its registered capital is RMB200,000,000, and its business scope includes: industrial investment, engineering bidding agency services, building intelligent engineering, decoration design and engineering construction, production of hardware products, landscaping engineering, sales of building materials and decoration materials (excluding hazardous chemicals) and real estate development (operating with valid qualification certificates).

The controlling shareholder of Guangdong Haide Group Co., Ltd. is Ye Jinqun. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. As at the end of the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties held a total of 116,333,556 Shares, accounting for 1.69% of the total shares. The related parties of Guangdong Haide Group Co., Ltd. includes Dongguan City Commercial Center Development Co., Ltd. (東莞市商業中心發展有限公司), Ye Jinqun and others; among them, there is related relationship between the Bank's Director Ye Jinqun and the company. Therefore, it is regarded as a substantial Shareholder. As at the end of the Reporting Period, the balance of credit-related transactions between the Bank and Guangdong Haide Group Co., Ltd. and its related parties was RMB2.395 billion, and there were no non-credit related transactions during the Reporting Period. During the Reporting Period, Guangdong Haide Group Co., Ltd. and its related parties did not pledge their equities in the Bank.

(5) Dongguan Hongyuan Hotel Co., Ltd.* (東莞市宏遠酒店有限公司)

Dongguan Hongyuan Hotel Co., Ltd. was established on June 22, 2000, its legal representative is Chen Jiangtao (陳江濤), its registered capital is RMB10,000,000, and its business scope includes: catering services, tourism, karaoke, ballroom, hairdressing service, cigarette retail and beauty service (excluding medical beauty).

The controlling shareholder of Dongguan Hongyuan Hotel Co., Ltd. (東莞市宏遠酒店有限公司) is Chen Jiangtao. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan Hongyuan Hotel Co., Ltd. and its related parties held a total of 32,845,106 Shares, accounting for 0.48% of the total shares. The related parties of Dongguan Hongyuan Hotel Co., Ltd. includes Dongguan Yingjun Industrial Investment Co., Ltd. (東莞市盈君實業投資有限公司) and Chen Haitao (陳海濤), and others; among them, there is related relationship between the Bank's Director Chen Haitao and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan Hongyuan Hotel Co., Ltd. and its related parties was RMB2.569 billion; non-credit related transactions during the Reporting Period amounted to RMB696,900. During the Reporting Period, Dongguan Hongyuan Hotel Co., Ltd. and its related parties did not pledge their equities in the Bank.

(6) Dongguan City Xingye Knitting Co., Ltd.* (東莞市興業針織有限公司)

Dongguan City Xingye Knitting Co., Ltd. was established on May 28, 1995. Its legal representative is Fu Wanxia (傅婉霞) and its registered capital is RMB50,000,000. Its business scope includes: general items: manufacturing of knitted or crocheted fabrics and their products; sales of knitted textiles and raw materials; sales of knitted textiles; apparel and accessories manufacturing; apparel manufacturing; wholesale of apparel and accessories; retail of apparel and accessories; non-residential real estate leasing; property management.

The controlling shareholder of Dongguan City Xingye Knitting Co., Ltd. is Chen Xipei (陳錫培). There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties held a total of 36,313,081 Shares, accounting for 0.53% of the total shares. The related parties of Dongguan City Xingye Knitting Co., Ltd. (東莞市興業針織有限公司) includes Chen Xipei (陳錫培), Chen Weiliang (陳偉良) and others; among them, there is related relationship between the Bank's Director Chen Weiliang and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Xingye Knitting Co., Ltd. and its related parties was RMB420 million, and there were no non-credit related transactions during the Reporting Period. During the Reporting Period, Dongguan City Xingye Knitting Co., Ltd. and its related parties did not pledge their equities in the Bank.

(7) Dongguan Shenzhou Industrial Development Co., Ltd.* (東莞市神洲實業開發有限公司)

Dongguan Shenzhou Industrial Development Co., Ltd. was established on July 30, 1996, its legal representative is Lu Chaoping (盧超平), its registered capital is RMB6,000,000, and its business scope includes: industrial investment, property leasing; sales of fashion, decorative materials, building materials, daily necessities, textiles, electronic products, and hardware.

The controlling shareholder of Dongguan Shenzhou Industrial Development Co., Ltd. is Lu Chaoping (盧超平). There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. held a total of 6,442,040 Shares, accounting for 0.09% of the total shares, and there were no other related parties holding Shares. There is related relationship between the Bank's Supervisor Lu Chaoping and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties was RMB106 million; non-credit related transactions during the Reporting Period amounted to RMB376,000. During the Reporting Period, Dongguan Shenzhou Industrial Development Co., Ltd. and its related parties did not pledge their equities in the Bank.

Chapter V

Changes in Share Capital and Information on Shareholders

(8) Dongguan City Royal Garden Hotel Co., Ltd.* (東莞市帝豪花園酒店有限公司)

Dongguan City Royal Garden Hotel Co., Ltd. was established on February 13, 2003, its legal representative is Chen Guangde (陳廣德), its registered capital is RMB60,875,000, and its business scope includes: licensed item: accommodation service; catering service; high-risk sports (games); retail of tobacco products; operation of performance venues. General items: single-purpose commercial prepaid card agent sales; sales of daily necessities; retail of arts and crafts and collectibles (except ivory and its products); food sales (sale of prepackaged food only); hotel management; property management; investment activities with its own funds; daily life services for residents.

Dongguan City Royal Garden Hotel Co., Ltd. is held 50% by Peng Runzhi (彭潤枝) and Liang Yongxiong (梁永雄), respectively. There is no actual controller or party acting in concert, and the ultimate beneficiary is the company itself. At the end of the Reporting Period, Dongguan City Royal Garden Hotel Co., Ltd. and its related parties held a total of 34,464,914 Shares, accounting for 0.50% of the total shares. The related parties of Dongguan City Royal Garden Hotel Co., Ltd. includes Liang Peiguang (梁沛光), Liang Jiepeng (梁傑鵬) and others, among them, there is related relationship between the Bank's Supervisor Liang Jiepeng (梁傑鵬) and the company. Therefore, it is regarded as a substantial Shareholder. At the end of the Reporting Period, the balance of credit-related transactions between the Bank and Dongguan City Royal Garden Hotel Co., Ltd. and its related parties was RMB350 million, and there were no non-credit related transactions during the Reporting Period. During the Reporting Period, Dongguan City Royal Garden Hotel Co., Ltd. and its related parties did not pledge their equities in the Bank.

(VII) Information on Controlling Shareholders and Actual Controllers

During the Reporting Period, there was no major change in the Bank's shareholding structure. There is no individual Shareholder together with its related parties holding more than 10% of the Shares, other than HKSCC Nominees Limited. Any individual Shareholder and its related parties cannot control the general meeting of Shareholders and the Board of Directors. Therefore, the Bank does not have any controlling Shareholder or actual controller of the Bank.

(VIII) Pledge and Freezing of Shares

As at June 30, 2022, there were no Share held by Shareholders holding more than 5% (including 5%) of the total Share capital being pledged or frozen. As at the end of the Reporting Period, so far as the Bank was aware, there was no pledge of Domestic Shares of the Bank, and no Shareholders had pledged their Shares to the Bank. 969,527 Domestic Shares of the Bank were judicially frozen, representing for 0.01% of the total Shares.

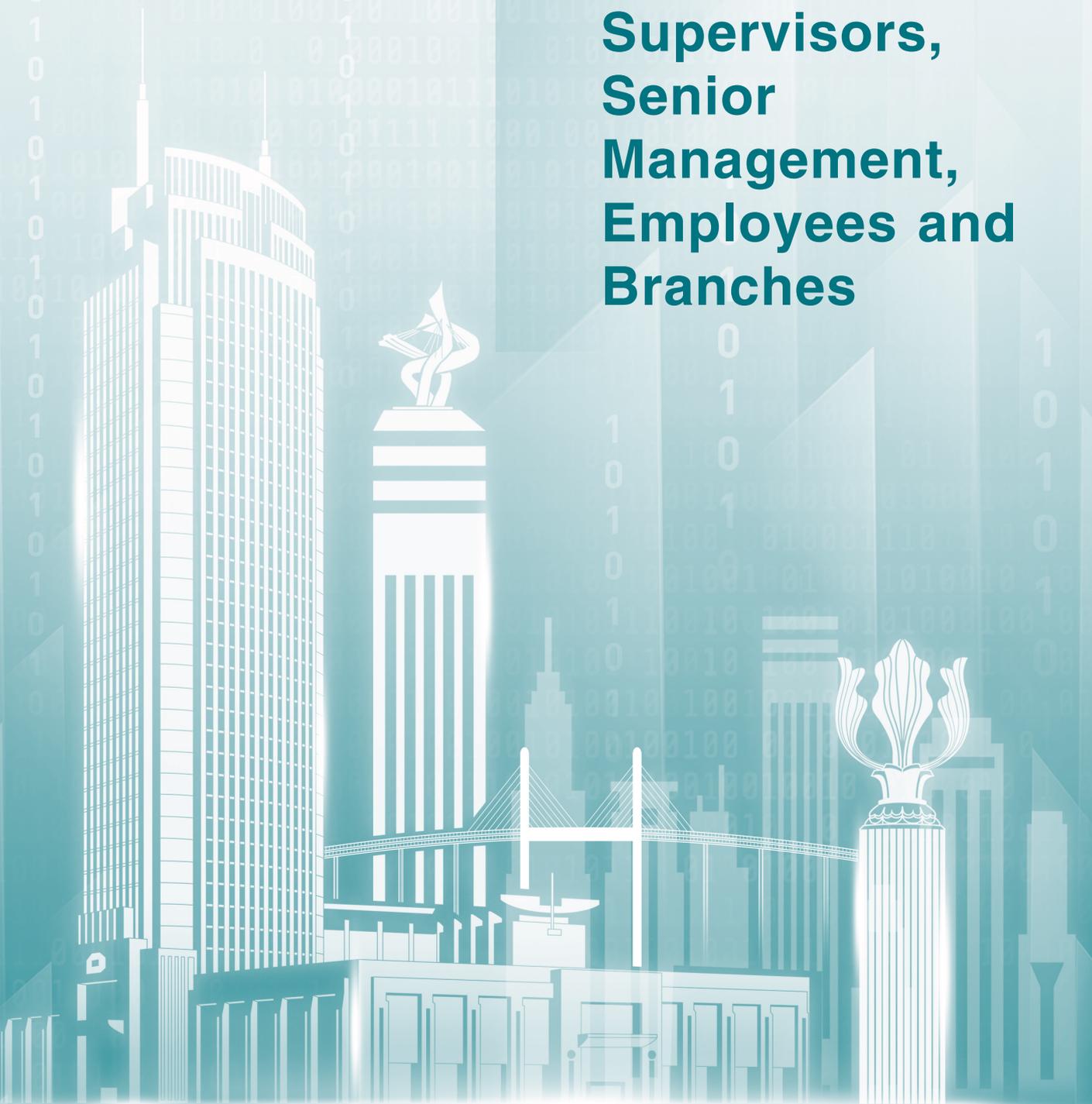
According to Article 43 of the Articles of Association of the Bank, if the equities of the Bank pledged by the Shareholder reaches or exceeds 50% of equities of the Bank held by such Shareholder, such Shareholder's voting right on the general meeting and the voting rights of the Director nominated by such Shareholder on the Board meeting shall be restricted. During the Reporting Period, the Bank did not need to restrict the voting rights of relevant shares in general meetings or board meetings.

(IX) Purchase, Sale or Redemption of Securities of the Group

During the Reporting Period, the Bank or any subsidiary of the Bank did not purchase, sell or redeem any equity securities (whether listed or not) of the Bank or any subsidiary of the Bank.

For the issuance and redemption of the Bank's bonds, please refer to "Issuance and Redemption of Bonds" in the "Other Events" chapter of this Report.

**Chapter VI
Directors,
Supervisors,
Senior
Management,
Employees and
Branches**



I. INFORMATION ON DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(I) Basic Information

Name	Gender	Date of birth	Position	Term of office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase/ (Decrease) in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period (Shares)
Wang Yaoqiu	Male	April 1968	Secretary to the Party Committee Chairman of the Board of Directors Executive Director	April 2016 – present January 2017 – present September 2016 – present	Domestic Shares	401,210	–	401,210
Fu Qiang	Male	July 1970	Deputy secretary to the Party Committee Executive Director President	November 2018 – present July 2019 – present July 2019 – present	Domestic Shares	500,000	–	500,000
Ye Jianguang	Male	October 1972	Member of the Party Committee Executive Director Vice President Chief Risk Officer Secretary to the Board of Directors Joint company secretary	August 2016 – present March 2019 – present December 2017 – present March 2019 – present May 2021 – present April 2021 – present	Domestic Shares	500,000	–	500,000
Chen Wei	Male	April 1972	Member of the Party Committee Executive Director Vice President	August 2016 – present December 2019 – present October 2018 – present	Domestic Shares	113,907	–	113,907
Lai Chun Tung	Male	October 1974	Non-executive Director	December 2009 – present	Domestic Shares	1,156,825	–	1,156,825
Wang Junyang	Male	November 1982	Non-executive Director	November 2016 – present	–	–	–	–
Cai Guowei	Male	August 1962	Non-executive Director	December 2009 – present	Domestic Shares	2,281,622	–	2,281,622
Ye Jinqun	Male	June 1970	Non-executive Director	June 2018 – present	Domestic Shares	9,663,060	–	9,663,060
Chen Haitao	Male	September 1967	Non-executive Director	March 2012 – present	Domestic Shares	350,000	–	350,000
Zhang Qingxiang	Male	November 1985	Non-executive Director	December 2019 – present	Domestic Shares	2,021,371	–	2,021,371
Chen Weiliang	Male	September 1984	Non-executive Director	December 2019 – present	Domestic Shares	6,000	–	6,000
Yip Tai Him	Male	August 1970	Independent non-executive Director	March 2019 – present	–	–	–	–
Xu Zhi	Male	June 1972	Independent non-executive Director	December 2019 – present	–	–	–	–
Shi Wenfeng	Male	February 1978	Independent non-executive Director	December 2019 – present	–	–	–	–
Tan Fulong	Male	June 1973	Independent non-executive Director	December 2019 – present	–	–	–	–
Liu Yuou	Female	August 1971	Independent non-executive Director	December 2019 – present	–	–	–	–
Xu Tingting	Female	June 1983	Independent non-executive Director	December 2019 – present	–	–	–	–

Chapter VI Directors, Supervisors, Senior Management, Employees and Branches

Name	Gender	Date of birth	Position	Term of office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase/ (Decrease) in the number of Shares held during the Reporting Period	Number of Shares held as at the end of the Reporting Period (Shares)
Chen Sheng	Male	September 1974	Member of the Party Committee Chairman of the Board of Supervisors Employee Supervisor	August 2018 – present September 2018 – present September 2018 – present	Domestic Shares	32,210	–	32,210
Deng Yanwen	Female	January 1972	Employee Supervisor	October 2019 – present	Domestic Shares	335,412	–	335,412
Wu Lixin	Male	June 1969	Employee Supervisor	October 2019 – present	Domestic Shares	335,412	–	335,412
Liang Zhifeng	Male	October 1973	Employee Supervisor	October 2019 – present	–	–	–	–
Lu Chaoping	Male	February 1964	Shareholder Supervisor	December 2009 – present	–	–	–	–
Wang Zhujin	Male	March 1964	Shareholder Supervisor	October 2019 – present	Domestic Shares	500,000	–	500,000
Liang Jiepeng	Male	December 1984	Shareholder Supervisor	October 2019 – present	Domestic Shares	2,254,714	–	2,254,714
Zou Zhibiao	Male	October 1989	Shareholder Supervisor	October 2019 – present	Domestic Shares	32,210	–	32,210
Wei Haiying	Female	December 1963	External Supervisor	October 2019 – present	–	–	–	–
Yang Biao	Male	January 1980	External Supervisor	October 2019 – present	–	–	–	–
Zhang Bangyong	Male	February 1979	External Supervisor	October 2019 – present	–	–	–	–
Mai Xiuhua	Female	January 1971	External Supervisor	October 2019 – present	–	–	–	–
Qian Hua	Male	September 1973	Member of the Party Committee Secretary to the Disciplinary Committee	November 2018 – present November 2018 – present	Domestic Shares	322,202	–	322,202
Chen Dongmei	Female	November 1971	Member of the Party Committee Vice President Chief Information Officer	September 2016 – present December 2017 – present April 2019 – present	Domestic Shares	420,035	–	420,035

Notes:

- (1) The appointment dates of Directors herein represent the dates on which the relevant qualifications were approved by the CBIRC.
- (2) The appointment dates of Supervisors take effect from the dates on which his/her appointment was approved at the general meeting and the staff representative meeting.
- (3) Mr. Shi Wenfeng has tendered his resignation to resign as an independent non-executive Director and the chairman of the Related Party Transaction Control Committee of the Board of Directors to the Board of Directors on March 30, 2022 due to change of his own work arrangement. According to relevant requirements, Mr. Shi Wenfeng shall continue to perform his duties until the eligibility of the newly elected independent non-executive Director obtains the approval by the CBIRC.

(II) Changes in Directors, Supervisors and Senior Management

On March 30, 2022, Mr. Shi Wenfeng has tendered his resignation as an independent non-executive Director and the chairman of the Related Party Transaction Control Committee of the Board of Directors due to his own work arrangement. As the number of remaining independent non-executive Directors following the resignation of Mr. Shi Wenfeng representing less than one-third of the Board of Directors of the Bank, pursuant to relevant laws and regulations and the Articles of Association, Mr. Shi's resignation will only take effect upon another independent non-executive Director having been appointed at the Shareholders' general meeting of the Bank and obtaining the approval from the China Banking and Insurance Regulatory Commission for the appointment of the newly appointed independent non-executive Director. Prior to that, Mr. Shi Wenfeng will continue to perform relevant obligations as an independent non-executive Director in accordance with the relevant provisions; on the other hand, his resignation as the chairman of the Related Party Transaction Control Committee of the Board of Directors took effect from March 30, 2022.

On May 23, 2022, at the 2021 annual general meeting of the Bank, it was considered and approved to additionally appoint Mr. Tang Wencheng (唐聞成) as a non-executive Director of the fourth session of the Board of the Bank and Mr. Zeng Jianhua (曾儉華) as an independent non-executive Director of the fourth session of the Board of the Bank with effect from the date of approval of their appointment by the CBIRC.

(III) Changes in Information of Directors and Supervisors

Mr. Wang Yaoqiu (王耀球), the chairman of our Board of Directors and executive Director of the Bank, serves as the standing vice director of the third session of the board of Dongguan Association of International Entrepreneurs (東莞世界莞商聯合會).

Mr. Lai Chun Tung (黎俊東), a non-executive Director of the Bank, serves as the standing vice chairman of the third session of the board of Dongguan Association of International Entrepreneurs (東莞世界莞商聯合會) and the vice chairman of the 12th session of the executive committee of Dongguan Federation of Industry and Commerce (general chamber of commerce) (東莞市工商業聯合會(總商會)).

Mr. Zhang Qingxiang (張慶祥), a non-executive Director of the Bank, serves as the standing vice chairman of the third session of the board of Dongguan Association of International Entrepreneurs (東莞世界莞商聯合會), the vice chairman of 12th session of the executive committee of Dongguan Federation of Industry and Commerce (general chamber of commerce) (東莞市工商業聯合會(總商會)), and he ceased to be the vice director of Dongguan Federation of Industry and Commerce (general chamber of commerce) (東莞市工商業聯合會(總商會)).

Chapter VI

Directors, Supervisors, Senior Management, Employees and Branches

Mr. Chen Weiliang (陳偉良), a non-executive Director of the Bank, serves as a member of the 14th Dongguan Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十四屆東莞市委員會).

Mr. Xu Zhi (許智), an independent non-executive Director of the Bank, ceased to be an independent director of HUCAIS Printing Co., Ltd.* (虎彩印藝股份有限公司) (834295.NEEQ)

Mr. Tan Fulong (譚福龍), an independent non-executive Director of the Bank, serves as a deputy director of the 12th Session of Guangdong Lawyers Association Professional Committee on the Law of Implementation and Disposal of Non-performing Assets (第十二屆廣東省律師協會執行與不良資產處置法律專業委員會), and ceased to be a deputy director of the 11th Session of Guangdong Lawyers Association Professional Committee on the Law of Implementation and Disposal of Non-performing Assets (第十一屆廣東省律師協會執行與不良資產處置法律專業委員會); Mr. Tan ceased to be an expert of the Civil Administration Procuratorate Think Tank of the Dongguan People's Procuratorate(東莞市人民檢察院). Mr. Tan is appointed as the arbitrator by Dongguan Arbitration Commission.

Mr. Yang Biao(楊彪先生), an external Supervisor of the Bank, ceased to be an independent director of Guangdong Guangzhou Daily Media Co., Ltd.(廣東廣州日報傳媒股份有限公司) (002181.SZ) and an independent director of Guangdong Yuehai Feeds Group Co., Ltd.(廣東粵海飼料集團股份有限公司) (001313.SZ).

(IV) Interests and Short Positions of Directors, Supervisors and Chief Executives

As at June 30, 2022, the interests and short positions of our Directors, Supervisors and chief executives in the Shares, underlying Shares and debentures of our Bank or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed to have under such provisions of the SFO), or which were required to be entered in the register of interests kept by the Bank pursuant to section 352 of the SFO, or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules are as follows:

Interest in Shares or underlying Shares

Name	Position	Class of Shares	Long position/ short position	Capacity	Number of Shares ⁽¹⁾	Approximate % of the relevant class of Shares ⁽¹⁾ (%)	Approximate % of total issued Shares ⁽¹⁾ (%)
Wang Yaoju	Executive Director	Domestic Shares	Long position	Beneficial owner	401,210	0.00699	0.00582
Fu Qiang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.00871	0.00726
Ye Janguang	Executive Director	Domestic Shares	Long position	Beneficial owner	500,000	0.01742	0.01452
		Domestic Shares	Long position	Interest of spouse	500,000		
Chen Wei	Executive Director	Domestic Shares	Long position	Beneficial owner	113,907	0.00287	0.00239
		Domestic Shares	Long position	Interest of spouse	50,578		
Lai Chun Tung	Non-executive Director	Domestic Shares	Long position	Beneficial owner	1,156,825	0.04779	0.03982
		Domestic Shares	Long position	Interest in controlled corporation ⁽²⁾	1,586,277		
Wang Junyang	Non-executive Director	Domestic Shares	Long position	Interest in controlled corporation ⁽³⁾	172,389,749	3.00307	2.50256
Cai Guowei	Non-executive Director	Domestic Shares	Long position	Beneficial owner	2,281,622	0.04311	0.03593
		Domestic Shares	Long position	Interest of spouse	193,261		
Ye Jinqun	Non-executive Director	Domestic Shares	Long position	Beneficial owner	9,663,060	1.99510	1.66259
		Domestic Shares	Long position	Interest in controlled corporation ⁽⁴⁾	104,864,996		
Chen Haitao	Non-executive Director	Domestic Shares	Long position	Beneficial owner	350,000	0.00610	0.00508
Zhang Qingxiang	Non-executive Director	Domestic Shares	Long position	Beneficial owner	2,021,371	0.07566	0.06305
		Domestic Shares	Long position	Interest of spouse	2,322,102		
Chen Weiliang	Non-executive Director	Domestic Shares	Long position	Beneficial owner	6,000	0.00010	0.00009
Chen Sheng	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	32,210	0.00056	0.00047
Deng Yanwen	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	335,412	0.00584	0.00487
Wu Lixin	Employee Supervisor	Domestic Shares	Long position	Beneficial owner	335,412	0.03372	0.02810
		Domestic Shares	Long position	Interest of spouse	1,600,421		
Liang Zhifeng	Employee Supervisor	Domestic Shares	Long position	Interest of spouse	9,664	0.00017	0.00014
Lu Chaoping	Shareholder Supervisor	Domestic Shares	Long position	Interest in controlled corporation ⁽⁵⁾	6,442,040	0.11222	0.09352
Wang Zhujin	Shareholder Supervisor	Domestic Shares	Long position	Beneficial owner	500,000	0.00871	0.00726
Liang Jiepeng	Shareholder Supervisor	Domestic Shares	Long position	Beneficial owner	2,254,714	0.03928	0.03273
Zou Zhibiao	Shareholder Supervisor	Domestic Shares	Long position	Beneficial owner	32,210	0.00056	0.00047

Chapter VI

Directors, Supervisors, Senior Management, Employees and Branches

Notes:

- (1) The Bank has a total of 6,888,545,510 issued shares, including 5,740,454,510 Domestic Shares and 1,148,091,000 H Shares.
- (2) Such 1,586,277 Domestic Shares are held by Dongguan City Sanyang Shiye Development Co., Ltd.* (東莞市三陽實業發展有限公司), a company owned as to 90.00% by Mr. Lai Chun Tung. Accordingly, Mr. Lai is deemed to be interested in all the Domestic Shares held by Dongguan City Sanyang Shiye Development Co., Ltd.* under the SFO.
- (3) Such 172,389,749 Domestic Shares include (i) 150,104,602 Domestic Shares held by Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司), a company owned as to 97.46% by Mr. Wang Junyang; and (ii) 22,285,147 Domestic Shares held by Dongguan City Xingye Group Co., Ltd.* (東莞市興業集團有限公司), a company owned as to 8.00% and 42% by Mr. Wang Junyang and Dongguan City Kanghua Investment Group Co., Ltd.*, respectively. Accordingly, Mr. Wang Junyang is deemed to be interested in all the Domestic Shares held by Dongguan City Kanghua Investment Group Co., Ltd.* and Dongguan City Xingye Group Co., Ltd.* under the SFO.
- (4) Such 104,864,996 Domestic Shares include (i) 69,784,524 Domestic Shares held by Guangdong Haide Group Co., Ltd.* (廣東海德集團有限公司) (“Guangdong Haide”), a company owned, among other shareholders, as to (a) 25% by Mr. Ye Jinqun; (b) 25% by Dongguan City Botong Shiye Investment Co., Ltd.* (東莞市博通實業投資有限公司), which in turn is owned as to 96% by Mr. Ye Jinqun; (c) 25% by Dongguan City Commercial Center Development Co., Ltd.* (東莞市商業中心發展有限公司) (“Dongguan City Commercial Center”), which in turn is owned as to 96% by Mr. Ye Jinqun; and (d) 24% by Dongguan City Hengyi Industrial Investment Co., Ltd.* (東莞市恒億實業投資有限公司), which in turn is owned as to 51% by Guangdong Haide and 39% by Mr. Ye Jinqun; and (ii) 35,080,472 Domestic Shares held by Dongguan City Commercial Center. Accordingly, Mr. Ye is deemed to be interested in all the Domestic Shares held by Guangdong Haide and Dongguan City Commercial Center under the SFO.
- (5) Such 6,442,040 Domestic Shares are held by Dongguan City Shenzhou Industrial Development Co., Ltd.* (東莞市神州實業開發有限公司), a company owned as to 90.00% by Mr. Lu Chaoping. Accordingly, Mr. Lu is deemed to be interested in all the Domestic Shares held by Dongguan City Shenzhou Industrial Development Co., Ltd.* under the SFO.

Interest in associates

Name	Position in the Bank	Name of associated corporation	Nature of interest	Number of shares in the associated corporation (Shares)	Approximate percentage of interest in the associated corporation (%)
Chen Wei	Executive Director	Zhanjiang RCB	Beneficial owner	1,028,943	0.06217
Wang Junyang	Non-executive Director	Hezhou Babu Dongying County Bank	Interest in controlled corporation ⁽¹⁾	3,125,000	3.12500

Note:

- (1) Such 3,125,000 shares of Hezhou Babu Dongying County Bank are held by Dongguan City Dongcheng Stone Co., Ltd.* (東莞市東成石材有限公司), a company wholly owned by Dongguan City Xingye Group Co., Ltd.* (東莞市興業集團有限公司), which is in turn owned as to 8.00% and 42.00% by Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司) (a company owned as to 97.46% by Mr. Wang Junyang), respectively. Accordingly, Mr. Wang Junyang is deemed to be interested in the shares of Hezhou Babu Dongying County Bank held by Dongguan City Dongcheng Stone Co., Ltd.* (東莞市東成石材有限公司) under the SFO.

Save as disclosed above, none of the Directors, Supervisors, chief executives of the Bank had any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations (as defined in the part XV of the SFO) which were required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of part XV of the SFO (including interests and short positions which they were deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register, or which were required pursuant to the Model Code to be notified to the Bank and the Stock Exchange.

(V) Security Transactions by Directors and Supervisors

The Bank has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the standards of securities transactions by Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with the Model Code during the Reporting Period.

(VI) Rights to Acquire Securities of the Bank

None of the Bank, or any of its holding companies (if any) or subsidiaries, or any fellow subsidiaries (if any), is a party to any arrangement enables any Directors, Supervisors or chief executives of the Bank or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Bank or any of its associated corporations (as defined in the SFO) or to acquire benefits by means of acquisition of shares in, or debentures of, the Bank or any other body corporate.

(VII) Directors' Interests in Competing Business

- (1) Mr. Lai Chun Tung, the non-executive Director of the Bank, holds 20% of the equity interest of Dongguan City Zhuorui Small Loans Co., Ltd. (東莞市卓瑞小額貸款股份有限公司) ("Dongguan Zhuorui"), is a company principally engaged in small loans business with registered capital of RMB100.0 million. As Dongguan Zhuorui is engaged in small loans business, it may compete with the business of our Bank.
- (2) Mr. Wang Junyang, the non-executive Director of the Bank, holds 97.46% of the equity interest of Dongguan City Kanghua Investment Group Co., Ltd.* (東莞市康華投資集團有限公司) ("Kanghua Investment"), which in turn holds 80% of the equity interest of Dongguan City Xingye Refinancing Guarantee Co., Ltd.* (東莞市興業融資擔保有限公司) ("Xingye Refinancing"), a company principally engaged in the provision of guarantee and related business with registered capital of RMB250.0 million. In addition, Kanghua Investment indirectly owns 50% of the equity interest in Guangdong Kanglian Investment Group Co., Ltd.* (廣東康聯投資集團有限公司) through its wholly-owned subsidiary, which in turn holds 100% of the equity interest of Dongguan City Kanglian Property Development Co., Ltd.* (東莞市康聯房地產開發有限公司), which in turn holds 80% of the equity interest of Dongguan City Baihui Pawn Co., Ltd.* (東莞市百匯典當有限公司) ("Baihui Pawn"), a company principally engaged in pawn business with registered capital of RMB5.0 million. Mr. Wang Junyang also directly and through Kanghua Investment holds 8% and 42.00% of the equity interest in Dongguan City Xingye Group Co., Ltd.* (東莞市興業集團有限公司) ("Xingye Group"), respectively, which in turn holds 20% of the equity interest in Dongguan City Dongshang Small Loans Co., Ltd.* (東莞市東商小額貸款有限公司) ("Dongshang Small Loans"), a company principally engaged in small loans business with registered capital of RMB200.0 million. As Xingye Refinancing, Baihui Pawn and Dongshang Small Loans are engaged in the provision of guarantee business, pawn business and small loans business, respectively, they may compete with the business of our Bank.

- (3) Mr. Zhang Qingxiang, the non-executive Director of the Bank, holds 51% of the equity interest of Guangdong Yuxinguo Construction Engineering Limited* (廣東裕欣國建築工程有限公司) (“Guangdong Yuxinguo”) which in turn is interested in 20% of the equity interest of Dongguan City Jiaxing Small Loan Co., Ltd.* (東莞市佳興小額貸款股份有限公司) (“Dongguan Jiaxing”), a company principally engaged in small loans business with registered capital of RMB100.0 million. As Dongguan Jiaxing is engaged in small loans business, it may compete with the business of our Bank.

Taking into consideration of the relatively small registered capital of the aforementioned competing businesses, ranging from RMB5.0 million to RMB250.0 million, as compared to that of our Bank and the diverse scope of business of our Bank, the potential competition between our Bank with such competing businesses is minimal. As each of the relevant Directors is a non-executive Director and does not participate in our daily management, the Bank believes that the business operation of our Bank will not be affected by their interest in such competing businesses. In accordance with the Articles of Association of the Bank, if a Director is materially interested in any matters to be considered at the Board of Directors meeting, such Director shall abstain from voting on such resolution.

(VIII) Financial, Business and Family Relationship among Directors, Supervisors and Senior Management

To the best of our knowledge, there is no financial, business, family and other material or relevant relationship among the Directors, Supervisors and senior management of the Bank.

(IX) Directors’ and Supervisors’ Interests in Contracts, Transactions and Arrangements

Save for the continuing connected transactions exempted from the reporting, annual review, announcement and independent Shareholders’ approval under Chapter 14A of the Listing Rules, none of a Director, Supervisor or an entity connected with a Director or a Supervisor has any material interest, either directly or indirectly, in any transaction, arrangement or contract of significance of the Group during the Reporting Period.

II. EMPLOYEES

As at the end of the Reporting Period, the Group had 7,941 employees, of which 4,710 were males and 3,231 were females. The details are as follows:

(I) Employees by Function

Function type	Number	Percentage
Corporate banking business	970	12.22%
Personal banking business	3,004	37.83%
Treasury business	104	1.31%
Finance, accounting and operation	1,444	18.18%
Risk management, internal control and legal compliance	900	11.33%
Information technology	312	3.93%
Administrative management	884	11.13%
Others	323	4.07%
Total	7,941	100.00%

(II) Employees by Educational Background

Educational background type	Number	Percentage
Postgraduate and above	284	3.58%
Undergraduate	6,018	75.78%
Associate college	1,275	16.06%
Technical secondary school and below	364	4.58%
Total	7,941	100.00%

(III) Employees by Title

Title category	Number	Percentage
Senior title	146	1.84%
Intermediate title	1,301	16.38%
Assistant title	2,250	28.33%
Employee level and below	4,244	53.44%
Total	7,941	100.00%

Note: The number of employees mentioned above refers to the number of in-service employees who have signed labor contracts with the Group, excluding non-active personnel such as retired and early retired personnel, and personnel under labor dispatch or outsourcing arrangement.

(IV) Employee Remuneration Policy

The Bank's remuneration is based on risk compliance, follows the basic principles of total quantity control, distribution according to work volume, priority for efficiency, fairness and sustainable development, and fully reflects external competitiveness, internal fairness, individual incentives, corporate affordability and institutional flexibility, which is in line with the strategic development and operation management needs of the Bank.

The Bank continued to strengthen the construction of the remuneration system and performance incentive and restraint mechanism, and formulated the Remuneration Management Measures of the Bank and the performance appraisal plan for all levels of personnel. The employee salary structure mainly includes fixed salary, performance salary, variable salary and welfare income. Performance-based compensation is mainly linked to the completion of the business target and the results of risk control.

The Bank continued to implement the Deferral Payment of Performance-based Salary Management Measures, and included senior management of the Bank, employees in positions that have significant impact on risks, and other individuals who engage in credit and credit-like business in the scope of deferral payment of performance-based compensation. The Bank divided different provision ratios according to titles, ranks and positions of deferred payment subject, with payment deferral period of 3 years. In particular, the deferral ratio of performance-based compensation for key senior management of the Bank is as high as 51%.

(V) Staff Training

Based on the new three-year development plan and three core training systems, i.e. “leadership, professional ability and new potential”, Dongguan Rural Commercial Bank continued to deepen the implementation of strategic talent, key talent and professional talent cultivation projects, enriched the talent growth soil, utilized online study platforms, diversified the programme content as well as enhanced and activated the learning enthusiasm of employees of the Bank.

Firstly, with regard to the strategic talent, key talent and professional talent cultivation, the Bank continuously carried out G30 Fintech Training Camp, namely special cultivation project for financial science and technology talents, prepared and conducted four-hierarchy management personnel cultivation project of the “Foundation (基)”, “Business (業)”, “Growth (長)” and “Youth (青)”, and explored and studied systematic cultivation projects for professional positions.

Secondly, the Bank took the initiative to promote the professionalism construction, professional talent appraisal of the Bank, including the deepening and implementation of professional talent cultivation system, professionalism study map construction, programme development, best practice case development, etc., and supported the learning ability construction of professional positions of the Bank.

Thirdly, the Bank utilized the online study platforms, guided our staff to proactively participate in the construction of learning resources of the Bank, including platform utilization, programme development, best practice experience sharing and others.

Fourthly, with regard to five main business segments including corporate finance, retail finance, SME finance, interbank finance and digital finance, the Bank conducted specific business trainings on a regular basis in combination with regional economy condition and team capacity and characteristics.

III. BRANCHES

As at the end of the Reporting Period, the Bank has established 39 tier-one branches and sub-branches, 195 tier-two sub-branches and 270 outlets. Details of tier-one branches and sub-branches of the Bank are as follows:

No.	Name of entity	Address	Telephone
1	Zhongxin sub-branch	No.2 Hongfu East Road, Dongcheng District, Dongguan City	0769-22866666
2	Zhongtang sub-branch	No. 101 Zhongxing Road, Zhongtang Town, Dongguan City	0769-88818522
3	Wangniudun sub-branch	Room 102, No. 25 Zhenzhong Road, Wangniudun Town, Dongguan City	0769-88851262
4	Daojiao sub-branch	No. 120 Zhenxing Road North, Daojiao Town, Dongguan City	0769-88833111
5	Hongmei sub-branch	Room 101, No. 69 Hongmeiqiao East Road, Hongmei Town, Dongguan City	0769-88841546
6	Machong sub-branch	No. 5 Zhenxing Road, Machong Town, Dongguan City	0769-88821389
7	Wanjiang sub-branch	No. 3 Wanjiang Road North, Xincheng Community, Wanjiang District, Dongguan City	0769-22288628
8	Humen sub-branch	Dushi Huating, No. 181 Humen Avenue, Humen Town, Dongguan City	0769-85123142
9	Changan sub-branch	No. 286 Changqing South Street, Changan Town, Dongguan City	0769-85310223
10	Houjie sub-branch	No. 16 Kangle North Road, Houjie Town, Dongguan City	0769-85588841
11	Shatian sub-branch	No. 93 Shatai 1st Road, Hengliu, Shatian Town, Dongguan City	0769-88861903
12	Nancheng sub-branch	No. 44 Nancheng Section, Guantai Road, Dongguan City	0769-22818522
13	Dongcheng sub-branch	No. 7 Dongcheng East Road, Dongcheng District, Dongguan City	0769-22239029
14	Liaobu sub-branch	No.2 Jiaoyu Road, Liaobu Town, Dongguan City	0769-83329713
15	Dalingshan sub-branch	Room 101, No. 460 Dalingshan Section, Guanchang Road, Dalingshan Town, Dongguan City	0769-83351158
16	Dalang sub-branch	No. 568 Meijing Central Road, Dalang Town, Dongguan City	0769-83311102
17	Huangjiang sub-branch	No. 65 Huangjiang Avenue, Huangjiang Town, Dongguan City	0769-83365136
18	Zhangmutou sub-branch	No. 111 Guanzhang West Road, Zhangmutou Town, Dongguan City	0769-87719118
19	Qingxi sub-branch	No. 2 Xiangmang Central Road, Qingxi Town, Dongguan City	0769-87730998
20	Tangxia sub-branch	No. 17 Yingbin Avenue, Tangxia Town, Dongguan City	0769-87728810

Chapter VI

Directors, Supervisors, Senior Management, Employees and Branches

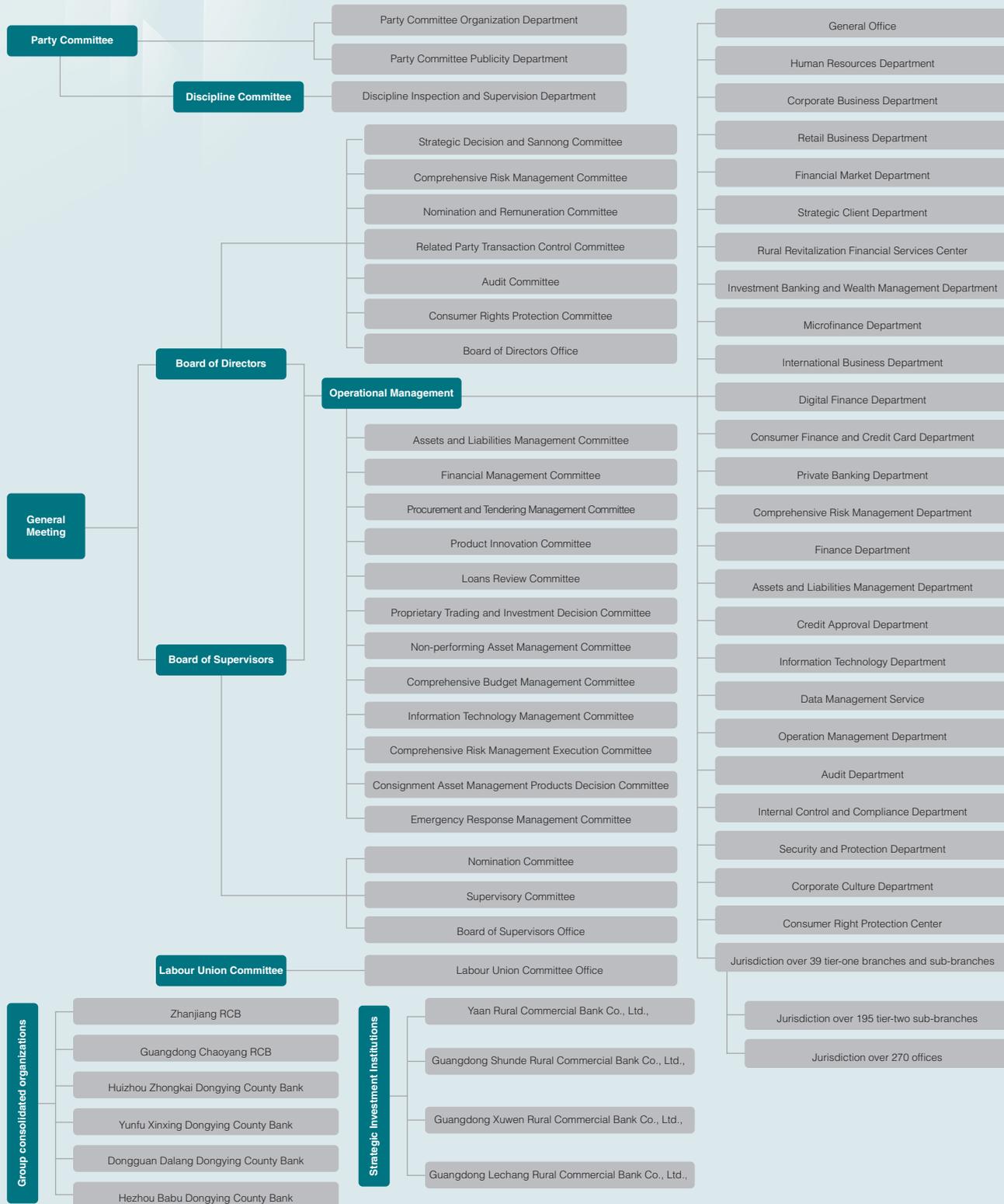
No.	Name of entity	Address	Telephone
21	Fenggang sub-branch	No. 69 Yongsheng Street, Fenggang Town, Dongguan City	0769-87750947
22	Xiegang sub-branch	Rooms 101-601, No. 1 Building, No. 72 Xiegang Huayuan Avenue, Xiegang Town, Dongguan City	0769-87765178
23	Changping sub-branch	Room 103 No. 36 Changping Avenue, Changping Town, Dongguan City	0769-83331409
24	Qiaotou sub-branch	No. 197 Qiaoguang Avenue (Qiaotou Section), Qiaotou Town, Dongguan City	0769-83342244
25	Hengli sub-branch	No. 580 Zhongshan West Road, Hengli Town, Dongguan City	0769-83373924
26	Dongkeng sub-branch	No. 74 Dongkeng Avenue, Dongkeng Town, Dongguan City	0769-83880995
27	Qishi sub-branch	No. 8 Jiangbin Road, Qishi Town, Dongguan City	0769-86665038
28	Shipai sub-branch	No. 297 Shipai Avenue Central, Shipai Town, Dongguan City	0769-86657030
29	Chashan sub-branch	No. 82 Caihong Road, Chashan Town, Dongguan City	0769-86641493
30	Shijie sub-branch	No. 4 Dongfeng South Road, Shijie Town, Dongguan City	0769-86636495
31	Gaobu sub-branch	No. 13, New Century Yilongwan Phase III, Xiansha Village, Gaobu Town, Dongguan City	0769-88871317
32	Donglian sub-branch	Room 101, Building 6, Fortune Center, First International, No. 200 Hongfu Road, Nancheng District, Dongguan City	0769-22856670
33	Shilong sub-branch	No. 8 Fangzheng Central Road, Shilong Town, Dongguan City	0769-86602831
34	Songshanhu Technology sub-branch	Building No. 20, Songkeyuan, No. 4 Libin Road, Songshan Lake Science and Technology Industrial Park, Dongguan City	0769-22891811
35	Binhai Bay New District sub-branch	Room 106, Building 1, No. 1 Bay Area Avenue, Binhai Bay New District, Dongguan City	0769-88007788
36	Huizhou sub-branch	(No. 01, 07, 08) 1/F and (No. 01-10) 2/F, Haoshi Plaza, No. 8 Yanda Avenue, Huizhou City	0752-2169686
37	Qingxin sub-branch	Shops 101 and 102, 1/F, Block C, Kaixuancheng, No.38 Jianshe Road South, Taihe Town, Qingxin District, Qingyuan City	0763-5206869
38	Nansha branch in Guangdong Pilot Free Trade Zone	Room 311, 312, 313, 314, podium building, Block 17, Zhonghui Bilong Bay, No. 3 Wangjiang 2nd Street, Nansha District, Guangzhou City	020-39391183
39	Hengqin branch in Guangdong Pilot Free Trade Zone	Room 3103, Block 2, No. 88 Gangao Avenue, Hengqin New District, Zhuhai City	0756-2992623

Note: This table only includes first-level branches and sub-branches, excluding subsidiaries.

Chapter VII Corporate Governance



I. ORGANISATIONAL CHART OF THE BANK



Note: The above is the organisational structure as of the end of June 2022.

II. OVERVIEW OF CORPORATE GOVERNANCE

During the Reporting Period, in accordance with relevant requirements of the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Corporate Governance Standards of Banking and Insurance Institutions (《銀行保險機構公司治理準則》) of the CBIRC, and the Listing Rules of the Hong Kong Stock Exchange, and adhering to the leadership of the Party, the Bank has established a corporate governance structure consisting of the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management, enhanced all specialized committees under the Board of Directors, the Board of Supervisors and the senior management, continuously improved the corporate governance system, and continuously promoted the level of corporate governance.

The Bank strictly abided by the requirements of the Corporate Governance Code, as well as the relevant laws and regulations and the Listing Rules and other regulations on inside information management. There is no material difference between the Bank's corporate governance and the requirements of the Company Law of the People's Republic of China and the Hong Kong Stock Exchange.

During the Reporting Period, the Bank convened one general meeting, nine meetings of the Board of Directors, three meetings of the Board of Supervisors. The convening and holding of such meetings is in compliance with the procedures stipulated in laws and regulations, regulatory requirements and the Articles of Association of the Bank.

III. SHAREHOLDERS' GENERAL MEETING

(I) Convening of General Meetings

During the Reporting Period, the Bank convened one general meeting, namely the 2021 annual general meeting held on May 23, 2022 at the conference room of Dongguan Rural Commercial Bank Building (with six additional satellite venues), which considered and approved 13 resolutions, including the Resolution on the 2021 Work Report of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd., the Resolution on the 2021 Work Report of the Board of Supervisors of Dongguan Rural Commercial Bank Co., Ltd., and listened to three reports including the Report on the Results of Performance Evaluation of the Directors, Supervisors and Senior Management of Dongguan Rural Commercial Bank Co., Ltd. in 2021. The Bank effectively safeguarded the lawful rights and interests of all Shareholders and ensured that the Shareholders can perform their duties and exercise their powers in accordance with the laws. The meeting was convened by the Board of Directors and chaired by the chairman of the Board of Directors. A total of 93 Shareholders (including proxies) attended the meeting, representing 4,478,143,892 voting Shares of the Bank, accounting for 65.01% of the 6,888,545,510 Shares in issue at the time of the meeting.

The convening, notice, holding and voting procedures of the above-mentioned general meeting are in compliance with relevant laws and regulations and relevant provisions of the Articles of Association of the Bank. Except for Yip Tai Him (Director) who lives in Hong Kong and attended the meeting by video conferencing due to the pandemic, the remaining 16 Directors of the Bank (Wang Yaoqiu, Fu Qiang, Ye Jianguang, Chen Wei, Lai Chun Tung, Wang Junyang, Cai Guowei, Ye Jinqun, Chen Haitao, Zhang Qingxiang, Chen Weiliang, Xu Zhi, Shi Wenfeng, Tan Fulong, Liu Yuou, Xu Tingting) have all attended the 2021 Annual General Meeting in person.

For details of voting results of resolutions at the 2021 annual general meeting, please refer to the documents disclosed by the Bank on the website of the Hong Kong Stock Exchange and the official website of the Bank on May 23, 2022.

IV. COMPOSITION AND OPERATION OF THE BOARD OF DIRECTORS

(I) Composition of the Board of Directors

As of the end of the Reporting Period, the Board of Directors of the Bank comprised of 17 Directors, including four executive Directors, namely Mr. Wang Yaoqiu, Mr. Fu Qiang, Mr. Ye Jianguang and Mr. Chen Wei; seven non-executive Directors, namely Mr. Lai Chun Tung, Mr. Wang Junyang, Mr. Cai Guowei, Mr. Ye Jinqun, Mr. Chen Haitao, Mr. Zhang Qingxiang and Mr. Chen Weiliang; six independent non-executive Directors, namely Mr. Yip Tai Him, Mr. Xu Zhi, Mr. Shi Wenfeng, Mr. Tan Fulong, Ms. Liu Yuou and Ms. Xu Tingting.

The roles and duties of the Chairman of the Board of Directors and the president are taken up by different individuals. There is a clear division of responsibilities in compliance with requirements of the regulatory provisions and the Listing Rules of the Hong Kong Stock Exchange.

(II) Meetings of the Board of Directors and Committees Thereunder

During the Reporting Period, the Bank convened 9 meetings of the Board of Directors, among which three were held physically and six were by written resolutions. 128 proposals including the Resolution on the 2021 Work Report of the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd., the Resolution on the 2021 “Sannong” Financial Service Work Report of Dongguan Rural Commercial Bank Co., Ltd. and the Resolution on the Green Finance Development Plan of Dongguan Rural Commercial Bank Co., Ltd. were considered and approved, and six reports including the Report of Large Amount Risk Exposure Management of Dongguan Rural Commercial Bank Co., Ltd. in 2021 were listened to.

During the Reporting Period, the Board of Directors has six committees including the Strategic Decision and Sannong Committee, the Comprehensive Risk Management Committee, the Nomination and Remuneration Committee, the Related Party Transaction Control Committee, the Audit Committee and the Consumer Rights Protection Committee, which have exercised their powers independently, compliantly and effectively in accordance with laws, and convened a total of 34 meetings, at which 179 proposals including strategic planning, remuneration appraisal, comprehensive risk management, internal control, connected transactions and consumer rights protection were considered. The committees maintained communication with the management, and gave full play to their roles in assisting the Board of Directors in making scientific decisions.

V. COMPOSITION AND OPERATION OF THE BOARD OF SUPERVISORS

(I) Composition of the Board of Supervisors

As of the end of the Reporting Period, the Board of Supervisors of the Bank comprised of 12 Supervisors, including four employee Supervisors, namely Mr. Chen Sheng, Ms. Deng Yanwen, Mr. Wu Lixin and Mr. Liang Zhifeng; four Shareholder Supervisors, namely Mr. Lu Chaoping, Mr. Wang Zhujin, Mr. Liang Jiepeng and Mr. Zou Zhibiao; and four external Supervisors, namely Ms. Wei Haiying, Mr. Yang Biao and Mr. Zhang Bangyong, Ms. Mai Xiuhua.

(II) Meetings of the Board of Supervisors and Committees Thereunder

During the Reporting Period, the Bank convened three meetings of the Board of Supervisors, among which two were held physically and one was by written resolution. 65 proposals including the Resolution on the 2021 Work Report of the Board of Supervisors of Dongguan Rural Commercial Bank Co., Ltd., the Resolution on the Results of Performance Evaluation of the Directors and Senior Management of Dongguan Rural Commercial Bank Co., Ltd. in 2021 were mainly considered and approved, and 44 proposals were reviewed.

During the Reporting Period, the Board of Supervisors has established two committees, namely the Nomination Committee and Supervisory Committee, which have legally exercise their functions and powers in an independent, compliance and effective manner. A total of five meetings were held to consider nine proposals including the 2021 Supervision Work Report, 2021 Performance Evaluation Results. These committees have maintained communication with the Board of Directors and management, and fully exerted the role of supervision.

VI. COMPOSITION AND OPERATION OF SENIOR MANAGEMENT

The senior management of the Bank consists of one president and three vice presidents. At the senior management level, the Bank has established the Assets and Liabilities Management Committee (資產負債管理委員會), Financial Management Committee (財務管理委員會), Product Innovation Committee (產品創新委員會), Loans Review Committee (貸款審查委員會), Proprietary Trading and Investment Decision Committee (資金交易與投資決策委員會), Non-performing Asset Management Committee (不良資產管理委員會), Budget Management Committee (全面預算管理委員會), Information Technology Management Committee (信息科技管理委員會), Comprehensive Risk Management Execution Committee (全面風險管理執行委員會), Consignment Asset Management Products Decision Committee (代銷資產管理產品決策委員會), Procurement and Tendering Management Committee (採購與招標管理委員會) and Emergency Response Management Committee (突發事件應對管理委員會). Each committee is under operation independently according to relevant functions.

VII. RISK MANAGEMENT AND INTERNAL CONTROL

During the Reporting Period, the Bank attached great importance to the comprehensive risk management and formulated the 2022 Implementation Opinions for Comprehensive Risk Management of the Bank as the booster for stepping into the new stage of the comprehensive risk management of the Bank based on actual condition, and put forward key points of risk management planning in terms of risk lines, emergency capacity, group management and digital transformation.

Pursuant to the Guidelines for Comprehensive Risk Management of Commercial Banks (《商業銀行全面風險管理指引》) issued by the CBIRC, the Bank continuously identifies and assesses the credit risk, liquidity risk, market risk, operation risk, compliance risk, legal risk, money laundering risk, information technology risk, reputation risk, strategic risk and other main risks which the Bank and subsidiaries expose to, and prudently analyzes critic issues exposed to and formulates corresponding management measures, and reports to the senior management and Directors in time. Upon review by the Board of Directors, the established comprehensive risk management system of the Bank is sufficient and effective, and various risks are at the lower risk level, as well as the comprehensive risk management system built by subsidiaries with the Bank's assistance is also effective and complies with their respective own positioning.

In accordance with the Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》) and relevant regulations and under the guidance of the Audit Committee of the Board of Directors, the Bank organized and carried out the internal control evaluation in 2021. Upon review by the Board of Directors, the comprehensive risk management and internal control system established and implemented by the Bank was sufficient and effective, and no major deficiency in internal control were found during the Reporting Period.

Since the comprehensive risk management and internal control system is to manage rather than to eliminate the risk of failure to achieve business objectives, the Board of Directors can only make reasonable rather than absolute assurance that there would be no material misstatement or loss.

For details of the Bank's risk management and internal control, please refer to the "Risk Management" section in the "Management Discussion and Analysis" chapter of this Report.

VIII. DIRECTORS' RESPONSIBILITIES FOR CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the financial statements of the Group. In preparing the interim financial statements of 2022, International Financial Reporting Standards (IFRSs) have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made. The Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has adopted the going concern basis in preparing the financial statements.

IX. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Bank has received the approval for the change of registered capital in relation to the 1,148,091,000 H Shares issued under the initial public offering of H Shares from Dongguan Branch of China Banking and Insurance Regulatory Commission on April 25, 2022, approving the change of registered capital of the Bank from RMB5,740,454,510 to RMB6,888,545,510. The Bank has made the corresponding amendment to the articles of association of the Bank.

X. CHANGE OF AUDITORS

PricewaterhouseCoopers, the international auditor of the Bank for the 2021 financial year has retired as the international auditor of the Bank with effect from the conclusion of the 2021 annual general meeting and did not offer itself for re-election. As considered and approved at the 2021 annual general meeting, KPMG and Pan-China Certified Public Accountants LLP were appointed as the international and domestic auditor of the Bank for the fiscal year of 2022, respectively, for a term until the conclusion of the forthcoming annual general meeting of the Bank.

XI. CORPORATE CULTURE

Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, the Bank firmly created the Dongguan Rural Commercial Bank culture that responds to the trend of the times and highlights its own characteristics, and proposed to build a "six in one" core culture covering business philosophy, management criteria, corporate atmosphere, corporate purpose, core values and entrepreneurial spirit, injecting strong spiritual impetus for the transformation and upgrading of the Bank.

The Bank focused on strengthening the construction of corporate culture carriers. Firstly, focusing on current hot spots of the Bank's operation and management, taking digital transformation and customer ecological construction as the cultural publicity entrance, the Bank solicited excellent manuscripts within the Bank and received the active participation of employees, so as to broaden the depth of staff's thinking and participation in operation and management. Secondly, the Bank deepened the actual layout of corporate culture, and relying on the core content of the Bank's "1+12348" strategic plan, the Bank strengthened the publicity and implementation of the "six in one" core corporate culture, and deeply cultivated the values of corporate culture among cadres and employees of the Bank.

XII. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting Period, the Bank adopted and complied with all the applicable code provisions set out in Part 2 of the Corporate Governance Code.

Chapter VIII

Other Events



I. 2022 INTERIM PROFIT DISTRIBUTION PLAN

The revenue during the Reporting Period and the financial position as of the end of the Reporting Period are set out in the chapter headed the “Financial Report” in this Report. No interim dividend will be distributed by the Bank for the Reporting Period (for the six months ended June 30, 2021: nil).

II. ISSUANCE AND REDEMPTION OF BONDS

On June 12, 2022, the Bank exercised the right of redemption to redeem the tier-two capital bonds of RMB4.0 billion issued by the Bank in the national inter-bank bond market in June 2017 in full at par value. Save for the above, the Bank or its subsidiaries did not acquire, dispose or redeem any bonds issued by the Bank or its subsidiaries during the Reporting Period.

III. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND OTHER SIMILAR RIGHTS

The Bank had no convertible security, option, warrant or other similar right during the Reporting Period.

IV. SHARE OPTION SCHEME AND EQUITY INCENTIVE PLAN

During the Reporting Period, the Bank neither had any share option scheme or equity incentive plan nor had any outstanding share options.

V. MATERIAL ACQUISITION, DISPOSAL AND MERGER OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Bank had no material acquisition, disposal or merger of subsidiaries, associates or joint ventures.

VI. FUTURE PLANS ON SIGNIFICANT INVESTMENTS OR CAPITAL ASSET ACQUISITION

At the end of the Reporting Period, the Bank had no future plans on significant investment or capital asset acquisition.

VII. CONTRACTS OF SIGNIFICANCE AND THEIR PERFORMANCE

During the Reporting Period, the Bank had no other significant contractual matters requiring disclosure, other than those disclosed in this Report.

VIII. SIGNIFICANT LITIGATION AND ARBITRATION

The Bank was involved in certain litigation arising from its ordinary course of business, most of which were initiated for recovery of non-performing assets. In the first half of 2022, the principal amount of the newly added loans for which cases (including litigations and arbitrations) the principal amount of single loan exceeding RMB10 million and the Bank was involved in as the plaintiff or the applicant was RMB34.6846 million. The amount of litigation subjects under the newly added pending cases (including litigations and arbitrations) for which the Bank was involved in as the defendant or the respondent was equivalent to RMB41,500. The litigations and arbitrations would not have material adverse impact on the Bank's financial or operating results.

IX. PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, none of the Bank, or its Directors, Supervisors and senior management members had been subject to inspection, administrative sanctions, criticism by the CSRC and public condemnations by the Hong Kong Stock Exchange, or had been subject to any penalty by other regulatory bodies that caused a significant impact on the Bank's operation.

X. SUBSEQUENT EVENTS

After the end of the Reporting Period, there was no event and circumstance that had a significant impact on the Bank are discloseable by the Bank.

Chapter IX Financial Report



Review report to the Board of Directors of Dongguan Rural Commercial Bank Co., Ltd.

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

Introduction

We have reviewed the interim financial report set out on pages 135 to 230 which comprises the consolidated statement of financial position of Dongguan Rural Commercial Bank Co., Ltd. (the “Bank”) and its subsidiaries (together, the “Group”) as at 30 June 2022, the related consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial report in accordance with International Accounting Standard 34.

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

Scope of Review

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

Conclusion

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

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022 – unaudited

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
Interest income	4	11,303,499	10,753,461
Interest expense	4	(5,969,021)	(5,550,528)
Net interest income		<u>5,334,478</u>	<u>5,202,933</u>
Fee and commission income	5	597,786	417,526
Fee and commission expense	5	(115,329)	(76,634)
Net fee and commission income		<u>482,457</u>	<u>340,892</u>
Net trading gains	6	744,057	576,203
Net gains on financial investments	7	594,795	344,675
Other operating income	8	56,902	23,220
Operating income		<u>7,212,689</u>	<u>6,487,923</u>
Operating expenses	9	(2,158,320)	(2,132,868)
Expected credit losses	11	(1,115,363)	(912,223)
Operating profit		<u>3,939,006</u>	<u>3,442,832</u>
Share of profits of associates	19	18,725	27,646
Profit before tax		<u>3,957,731</u>	<u>3,470,478</u>
Income tax expense	12	(315,663)	(243,983)
Net profit		<u>3,642,068</u>	<u>3,226,495</u>

The notes on pages 142 to 230 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2022 – unaudited

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
Other comprehensive income			
Items which may be reclassified to profit or loss:			
Changes in fair value of financial investments at fair value through other comprehensive income		(19,149)	(45,345)
Credit impairment provision for financial investments at fair value through other comprehensive income		(38,548)	54,263
Impact on income tax on changes in fair value and credit impairment provision of financial investments at fair value through other comprehensive income		14,424	(2,109)
Items will not be reclassified to profit or loss:			
Changes in fair value of equity instruments designated at fair value through other comprehensive income		3,618	10,608
Impact on income tax on changes in fair value of equity instruments designated at fair value through other comprehensive income		(905)	(2,652)
		<u>(40,560)</u>	<u>14,765</u>
Total comprehensive income		<u>3,601,508</u>	<u>3,241,260</u>
Net profit attributable to:			
Shareholders of the Bank		3,540,384	3,142,240
Non-controlling interests		<u>101,684</u>	<u>84,255</u>
		<u>3,642,068</u>	<u>3,226,495</u>
Total comprehensive income attributable to:			
Shareholders of the Bank		3,489,671	3,138,360
Non-controlling interests		<u>111,837</u>	<u>102,900</u>
		<u>3,601,508</u>	<u>3,241,260</u>
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)	13	<u>0.51</u>	<u>0.55</u>

The notes on pages 142 to 230 form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2022 – unaudited

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 30 June 2022	As at 31 December 2021
Assets			
Cash and balances with central bank	14	38,563,495	36,211,311
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	15	16,225,669	15,772,779
Derivative financial assets		472,259	148,556
Loans and advances to customers	16	307,447,722	289,684,534
Financial investments	17	256,192,866	242,261,644
– Financial investments at fair value through profit or loss		50,472,915	43,512,900
– Financial investments at amortised cost		106,669,020	108,445,277
– Financial investments at fair value through other comprehensive income		99,050,931	90,303,467
Investment in associates	19	464,294	455,392
Property and equipment	20	2,559,494	2,546,928
Right-of-use assets	21	950,013	923,130
Goodwill	22	520,521	520,521
Deferred tax assets	23	3,551,091	3,331,121
Other assets	24	1,630,055	1,505,177
Total assets		628,577,479	593,361,093
Liabilities			
Borrowings from central bank	25	20,910,898	11,274,598
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	26	42,610,496	40,204,765
Financial liabilities at fair value through profit or loss		652,922	492,648
Derivative financial liabilities		498,261	159,573
Deposits from customers	27	451,315,240	419,065,517
Debt securities issued	28	56,610,435	67,857,602
Taxes payable	29	988,438	583,389
Lease liabilities	21	487,103	459,079
Other liabilities	30	2,973,464	3,281,809
Total liabilities		577,047,257	543,378,980

The notes on pages 142 to 230 form part of these financial statements.

Consolidated Statement of Financial Position (continued)

As at 30 June 2022 – unaudited

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 30 June 2022	As at 31 December 2021
Equity			
Share capital	31	6,888,546	6,888,546
Capital reserve		6,230,429	6,230,429
Revaluation reserve	32	738,775	789,488
Surplus reserve	33	7,737,394	7,737,394
General reserve	33	6,329,025	6,329,025
Retained earnings		20,946,456	19,403,750
		<u>48,870,625</u>	<u>47,378,632</u>
Total equity attributable to shareholders of the Bank		48,870,625	47,378,632
Non-controlling interests		2,659,597	2,603,481
		<u>51,530,222</u>	<u>49,982,113</u>
Total equity		<u>51,530,222</u>	<u>49,982,113</u>
Total liabilities and equity		<u>628,577,479</u>	<u>593,361,093</u>

Approved and authorised for issue by the Board of Directors on 30 August 2022.

<i>Chairman:</i>	<i>President:</i>	<i>Vice President:</i>	<i>Head of the Accounting Department</i>
Wang Yaoqiu	Fu Qiang	Chen Wei	Zhong Xuemei

The notes on pages 142 to 230 form part of these financial statements.

Consolidated Statement of Changes In Equity

For The Six Months Ended 30 June 2022 – unaudited

(All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank							Non-controlling interests	Total
	Share capital (Note 31)	Capital reserve	Revaluation reserve (Note 32)	Surplus reserve (Note 33)	General reserve (Note 33)	Retained earnings			
As at 1 January 2022	6,888,546	6,230,429	789,488	7,737,394	6,329,025	19,403,750	2,603,481	49,982,113	
Net profit for the period	-	-	-	-	-	3,540,384	101,684	3,642,068	
Other comprehensive income	-	-	(50,713)	-	-	-	10,153	(40,560)	
Total comprehensive income	-	-	(50,713)	-	-	3,540,384	111,837	3,601,508	
Appropriation to surplus reserve	-	-	-	-	-	-	-	-	
Appropriation to general reserve	-	-	-	-	-	-	-	-	
Dividend distribution (Note 34)	-	-	-	-	-	(1,997,678)	(55,721)	(2,053,399)	
As at 30 June 2022	<u>6,888,546</u>	<u>6,230,429</u>	<u>738,775</u>	<u>7,737,394</u>	<u>6,329,025</u>	<u>20,946,456</u>	<u>2,659,597</u>	<u>51,530,222</u>	
As at 1 January 2021	5,740,455	-	196,291	7,177,594	5,767,735	17,263,552	2,497,187	38,642,814	
Net profit for the period	-	-	-	-	-	3,142,240	84,255	3,226,495	
Other comprehensive income	-	-	(3,880)	-	-	-	18,645	14,765	
Total comprehensive income	-	-	(3,880)	-	-	3,142,240	102,900	3,241,260	
Appropriation to surplus reserve	-	-	-	-	-	-	-	-	
Appropriation to general reserve	-	-	-	-	-	-	-	-	
Dividend distribution (Note 34)	-	-	-	-	-	(1,492,518)	(50,139)	(1,542,657)	
As at 30 June 2021	<u>5,740,455</u>	<u>-</u>	<u>192,411</u>	<u>7,177,594</u>	<u>5,767,735</u>	<u>18,913,274</u>	<u>2,549,948</u>	<u>40,341,417</u>	

The notes on pages 142 to 230 form part of these financial statements.

Consolidated Cash Flow Statement

For the six months ended 30 June 2022 – unaudited

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
Cash flows from operating activities:			
Profit before tax		3,957,731	3,470,478
Adjust for:			
Expected credit losses	11	1,115,363	912,223
Interest income from financial investments	4	(2,989,463)	(3,244,332)
Interest expense on debt securities issued	4	903,088	871,139
Interest expense on lease liabilities	4	11,715	8,995
Net trading gains	6	(620,702)	(576,203)
Net gains on financial investments	7	(594,795)	(344,675)
Net gains on disposal of property, equipment and other long-term assets	8	(2,077)	(3,621)
Depreciation and amortisation	9	227,817	251,167
Unrealized foreign exchange gains		(427,614)	–
Share of profits of associates	19	(18,725)	(27,646)
		<u>1,562,338</u>	<u>1,317,525</u>
Net increase in operating assets:			
Net decrease/(increase) in balances with central bank		757,565	(2,305,713)
Net increase in financial assets held under resale agreements and deposits and placements with banks and other financial institutions		(259,602)	(469,682)
Net increase in loans and advances to customers		(18,004,250)	(18,747,211)
Net decrease in other operating assets		2,307	29,628
		<u>(17,503,980)</u>	<u>(21,492,978)</u>
Net increase in operating liabilities:			
Net increase/(decrease) in borrowings from central bank		9,592,818	(1,175,621)
Net increase in financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions		2,546,680	2,499,225
Net increase in deposits from customers		31,659,729	30,224,149
Net increase/(decrease) in other operating liabilities		165,629	(685,870)
		<u>43,964,856</u>	<u>30,861,883</u>
Cash from operations		28,023,214	10,686,430
Income tax paid		(377,182)	(608,931)
Net cash generated from operating activities		<u>27,646,032</u>	<u>10,077,499</u>

The notes on pages 142 to 230 form part of these financial statements.

Consolidated Cash Flow Statement (continued)

For the six months ended 30 June 2022 – unaudited

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	Six months ended 30 June	
		2022	2021
Cash flows from investing activities:			
Cash received from disposal of financial investments		113,030,912	138,313,790
Net cash received from disposal of property, equipment and other long-term assets		27,482	11,005
Cash dividends received		35,574	48,605
Cash paid to acquire financial investments		(123,126,444)	(146,893,236)
Cash paid to acquire property, equipment and other long-term assets		(191,900)	(142,493)
Net proceeds from other investing activities		–	25,543
Net cash used in investing activities		(10,224,376)	(8,636,786)
Cash flows from financing activities:			
Cash received for debt securities issued		36,409,268	45,959,379
Cash payments for debt securities issued		(48,559,523)	(41,888,571)
Cash payments for distribution of dividends		(2,052,475)	(1,542,657)
Cash payments for leases		(71,269)	(70,231)
Cash payments to be deducted against equity upon listing expenses		–	(7,964)
Net cash (used in)/generated from financing activities		(14,273,999)	2,449,956
Effect of foreign exchange rate changes on cash and cash equivalents		128,633	(146,467)
Net increase in cash and cash equivalents		3,276,290	3,744,202
Cash and cash equivalents at the beginning of the period		24,968,842	29,259,623
Cash and cash equivalents at the end of the period	35	28,245,132	33,003,825

The notes on pages 142 to 230 form part of these financial statements.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2022

(All amounts expressed in thousands of RMB unless otherwise stated)

1 General information

Dongguan Rural Commercial Bank Co., Ltd. (“the Bank”) primary established in 1952, formerly known as Dongguan Rural Credit Cooperative Union (“Dongguan Cooperative Union”). Subsequently, as per the approval by China Banking and Insurance Regulatory Commission (“CBIRC”, formerly China Banking Regulatory Commission), Dongguan Cooperative Union was restructured into a joint-stock commercial bank, and officially changed its name to Dongguan Rural Commercial Bank Co., Ltd. on 22 December 2009.

The Bank operates under financial services certificate NO. B1054H344190001 issued by CBIRC, and the Business License issued by the State Administration for Industry and Commerce of the People’s Republic of China (registration ID: 914419007829859746). The registered address is Hongfu East Road No. 2, Dongcheng District, Dongguan, Guangdong. On 29 September 2021, the Bank was listed on The Stock Exchange of Hong Kong Limited with the stock code of 09889.

The Bank and its subsidiaries (collectively referred to as “the Group”) operate in the People’s Republic of China (the “PRC”) and are principally engaged in the following activities: corporate and individual deposits, loans and advances, payment and settlement, treasury and other banking business approved by CBIRC.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorized for issue on 30 August 2022.

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

The preparation of the interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting 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 interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

2 Basis of preparation *(continued)*

The interim financial report is unaudited but has been reviewed by KPMG in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by International Auditing and Assurance Standards Board (“IAASB”).

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

3 Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendment to IFRS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss.

- Amendments IAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts – cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Group included only incremental costs when determining whether a contract was onerous.

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

4 Net interest income

	Six months ended 30 June	
	2022	2021
Interest income		
Balances with central bank	219,720	239,240
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	242,678	176,683
Loans and advances to customers	7,851,638	7,093,206
Financial investments	2,989,463	3,244,332
Sub-total	11,303,499	10,753,461
Interest expense		
Borrowings from central bank	(226,980)	(429,809)
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	(568,600)	(594,386)
Deposits from customers	(4,258,638)	(3,646,199)
Debt securities issued	(903,088)	(871,139)
Lease liabilities	(11,715)	(8,995)
Sub-total	(5,969,021)	(5,550,528)
Net interest income	5,334,478	5,202,933

5 Net fee and commission income

	Six months ended 30 June	
	2022	2021
Fee and commission income		
Wealth management agency services	235,527	87,086
Custodian and other fiduciary	168,780	125,253
Bank cards	113,427	135,108
Settlement and clearing services	37,840	28,543
Others	42,212	41,536
Sub-total	597,786	417,526
Fee and commission expense		
Platform cooperation	(37,237)	(10,371)
Transaction services	(32,291)	(28,172)
Others	(45,801)	(38,091)
Sub-total	(115,329)	(76,634)
Net fee and commission income	482,457	340,892

6 Net trading gains

	Six months ended 30 June	
	2022	2021
Net gains on financial assets held for trading	620,702	497,378
Exchange gains	123,082	77,822
Gains on precious metal	273	1,003
Total	744,057	576,203

7 Net gains on financial investments

	Six months ended 30 June	
	2022	2021
Net gains on debt instrument investments at fair value through other comprehensive income	418,686	235,718
Net gains on financial investments at fair value through profit or loss	77,841	920
Net gains on derecognition of financial assets measured at amortised cost	62,694	70,863
Dividend income from equity instruments	35,574	37,174
Total	<u>594,795</u>	<u>344,675</u>

8 Other operating income

	Note	Six months ended 30 June	
		2022	2021
Government grants	(a)	32,517	3,111
Rental income		14,440	12,931
Gains on disposal of property, equipment and other long-term assets		2,077	3,621
Others		7,868	3,557
Total		<u>56,902</u>	<u>23,220</u>

- (a) Government grants comprise incentives for deferred repayment of principal and interest, pre-IPO incentives, and job stabilization subsidies from Ministry of Finance (“MOF”) and Municipal Governments.

9 Operating expenses

	Note	Six months ended 30 June	
		2022	2021
Staff costs (including emoluments of directors and supervisors)	10	1,528,993	1,531,014
Taxes and surcharges		61,528	57,503
General and administrative expenses		337,548	288,463
Depreciation and amortisation		227,817	251,167
Auditors' remuneration		2,434	4,721
– Audit service		1,500	1,270
– Non – audit service		934	3,451
Total		<u>2,158,320</u>	<u>2,132,868</u>

10 Staff costs (including emoluments of directors and supervisors)

	Six months ended 30 June	
	2022	2021
Salaries, bonuses, allowances and subsidies	1,132,509	1,112,603
Social benefits and others	313,664	318,589
Enterprise annuity scheme	60,220	63,356
Labour union funds and employee education funds	22,600	36,466
Total	<u>1,528,993</u>	<u>1,531,014</u>

11 Expected credit losses

	Six months ended 30 June	
	2022	2021
Loans and advances to customers		
– Measured at amortised cost	981,479	772,844
– Measured at fair value through other comprehensive income	(55,858)	(3,481)
Financial investments		
– Measured at amortised cost	186,455	(13,116)
– Measured at fair value through other comprehensive income	(34,854)	85,814
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	6,823	12,202
Other assets	30,845	3,637
Loan commitments and guarantee contracts	473	54,323
Total	<u>1,115,363</u>	<u>912,223</u>

12 Income tax expense

	Note	Six months ended 30 June	
		2022	2021
Current income tax		522,114	431,081
Deferred income tax	23	(206,451)	(187,098)
Total		<u>315,663</u>	<u>243,983</u>

12 Income tax expense (continued)

The actual amount of tax paid by the Group is different from the amount calculated based on the profit before tax of the Group and statutory tax rate applicable to the Group. The major adjustments are as follows:

	Note	Six months ended 30 June	
		2022	2021
Profit before tax		3,957,731	3,470,478
Income tax calculated at statutory tax rate of 25%		989,433	867,620
Tax effect of non-taxable income	(a)	(675,707)	(671,251)
Share of profits of associates		(4,681)	(6,912)
Non-deductible expenses		15,296	17,870
Effect of preferential tax rate applicable to a subsidiary	(b)	(402)	(891)
Adjustments for current tax of prior periods		(8,276)	37,547
Income tax expense		<u>315,663</u>	<u>243,983</u>

- (a) The non-taxable income of the Group includes interest income from PRC treasury bonds, municipal government bonds and dividend income.
- (b) According to *Announcement on the continuation of the enterprise income tax policy for the western development* (Cai Shui Fa [2020] No. 23), Hezhou Babu Dongying County Bank Company Limited, the Group's subsidiary, is entitled to a preferential income tax rate of 15% from 1 January 2013 to 31 December 2030.

13 Basic and diluted earnings per share

- (a) Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the period.

	Six months ended 30 June	
	2022	2021
Net profit attributable to the shareholders of the Bank (RMB'000)	3,540,384	3,142,240
Weighted average number of ordinary shares (thousand shares)	6,888,546	5,740,455
Basic earnings per share (RMB)	<u>0.51</u>	<u>0.55</u>

(b) **Diluted earnings per share**

There were no potential dilutive ordinary shares outstanding during the current and prior periods. Accordingly, diluted earnings per share were same as basic earnings per share.

14 Cash and balances with central bank

The Group	Notes	As at 30 June 2022	As at 31 December 2021
Cash		2,523,519	2,959,804
Mandatory reserve deposits with central bank	(a)	25,290,091	26,083,463
Surplus reserve deposits	(b)	10,513,405	6,978,180
Other deposits with the central bank	(c)	<u>223,862</u>	<u>176,459</u>
Sub-total		38,550,877	36,197,906
Accrued interest		<u>12,618</u>	<u>13,405</u>
Total		<u>38,563,495</u>	<u>36,211,311</u>

14 Cash and balances with central bank *(continued)*

- (a) Mandatory reserve deposits with central bank represent the general reserve that the Group maintains with the People's Bank of China ("PBOC") in accordance with relevant regulations. The deposit ratios for the reserve of the Bank were as follows, respectively:

	As at 30 June 2022	As at 31 December 2021
Mandatory reserve rate for deposits denominated in RMB	6.0%	6.5%
Mandatory reserve rate for deposits denominated in foreign currencies	8.0%	9.0%

The mandatory reserve deposits with central bank cannot be used for daily operating activities. The ratios for RMB deposits in the reserve of the Bank's subsidiaries are in accordance with regulations of the PBOC.

- (b) Surplus reserve deposits with central bank are mainly for the purpose of clearing and settlement.
- (c) Other deposits with the central bank primarily represent fiscal deposits that are not available for use in the Group's daily operations, and are non-interest bearing from government.

15 Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

The Group	Notes	As at 30 June 2022	As at 31 December 2021
Deposits with domestic banks and other financial institutions		4,460,096	4,638,314
Deposits with overseas banks and other financial institutions		1,729,820	4,724,001
Placements with domestic banks and other financial institutions		7,298,784	1,640,000
Bonds held under resale agreements	(a)	<u>2,796,078</u>	<u>4,826,568</u>
Sub-total		16,284,778	15,828,883
Accrued interest		17,588	13,770
Provision for impairment losses		<u>(76,697)</u>	<u>(69,874)</u>
Total		<u>16,225,669</u>	<u>15,772,779</u>

- (a) As at the end of the reporting period, the Group did not use financial assets held under resale agreements as pledged or mortgaged assets for repurchase agreements with other financial institutions.

16 Loans and advances to customers

(a) Loans and advances to customers are summarised as follows:

The Group	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers measured at amortised cost		
Corporate loans and advances		
– Corporate loans	181,209,917	159,988,254
– Discounted bills	<u>2,407,949</u>	<u>1,400,868</u>
	<u>183,617,866</u>	<u>161,389,122</u>
Personal loans and advances		
– Property mortgages	39,610,813	40,260,382
– Business loans	33,551,031	29,199,175
– Personal consumption loans	28,788,066	32,743,978
– Credit cards	<u>6,458,680</u>	<u>6,663,366</u>
	<u>108,408,590</u>	<u>108,866,901</u>
Accrued interest	<u>597,165</u>	<u>598,457</u>
Total loans and advances to customers measured at amortised cost	292,623,621	270,854,480
Impairment provision for loans and advances measured at amortised cost		
– Provision for impairment losses	<u>(10,032,512)</u>	<u>(9,028,895)</u>
Net book value of loans and advances to customers at amortised cost	282,591,109	261,825,585
Loans and advances to customers at fair value through other comprehensive income		
Corporate loans and advances		
– Rediscounted bills	22,707,037	24,465,703
– Other loans	<u>2,149,576</u>	<u>3,393,246</u>
Net loans and advances to customers	<u>307,447,722</u>	<u>289,684,534</u>

As at 30 June 2022, the expected credit loss rate for loans and advances to customers at amortised cost of the Group was 3.43%. (31 December 2021: 3.33%).

16 Loans and advances to customers *(continued)*

(b) Changes in provision for impairment losses of loans and advances to customers:

The Group Loans and advances to customers measured at amortised cost	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		2,544,128	2,665,306	3,819,461	9,028,895
Net transfers in:					
– Stage 1		1,363	–	–	1,363
– Stage 2		–	(1,391,818)	–	(1,391,818)
– Stage 3		–	–	1,390,455	1,390,455
Originated or purchased		914,144	–	–	914,144
Remeasurement	(i)	44,506	694,384	1,301,074	2,039,964
Repayment		(558,316)	(283,600)	(863,654)	(1,705,570)
Write-off		–	–	(244,921)	(244,921)
As at 30 June 2022		<u>2,945,825</u>	<u>1,684,272</u>	<u>5,402,415</u>	<u>10,032,512</u>
As at 1 January 2021		3,183,981	1,952,684	2,204,152	7,340,817
Net transfers in:					
– Stage 1		(115,369)	–	–	(115,369)
– Stage 2		–	(715,883)	–	(715,883)
– Stage 3		–	–	831,252	831,252
Originated or purchased		1,512,997	–	–	1,512,997
Remeasurement	(i)	(642,413)	2,708,566	2,151,428	4,217,581
Repayment or transfer out		(1,395,068)	(1,280,061)	(549,430)	(3,224,559)
Write-off		–	–	(817,941)	(817,941)
As at 31 December 2021		<u>2,544,128</u>	<u>2,665,306</u>	<u>3,819,461</u>	<u>9,028,895</u>

For the period ended 30 June 2022 and the year ended 31 December 2021, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

(i) Remeasurement are caused by parameter changes or transfers between stages.

16 Loans and advances to customers (continued)

(c) Loans and advances to customers by assessment type:

The Group As at 30 June 2022	Carrying amounts			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers measured at amortised cost	281,362,977	4,324,487	6,936,157	292,623,621
Provision for impairment losses	<u>(2,945,825)</u>	<u>(1,684,272)</u>	<u>(5,402,415)</u>	<u>(10,032,512)</u>
Net loans and advances to customers measured at amortised cost	<u>278,417,152</u>	<u>2,640,215</u>	<u>1,533,742</u>	<u>282,591,109</u>
Total loans and advances to customers at fair value through other comprehensive income	<u>24,856,613</u>	<u>-</u>	<u>-</u>	<u>24,856,613</u>
Net loans and advances to customers	<u>303,273,765</u>	<u>2,640,215</u>	<u>1,533,742</u>	<u>307,447,722</u>

As at 31 December 2021	Carrying amounts			Total
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	
Total loans and advances to customers measured at amortised cost	259,479,373	6,358,730	5,016,377	270,854,480
Provision for impairment losses	<u>(2,544,128)</u>	<u>(2,665,306)</u>	<u>(3,819,461)</u>	<u>(9,028,895)</u>
Net loans and advances to customers measured at amortised cost	<u>256,935,245</u>	<u>3,693,424</u>	<u>1,196,916</u>	<u>261,825,585</u>
Total loans and advances to customers at fair value through other comprehensive income	<u>27,858,949</u>	<u>-</u>	<u>-</u>	<u>27,858,949</u>
Net loans and advances to customers	<u>284,794,194</u>	<u>3,693,424</u>	<u>1,196,916</u>	<u>289,684,534</u>

17 Financial investments

The Group	Note	As at 30 June 2022	As at 31 December 2021
Financial investments at fair value through profit or loss	17.1	50,472,915	43,512,900
Financial investments at amortised cost	17.2	106,669,020	108,445,277
Financial investments at fair value through other comprehensive income	17.3	<u>99,050,931</u>	<u>90,303,467</u>
Total		<u>256,192,866</u>	<u>242,261,644</u>

17.1 Financial investments at fair value through profit or loss

The Group	Note	As at 30 June 2022	As at 31 December 2021
Measured at fair value through profit or loss			
– Held for trading		44,003,700	29,637,346
– Other financial investments at fair value through profit or loss		<u>6,469,215</u>	<u>13,875,554</u>
Total		<u>50,472,915</u>	<u>43,512,900</u>
Debt securities listed in Mainland China	(a)		
– Government bonds		14,278,127	5,105,750
– Financial institution bonds		8,638,958	13,882,059
– Corporate bonds		761,976	1,449,195
– Interbank certificates of deposits		<u>2,560,860</u>	<u>574,207</u>
Sub-total		<u>26,239,921</u>	<u>21,011,211</u>
Fund Investments		19,275,734	17,690,169
Trust beneficiary rights	(b)	<u>4,957,260</u>	<u>4,811,520</u>
Sub-total		<u>24,232,994</u>	<u>22,501,689</u>
Total		<u>50,472,915</u>	<u>43,512,900</u>

(a) Debt securities traded on the China Domestic Inter-bank Bond Market are included in “Listed in Mainland China”.

(b) As at the end of the reporting period, trust beneficiary rights are invested in loan, foreclosed assets.

17 Financial investments (continued)

17.2 Financial investments at amortised cost

The Group	Note	As at 30 June 2022	As at 31 December 2021
Debt securities listed in Mainland China	17.1(a)		
– Government bonds		70,849,406	74,839,362
– Financial institution bonds		27,520,220	21,327,897
– Corporate bonds		3,546,999	7,536,306
– Interbank certificates of deposits		3,037,048	2,819,457
Sub-total		104,953,673	106,523,022
Trust beneficiary rights	17.1(b)	347,191	270,000
Certificate treasury bonds		208,420	180,176
Sub-total		555,611	450,176
Accrued interest		1,696,200	1,882,996
Provision for impairment losses		(536,464)	(410,917)
Total		106,669,020	108,445,277

17 Financial investments (continued)

17.2 Financial investments at amortised cost (continued)

(1) Analyzed by movements in loss allowance:

The Group	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		231,000	179,917	-	410,917
Net transfers in:					
– Stage 1		-	-	-	-
– Stage 2		-	-	-	-
– Stage 3		-	-	-	-
Originated or purchased		78,084	-	-	78,084
Repayment or transfer out		(47,627)	(63,017)	-	(110,644)
Remeasurement	(i)	155,071	3,036	-	158,107
As at 30 June 2022		<u>416,528</u>	<u>119,936</u>	<u>-</u>	<u>536,464</u>
As at 1 January 2021		99,883	3,112	17,969	120,964
Net transfers in:					
– Stage 1		(1,198)	-	-	(1,198)
– Stage 2		-	1,198	-	1,198
– Stage 3		-	-	-	-
Originated or purchased		102,477	-	-	102,477
Repayment or transfer out		(28,687)	(1,753)	(17,969)	(48,409)
Remeasurement	(i)	58,525	177,360	-	235,885
As at 31 December 2021		<u>231,000</u>	<u>179,917</u>	<u>-</u>	<u>410,917</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

As at 30 June 2022, the expected credit loss rates for financial investments at amortised cost of the Group was 0.50% (31 December 2021: 0.38%).

17 Financial investments *(continued)*

17.2 Financial investments at amortised cost *(continued)*

(2) Analyzed by movements in carrying amount:

The Group	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	108,440,412	415,782	-	108,856,194
Net transfers in:				
- Stage 1	-	-	-	-
- Stage 2	-	-	-	-
- Stage 3	-	-	-	-
Originated or purchased	20,189,621	-	-	20,189,621
Repayment or transfer out	<u>(21,703,988)</u>	<u>(136,343)</u>	<u>-</u>	<u>(21,840,331)</u>
As at 30 June 2022	<u>106,926,045</u>	<u>279,439</u>	<u>-</u>	<u>107,205,484</u>
As at 1 January 2021	111,554,858	181,001	53,038	111,788,897
Net transfers in:				
- Stage 1	(483,117)	-	-	(483,117)
- Stage 2	-	483,117	-	483,117
- Stage 3	-	-	-	-
Originated or purchased	42,680,272	-	-	42,680,272
Repayment or transfer out	<u>(45,311,601)</u>	<u>(248,336)</u>	<u>(53,038)</u>	<u>(45,612,975)</u>
As at 31 December 2021	<u>108,440,412</u>	<u>415,782</u>	<u>-</u>	<u>108,856,194</u>

17 Financial investments (continued)

17.3 Financial investments at fair value through other comprehensive income

The Group	Note	As at 30 June 2022	As at 31 December 2021
Debt instrument investments at fair value through other comprehensive income			
Debt securities listed in Mainland China	17.1(a)		
– Government bonds		65,114,571	61,518,638
– Financial institution bonds		25,926,385	17,310,117
– Corporate bonds		3,176,186	5,545,981
– Interbank certificates of deposit		2,840,610	3,919,660
Sub-total		97,057,752	88,294,396
Trust beneficiary rights and asset management plan	17.1(b)	23,102	28,966
Equity instruments designated at fair value through other comprehensive income			
– Listed equity investments		50,662	65,500
– Unlisted equity investments		645,295	632,353
Sub-total		719,059	726,819
Accrued interest		1,274,120	1,282,252
Total		99,050,931	90,303,467

17 Financial investments (continued)

(1) Analyzed by movements in loss allowance:

The Group	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		116,573	85,870	2,296,561	2,499,004
Net transfers in:					
– Stage 1		4,710	–	–	4,710
– Stage 2		–	(4,710)	–	(4,710)
– Stage 3		–	–	–	–
Originated or purchased		118,573	–	–	118,573
Repayment or transfer out		(40,730)	(53,833)	(130,340)	(224,903)
Remeasurement	(i)	44,628	35,477	(8,629)	71,476
As at 30 June 2022		<u>243,754</u>	<u>62,804</u>	<u>2,157,592</u>	<u>2,464,150</u>
As at 1 January 2021		116,451	159,834	2,291,777	2,568,062
Net transfers in:					
– Stage 1		7,792	–	–	7,792
– Stage 2		–	(7,878)	–	(7,878)
– Stage 3		–	–	86	86
Originated or purchased		41,737	–	–	41,737
Repayment or transfer out		(56,400)	(77,908)	(320,133)	(454,441)
Remeasurement	(i)	6,993	11,822	324,831	343,646
As at 31 December 2021		<u>116,573</u>	<u>85,870</u>	<u>2,296,561</u>	<u>2,499,004</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

17 Financial investments (continued)

(2) Analyzed by movements in carrying amount:

The Group	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	88,973,606	454,548	177,460	89,605,614
Net transfers in:				
– Stage 1	34,879	–	–	34,879
– Stage 2	–	(34,879)	–	(34,879)
– Stage 3	–	–	–	–
Originated or purchased	40,580,879	–	–	40,580,879
Repayment or transfer out	<u>(31,618,003)</u>	<u>(206,013)</u>	<u>(7,503)</u>	<u>(31,831,519)</u>
As at 30 June 2022	<u>97,971,361</u>	<u>213,656</u>	<u>169,957</u>	<u>98,354,974</u>
As at 1 January 2021	77,400,061	1,165,685	811,150	79,376,896
Net transfers in:				
– Stage 1	208,621	–	–	208,621
– Stage 2	–	(276,050)	–	(276,050)
– Stage 3	–	–	67,429	67,429
Originated or purchased	43,314,308	–	–	43,314,308
Repayment or transfer out	<u>(31,949,384)</u>	<u>(435,087)</u>	<u>(701,119)</u>	<u>(33,085,590)</u>
As at 31 December 2021	<u>88,973,606</u>	<u>454,548</u>	<u>177,460</u>	<u>89,605,614</u>

18 Subsidiaries

	As at 30 June 2022	As at 31 December 2021
Investment cost	<u>3,735,487</u>	<u>3,735,487</u>

Subsidiaries invested by the Bank are set out below:

Name of entity	Notes	Date and place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest/ voting rights		Principal activities
				30 June 2022	31 December 2021	
Huizhou Zhongkai Dongying County Bank Company Limited		13 December 2010 Huizhou, Guangdong	RMB300,000,000	51.00%	51.00%	Banking
Yunfu Xinxing Dongying County Bank Company Limited		23 December 2011 Yunfu, Guangdong	RMB100,000,000	51.00%	51.00%	Banking
Hezhou Babu Dongying County Bank Company Limited		8 August 2012 Hezhou, Guangxi	RMB100,000,000	51.00%	51.00%	Banking
Dongguan Dalang Dongying County Bank Company Limited	(a)	25 June 2012 Dongguan, Guangdong	RMB100,000,000	35.00%	35.00%	Banking
Zhanjiang Rural Commercial Bank Co., Ltd.	(b)	26 October 2019 Zhanjiang, Guangdong	RMB1,655,000,000	49.41%	49.41%	Banking
Guangdong Chaoyang Rural Commercial Bank Co., Ltd.		27 December 2020 Shantou, Guangdong	RMB1,202,000,000	67.03%	67.03%	Banking

- (a) Dongguan Dalang Dongying County Bank Company Limited (“Dalang Dongying”) is a joint venture formed by the Bank and other 12 legal person shareholders, and the Bank holds 35% of its equity interests. The shareholders holding 16% of equity interest in Dalang Dongying agreed to vote in the direction of the Bank. Accordingly, the Bank effectively controls over Dalang Dongying through 51% of the voting rights.
- (b) The business combination of Zhanjiang Rural Commercial Bank Co., Ltd. (“Zhanjiang RCB”) was completed on 26 October 2019. Upon the acquisition, the Bank holds 49.41% shares and the remaining shareholdings are widely dispersed. Therefore, the Bank controls Zhanjiang RCB.

19 Share of profits of associates

The Group	Six months ended 30 June 2022	Year ended 31 December 2021
Opening balance	455,392	432,990
Share of net profits	18,725	33,834
Dividends received	(9,823)	(11,432)
Ending balance	<u>464,294</u>	<u>455,392</u>

The Group's investments in associates are ordinary shares of non-listed companies, and the results of these associates and their assets and liabilities are summarised below:

Investee	Notes	Place of registration	Assets	Net assets	Revenue for the current period/year	Net profit for the current period/year	Shareholding	Share of net profits
As at 30 June 2022								
Ya'an Rural Commercial Bank Co., Ltd.	(a)	Ya'an, Sichuan	29,951,214	2,058,540	548,775	71,725	15.00%	10,759
Guangdong Lechang Rural Commercial Bank Co., Ltd.	(b)	Lechang, Guangdong	10,724,521	930,220	118,783	38,812	8.00%	3,105
Guangdong Xuwen Rural Commercial Bank Co., Ltd.	(c)	Xuwen, Guangdong	11,722,742	831,777	169,751	61,227	7.94%	4,861
As at 31 December 2021								
Ya'an Rural Commercial Bank Co., Ltd.	(a)	Ya'an, Sichuan	25,614,966	2,076,382	1,097,164	134,942	15.00%	20,241
Guangdong Lechang Rural Commercial Bank Co., Ltd.	(b)	Lechang, Guangdong	10,070,915	927,047	221,093	80,889	8.00%	6,471
Guangdong Xuwen Rural Commercial Bank Co., Ltd.	(c)	Xuwen, Guangdong	10,810,159	791,149	325,446	89,689	7.94%	7,122

- (a) One of the nine members of the board of directors of Ya'an Rural Commercial Bank Co., Ltd. ("Ya'an RCB") is a representative of the Group, therefore the Group is able to exercise significant influence over Ya'an RCB and accounts for Ya'an RCB as an associate.
- (b) In March 2019, the Group invested in Guangdong Lechang Rural Commercial Bank Co., Ltd. ("Lechang RCB") by cash amounted to RMB83.6 million. A representative of the Group was elected as one of the nine members of the board of directors of Lechang RCB, therefore the Group is able to exercise significant influence over Lechang RCB and accounts for Lechang RCB as an associate.
- (c) Prior to August 2019, the Group held 9.8% shares of Guangdong Xuwen Rural Commercial Bank Co., Ltd. ("Xuwen RCB") with no representative in the board of director. After the restructuring of Xuwen RCB in August 2019, the Group holds 7.94% shares of Xuwen RCB amounted to RMB59.6 million, a representative of the Group was elected as one of the nine members of the board of directors of Xuwen RCB. Subsequently, the Group is able to exercise significant influence over Xuwen RCB and started to account for Xuwen RCB as an associate.

20 Property and equipment

The Group	Buildings	Motor vehicles	Machinery and equipment	Construction in progress	Total
Cost					
As at 1 January 2022	2,594,558	40,766	1,086,632	876,447	4,598,403
Addition	38	363	20,775	115,265	136,441
Transfers in/(out)	-	-	7,545	(7,545)	-
Disposal	-	(3,606)	(2,712)	-	(6,318)
As at 30 June 2022	<u>2,594,596</u>	<u>37,523</u>	<u>1,112,240</u>	<u>984,167</u>	<u>4,728,526</u>
Accumulated depreciation					
As at 1 January 2022	(1,030,922)	(38,503)	(981,193)	-	(2,050,618)
Depreciation	(91,839)	(1,813)	(30,160)	-	(123,812)
Disposal	-	3,592	2,663	-	6,255
As at 30 June 2022	<u>(1,122,761)</u>	<u>(36,724)</u>	<u>(1,008,690)</u>	<u>-</u>	<u>(2,168,175)</u>
Provision for impairment losses					
As at 1 January 2022	(857)	-	-	-	(857)
Charge for the period	-	-	-	-	-
As at 30 June 2022	<u>(857)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(857)</u>
Net book value					
As at 30 June 2022	<u>1,470,978</u>	<u>799</u>	<u>103,550</u>	<u>984,167</u>	<u>2,559,494</u>

20 Property and equipment (continued)

The Group	Buildings	Motor vehicles	Machinery and equipment	Construction in progress	Total
Cost					
As at 1 January 2021	2,540,285	39,657	1,026,139	711,186	4,317,267
Addition	11,849	3,266	87,155	236,728	338,998
Transfers in/(out)	52,931	312	18,224	(71,467)	–
Disposal	(10,507)	(2,469)	(44,886)	–	(57,862)
As at 31 December 2021	2,594,558	40,766	1,086,632	876,447	4,598,403
Accumulated depreciation					
As at 1 January 2021	(907,525)	(35,497)	(941,121)	–	(1,884,143)
Depreciation	(129,707)	(4,117)	(62,533)	–	(196,357)
Disposal	6,310	1,111	22,461	–	29,882
As at 31 December 2021	(1,030,922)	(38,503)	(981,193)	–	(2,050,618)
Provision for impairment losses					
As at 1 January 2021	(351)	–	–	–	(351)
Charge for the year	(506)	–	–	–	(506)
As at 31 December 2021	(857)	–	–	–	(857)
Net book value					
As at 31 December 2021	1,562,779	2,263	105,439	876,447	2,546,928

As at 30 June 2022, properties at original costs of RMB493 million (31 December 2021: RMB493 million), with net values at RMB130 million (31 December 2021: RMB137 million), which the Group is still in the process of applying for the ownership certificates.

All properties of the Group are located outside Hong Kong.

21 Right-of-use assets and lease liabilities

The Group	Property	Equipment	Land use rights	Total
Right-of-use assets				
Cost				
As at 1 January 2022	673,193	9,186	757,908	1,440,287
Increase	84,538	3,040	–	87,578
Decrease	(39,027)	(850)	–	(39,877)
As at 30 June 2022	718,704	11,376	757,908	1,487,988
Accumulated depreciation				
As at 1 January 2022	(320,627)	(4,540)	(189,635)	(514,802)
Increase	(49,920)	(2,901)	(7,874)	(60,695)
Decrease	39,027	850	–	39,877
As at 30 June 2022	(331,520)	(6,591)	(197,509)	(535,620)
Provision for impairment losses				
As at 1 January 2022	–	–	(2,355)	(2,355)
Increase	–	–	–	–
Decrease	–	–	–	–
As at 30 June 2022	–	–	(2,355)	(2,355)
Net book value				
As at 30 June 2022	387,184	4,785	558,044	950,013
Lease liabilities				
Net book value				
As at 30 June 2022	482,242	4,861	–	487,103

21 Right-of-use assets and lease liabilities *(continued)*

The Group	Property	Equipment	Land use rights	Total
Right-of-use assets				
Cost				
As at 1 January 2021	635,724	4,152	458,108	1,097,984
Increase	123,588	8,642	300,913	433,143
Decrease	(86,119)	(3,608)	(1,113)	(90,840)
As at 31 December 2021	673,193	9,186	757,908	1,440,287
Accumulated depreciation				
As at 1 January 2021	(302,165)	(2,409)	(178,891)	(483,465)
Increase	(104,095)	(5,739)	(11,328)	(121,162)
Decrease	85,633	3,608	584	89,825
As at 31 December 2021	(320,627)	(4,540)	(189,635)	(514,802)
Provision for impairment losses				
As at 1 January 2021	–	–	(2,355)	(2,355)
Increase	–	–	–	–
Decrease	–	–	–	–
As at 31 December 2021	–	–	(2,355)	(2,355)
Net book value				
As at 31 December 2021	352,566	4,646	565,918	923,130
Lease liabilities				
Net book value				
As at 31 December 2021	453,889	5,190	–	459,079

22 Goodwill

	Note	As at 30 June 2022	As at 31 December 2021
Zhanjiang RCB		181,381	181,381
Chaoyang RCB		339,140	339,140
Impairment allowance	(i)	—	—
		<u>520,521</u>	<u>520,521</u>

(i) Impairment assessment

For the business combination of Zhanjiang RCB and Chaoyang RCB, the recoverable amount of the asset group is based on the six-year budget and ten-year budget approved by the management respectively, which is then estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

Cash flow projections periods of the Group are determined based on the forecast of the local economic situation, the banking industry, and with reference to the Group's past operating experience. The Group estimated that Zhanjiang City and Shantou City, where the two banks are located, will experience a relatively high growth for a period more than 5 years until the economic growths of these two cities reach a stable level. In addition, the development of the banking industry is highly in line with the local economic development. Accordingly, the Group has incorporating the aforementioned factors into the cash projection by using six and ten years for Zhanjiang RCB and Chaoyang RCB respectively to reflect management's estimation of the future local economic forecasts and the related banking business growth.

	Zhanjiang RCB		Chaoyang RCB	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
Stable period growth rate	3.00%	3.00%	3.00%	3.00%
Pre-tax discount rate	<u>19.26%</u>	<u>19.26%</u>	<u>15.40%</u>	<u>15.40%</u>

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after six years for Zhanjiang RCB and ten years for Chaoyang RCB respectively, which is consistent with the forecast data contained in the industry report. The management uses the cost of equity as the discount rate which can reflect the specific risks of the relevant asset group. The above assumptions are used to analyse the recoverable amounts of the asset group within the business division.

22 Goodwill (continued)

The amounts of recoverable amount exceeding the carrying amount are:

	As at 30 June 2022	As at 31 December 2021
Zhanjiang RCB	49,422	28,249
Chaoyang RCB	<u>261,361</u>	<u>352,171</u>

The recoverable amounts of the asset group would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant:

	Zhanjiang RCB		Chaoyang RCB	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
Stable period growth rate	-0.24%	-0.14%	-2.26%	-2.06%
Pre-tax discount rate	<u>0.19%</u>	<u>0.11%</u>	<u>0.89%</u>	<u>1.18%</u>

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified other instances that could cause the carrying amount of the CGUs to exceed its recoverable amount.

23 Deferred income tax

Deferred tax assets and liabilities can be offset only when the Group has the right to offset income tax assets and liabilities within the Group and the deferred tax assets and liabilities are associated with the same tax authority.

23 Deferred income tax (continued)

(1) Main items of deferred tax assets and liabilities and their movements are as follows:

The Group	Provision for ECL/asset impairment	Changes in fair value of financial investments	Employee benefits payable	Accelerated depreciation of property and equipment	Deductible tax losses	Deferred income	Fair value gain from business combination	Total
As at 1 January 2022	2,196,506	899,834	349,699	(33,141)	28,081	-	(109,858)	3,331,121
Recognised in profit or loss	213,784	(47,261)	(11,002)	(3,010)	-	46,199	7,741	206,451
Recognised in other comprehensive income	9,636	3,883	-	-	-	-	-	13,519
As at 30 June 2022	<u>2,419,926</u>	<u>856,456</u>	<u>338,697</u>	<u>(36,151)</u>	<u>28,081</u>	<u>46,199</u>	<u>(102,117)</u>	<u>3,551,091</u>
As at 1 January 2021	1,710,700	1,168,610	293,958	(15,733)	19,047	-	(122,399)	3,054,183
Recognised in profit or loss	479,139	(53,374)	55,741	(17,408)	9,034	-	15,943	489,075
Recognised in other comprehensive income	6,667	(215,402)	-	-	-	-	(3,402)	(212,137)
As at 31 December 2021	<u>2,196,506</u>	<u>899,834</u>	<u>349,699</u>	<u>(33,141)</u>	<u>28,081</u>	<u>-</u>	<u>(109,858)</u>	<u>3,331,121</u>

(2) The deferred tax assets and liabilities before offsetting and the corresponding temporary differences are as follows:

The Group	As at 30 June 2022		As at 31 December 2021	
	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)	Deductible/(taxable) temporary differences	Deferred tax assets/(liabilities)
Deferred tax assets:				
Provision for ECL/asset impairment	9,679,706	2,419,926	8,786,379	2,196,506
Changes in fair value of financial investments	3,425,825	856,456	3,599,337	899,834
Employee benefits payable	1,354,787	338,697	1,398,798	349,699
Deferred income	184,796	46,199	-	-
Deductible tax losses	112,324	28,081	112,324	28,081
Sub-total	<u>14,757,438</u>	<u>3,689,359</u>	<u>13,896,838</u>	<u>3,474,120</u>
Deferred tax liabilities:				
Fair value gain from business combination	(408,469)	(102,117)	(439,433)	(109,858)
Accelerated depreciation of property and equipment	(144,604)	(36,151)	(132,565)	(33,141)
Sub-total	<u>(553,073)</u>	<u>(138,268)</u>	<u>(571,998)</u>	<u>(142,999)</u>
Total	<u>14,204,365</u>	<u>3,551,091</u>	<u>13,324,840</u>	<u>3,331,121</u>

23 Deferred income tax (continued)

- (2) The deferred tax assets and liabilities before offsetting and the corresponding temporary differences are as follows (continued)

As at 30 June 2022, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB1,427 million (31 December 2021: RMB1,424 million). The outcome of their actual utilisation may be different from management's estimation. These tax losses will expire in 2024, 2025 and 2026.

24 Other assets

The Group	Notes	As at 30 June 2022	As at 31 December 2021
Precious metals		664,590	500,160
Prepayments		263,079	218,524
Receivables from disposal of long-term assets		152,854	170,311
Long-term deferred expenses		138,732	157,847
Foreclosed assets	(a)	107,783	107,783
Intangible assets – software	(b)	70,319	63,562
Interest receivable	(c)	68,535	73,302
Clearing and settlement		56,072	98,778
Refundable deposits		51,315	55,927
Investment properties	(d)	11,398	12,232
Others		45,378	46,751
Total		<u>1,630,055</u>	<u>1,505,177</u>

(a) Foreclosed assets

The Group	As at 30 June 2022	As at 31 December 2021
Property and equipment	265,210	265,210
Land use rights	<u>119,596</u>	<u>119,596</u>
	384,806	384,806
Provision for impairment losses	<u>(277,023)</u>	<u>(277,023)</u>
Total	<u>107,783</u>	<u>107,783</u>

24 Other assets (continued)

(b) Intangible assets – software

The Group	As at 30 June 2022	As at 31 December 2021
Cost		
Opening balance	184,777	219,105
Addition	22,483	15,950
Decrease	–	(50,278)
Ending balance	<u>207,260</u>	<u>184,777</u>
Accumulated amortisation		
Opening balance	(121,215)	(117,704)
Amortisation	(15,726)	(20,811)
Decrease	–	17,300
Ending balance	<u>(136,941)</u>	<u>(121,215)</u>
Net book value		
Ending balance	<u>70,319</u>	<u>63,562</u>

(c) Interest receivable

The Group	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers	92,321	64,930
Financial investments	170,539	171,852
Provision for impairment losses	<u>(194,325)</u>	<u>(163,480)</u>
Total	<u>68,535</u>	<u>73,302</u>

24 Other assets (continued)

(d) Investment properties

The Group	As at 30 June 2022	As at 31 December 2021
Cost		
Opening balance	67,237	68,290
Disposal	—	(1,053)
Ending balance	67,237	67,237
Accumulated depreciation		
Opening balance	(55,005)	(54,390)
Depreciation	(834)	(1,668)
Disposal	—	1,053
Ending balance	(55,839)	(55,005)
Net book value		
Ending balance	11,398	12,232

25 Borrowings from central bank

The Group	As at 30 June 2022	As at 31 December 2021
Refinancing loans	10,156,304	8,048,704
Medium-term lending facility	10,000,000	2,800,000
Rediscount bills	645,688	360,470
Sub-total	20,801,992	11,209,174
Accrued interest	108,906	65,424
Total	20,910,898	11,274,598

As at the end of the reporting period, borrowings from central bank were refinancing loans, Medium-term lending facility and rediscount bills. The collateral provided by the Group under borrowing agreements are disclosed in Note 37 to this report.

26 Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions

The Group	Note	As at 30 June 2022	As at 31 December 2021
Deposits from domestic banks		9,352,393	8,983,021
Deposits from other domestic financial institutions		20,789,334	16,111,478
Placements from domestic banks		2,000,000	1,100,000
Bonds sold under repurchase agreements	(a)	6,255,680	12,732,949
Bills sold under repurchase agreements	(a)	4,080,866	1,004,938
Sub-total		42,478,273	39,932,386
Accrued interest		132,223	272,379
Total		42,610,496	40,204,765

(a) The securities provided by the Group as collateral under repurchase agreements are disclosed in Note 37 to this report.

27 Deposits from customers

The Group	As at 30 June 2022	As at 31 December 2021
Corporate demand deposits	101,223,848	96,481,862
Corporate time deposits	80,233,409	72,505,963
Individual demand deposits	115,300,099	108,524,863
Individual time deposits	144,060,432	132,886,394
Pledged deposits	4,405,267	3,307,850
Other deposits	310,106	254,081
Sub-total	445,533,161	413,961,013
Accrued interest	5,782,079	5,104,504
Total	451,315,240	419,065,517

28 Debt securities issued

The Group	Notes	As at 30 June 2022	As at 31 December 2021
Small and micro enterprises bonds	(a)	4,948,279	4,820,655
Sannong financial bond	(b)	1,999,426	1,918,527
Green financial bond	(c)	999,771	2,969,399
Tier-2 capital bond	(d)	–	3,996,047
Interbank certificates of deposit	(e)	48,533,374	53,830,658
Sub-total		56,480,850	67,535,286
Accrued interest		129,585	322,316
Total		56,610,435	67,857,602

- (a) The Bank issued a 3-year fixed rate bond for small and micro enterprises amounting to RMB2 billion in March 2020 at a coupon rate of 2.94% per annum, and the bond pays interest annually. In February and March 2021, the Bank issued the first phase and second phase of special financial bonds for small and micro enterprise amounting to RMB2 billion and RMB1 billion with nominal annual interest rate of 3.58% and 3.52%, respectively. These bonds pay interest annually.
- (b) The Bank issued a 3-year fixed rate bond for Sannong amounting to RMB2 billion in September 2020 at a coupon rate of 3.62% per annum, and the bond pays interest annually.
- (c) The Bank issued 3-year green financial bonds with a total amount of RMB2 billion and a total amount of RMB1 billion in January 2019 and December 2020 at a coupon rate of 3.50% and 3.75% per annum, and the bonds pay interest annually. The green financial bonds issued in 2019 was redeemed at maturity on 23 January 2022.
- (d) The Bank issued a 10-year fixed-rate Tier-2 capital bond with a total amount of RMB4 billion in June 2017 at a coupon rate of 5.00% per annum, and the bond pays interest annually. The Bank has exercised its right of redemption on 12 June 2022.

28 Debt securities issued *(continued)*

(e) Interbank certificates of deposit are as follows:

	As at 30 June 2022	As at 31 December 2021
Reference rates of return	1.83% – 2.58%	2.55% – 3.22%
Original maturity	<u>1 to 12 months</u>	<u>3 to 12 months</u>

As at the end of the reporting period, the Group did not have any overdue principal and interest on interbank certificates of deposit or other defaults.

29 Taxes payable

The Group	As at 30 June 2022	As at 31 December 2021
Income tax	329,272	184,340
Land appreciation tax	119,318	116,787
VAT and others	<u>539,848</u>	<u>282,262</u>
Total	<u>988,438</u>	<u>583,389</u>

30 Other liabilities

The Group	Note	As at 30 June 2022	As at 31 December 2021
Employee benefits payable	(a)	1,976,659	2,127,454
Purchases payable		389,493	298,340
Accrued expenses		212,743	179,425
Provisions	(b)	92,073	94,689
Outstanding payments of foreclosed assets		88,976	88,976
Clearing and settlement		67,891	287,176
Advances from disposal of long-term assets		–	47,450
Others		145,629	158,299
Total		<u>2,937,464</u>	<u>3,281,809</u>

(a) Employee benefits payable

The Group	As at 30 June 2022	As at 31 December 2021
Wages and salaries, bonuses, allowances and subsidies	1,599,690	1,787,549
Social security and benefits	170,289	128,638
Labour union funds and employee education funds	150,585	157,102
Enterprise annuity scheme	56,095	54,165
Total	<u>1,976,659</u>	<u>2,127,454</u>

(b) Provisions

The Group	Note	As at 30 June 2022	As at 31 December 2021
Loan commitments and financial guarantee contracts	(1)	<u>92,073</u>	<u>94,689</u>

30 Other liabilities (continued)

(b) Provisions (continued)

- (1) Analysis of movements in provisions of loan commitments and financial guarantee contracts measured using the ECL model.

The Group	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022		83,354	1,675	9,660	94,689
Net transfers in:					
– Stage 1		703	–	–	703
– Stage 2		–	(335)	–	(335)
– Stage 3		–	–	(368)	(368)
Originated or purchased		46,393	–	–	46,393
Remeasurement	(i)	467	787	6,438	7,692
Decrease		(47,064)	(365)	(6,183)	(53,612)
Write-off		–	–	(3,089)	(3,089)
As at 30 June 2022		<u>83,853</u>	<u>1,762</u>	<u>6,458</u>	<u>92,073</u>

The Group	Note	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021		55,628	509	8,576	64,713
Net transfers in:					
– Stage 1		1,346	–	–	1,346
– Stage 2		–	(1,109)	–	(1,109)
– Stage 3		–	–	(237)	(237)
Originated or purchased		53,531	–	–	53,531
Remeasurement	(i)	4,828	2,287	18,436	25,551
Decrease		(31,979)	(12)	2,741	(29,250)
Write-off		–	–	(19,856)	(19,856)
As at 31 December 2021		<u>83,354</u>	<u>1,675</u>	<u>9,660</u>	<u>94,689</u>

- (i) Remeasurement are caused by parameter changes or transfers between stages.

31 Share capital

	Number of shares (in thousands)	Nominal amount
As at 30 June 2022 and 31 December 2021	6,888,546	6,888,546

The share capital of the Bank consists of authorised share capital issued and fully paid, with par value of RMB1 per share.

32 Revaluation reserve

	Amount before tax	Effect of income tax	Net amount after tax
1 January 2022	1,052,668	(263,180)	789,488
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	122,858	(30,714)	92,144
– Amounts transferred to profit or loss	(155,545)	38,886	(116,659)
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	231,448	(57,862)	173,586
– Amounts transferred to profit or loss	(269,996)	67,499	(202,497)
Changes in fair value of equity instruments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	3,618	(905)	2,713
30 June 2022	985,051	(246,276)	738,775

32 Revaluation reserve (continued)

	Amount before tax	Effect of income tax	Net amount after tax
1 January 2021	261,738	(65,447)	196,291
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	(394,802)	98,701	(296,101)
– Amounts transferred to profit or loss	1,214,222	(303,556)	910,666
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	1,532,759	(383,190)	1,149,569
– Amounts transferred to profit or loss	(1,566,657)	391,664	(1,174,993)
Changes in fair value of equity instruments at fair value through other comprehensive income			
– Amounts recognised in other comprehensive income	5,408	(1,352)	4,056
31 December 2021	<u>1,052,668</u>	<u>(263,180)</u>	<u>789,488</u>

33 Surplus reserves and general reserve

The Group	Surplus reserves (a)	General reserve (b)
1 January 2022	7,737,394	6,329,025
Appropriation to surplus reserves	–	–
Appropriation to general reserve	–	–
30 June 2022	<u>7,737,394</u>	<u>6,329,025</u>
1 January 2021	7,177,594	5,767,735
Appropriation to surplus reserves	559,800	–
Appropriation to general reserve	–	561,290
31 December 2021	<u>7,737,394</u>	<u>6,329,025</u>

33 Surplus reserves and general reserve (continued)

(a) Surplus reserves

The surplus reserve at the end of each of the periods represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the PRC Company Law and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC Generally Accepted Accounting Principles (“GAAP”) until the balance reaches 50% of its registered capital as statutory surplus reserve. The Bank may also appropriate to the discretionary surplus reserve in accordance with the resolution of the shareholders.

(b) General reserve

Pursuant to Caijin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirement”) issued by the MOF, effective 1 July 2012, in addition to impairment allowances, the Group are required to establish and maintain a general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The general reserve should not be less than 1.5% of the aggregate amount of risk assets on an annual basis as defined by the Requirement.

34 Dividends

The Group	Note	Six months ended 30 June	
		2022	2021
Dividends on ordinary shares declared			
Cash dividend related to 2021	(1)	1,997,678	–
Cash dividend related to 2020	(2)	–	1,492,518

Under the PRC Company Law and the Bank’s Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after:

- Making up prior year’s cumulative losses, if any;
- Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank.

(1) Distribution of final dividend for 2021

A dividend of RMB0.29 per share (tax inclusive) in respect of the year ended 31 December 2021, with a total of RMB1,998 million was approved in the annual general meeting on 23 May 2022.

(2) Distribution of final dividend for 2020

A dividend of RMB0.26 per share (tax inclusive) in respect of the year ended 31 December 2020, with a total of RMB1,493 million was approved in the annual general meeting on 23 April 2021.

35 Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise the following amounts which have original maturities of less than three months and are used to meet short-term cash commitments:

The Group	As at 30 June 2022	As at 31 December 2021
Cash	2,523,519	2,959,804
Surplus reserve deposits with central bank	10,513,405	6,978,180
Deposits with banks and other financial institutions	5,448,916	8,964,291
Placements with banks and other financial institutions	6,963,214	1,240,000
Bonds held under resale agreements	<u>2,796,078</u>	<u>4,826,567</u>
Total	<u>28,245,132</u>	<u>24,968,842</u>

36 Structured entities

(a) Non – principal – guaranteed Wealth Management Products (“WMPs”) issued by the Group

Non – principal – guaranteed WMPs are not subject to any guarantee by the Group of the principal invested or interest to be paid.

As at 30 June 2022, the unconsolidated non-principal-guaranteed WMPs issued and managed by the Group amounted to RMB42,919 million (31 December 2021: RMB40,271 million). The WMPs invest in a range of primarily fixed rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these WMPs, the Group invests, on behalf of the investors in these WMPs, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. Certain non-principal-guaranteed WMPs issued, managed and actually controlled by the Bank are consolidated in the financial information of the Group. As at 30 June 2022, the consolidated non-principal-guaranteed WMPs amounted to RMB5,513 million (31 December 2021: RMB5,754 million).

For the periods ended 30 June 2022 and 2021, the Group’s interest in WMPs included fee and commission income of RMB236 million and RMB87 million, respectively. The Group had mainly debt securities trading and money market transactions with the above WMPs. The gains or losses on these transactions had no significant impact on the Group.

36 Structured entities *(continued)*

(b) Consolidated structured entities

Structured entities consolidated by the Group include non-principal guaranteed WMPs and asset management plans, managed and/or invested by the Group. The Group controls these entities because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with these entities and has the ability to use its power over these entities to affect the amount of the Group's returns.

As at 30 June 2022, the total consolidated structured entities were RMB10,813 million(31 December 2021:RMB10,856 million).

(c) Unconsolidated structured entities

Structured entities set up in third-party organisations

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment returns, and records trading gains or losses and interest income therefrom. As at the end of the reporting period, the carrying amount of the Group's interests in structured entities set up in third-party organisations by directly holding the investment were as follows:

The Group	Note	As at 30 June 2022	As at 31 December 2021
Financial investments at fair value through profit or loss			
– Fund investments	17.1	19,275,734	17,690,169
– Trust beneficiary rights	17.1(b)	4,957,260	4,811,520
Financial investments at amortised cost			
– Trust beneficiary rights	17.1(b)	346,608	269,433
Financial investments at fair value through other comprehensive income			
– Trust beneficiary rights and asset management plan	17.1(b)	23,102	28,966
Total		<u>24,602,704</u>	<u>22,800,088</u>

As at the end of the reporting period, the maximum exposures of the above structured entities were their carrying amount.

37 Contingent liabilities and commitments

(a) Financial guarantees and other credit commitments

The Group	As at 30 June 2022	As at 31 December 2021
Unused limit of credit cards	10,974,775	10,562,244
Guarantees	3,912,131	3,088,837
Bank acceptances	3,613,869	2,897,495
Letters of credit	249,666	299,112
Total	<u>18,750,441</u>	<u>16,847,688</u>

(b) Credit risk weighted amounts of financial guarantees and credit commitments

The Group	As at 30 June 2022	As at 31 December 2021
Financial guarantees and credit commitments	<u>5,186,887</u>	<u>5,007,087</u>

Credit risk weighted amounts refer to amounts which depend on the status of counterparties and the maturity characteristics, and are calculated in accordance with the CBIRC guidance. Risk weightings used for contingent liabilities and credit commitments range from 0% to 100%.

(c) Capital commitments

The Group	As at 30 June 2022	As at 31 December 2021
Properties and equipments Contracted, but not provided for	<u>776,664</u>	<u>705,405</u>

(d) Legal proceedings

The litigation cases of the group are not expected to have a significant impact on the Group.

37 Contingent liabilities and commitments *(continued)*

(e) Collateral

Assets as collateral

The fair value of the Group's assets pledged as collateral under repurchase agreements are as follows:

	As at 30 June 2022	As at 31 December 2021
Debt securities	6,936,788	14,114,750
Bills	<u>4,045,298</u>	<u>996,675</u>
Total	<u><u>10,982,086</u></u>	<u><u>15,111,425</u></u>

The liabilities of above collateral were presented in Note 26. All repurchase agreements are due within 12 months from their effective dates.

The fair value of the Group's assets pledged as collateral under borrowings from central bank are as follows:

	As at 30 June 2022	As at 31 December 2021
Debt securities	24,233,948	12,468,907
Loans	5,000	18,800
Bills	<u>645,688</u>	<u>360,470</u>
Total	<u><u>24,884,636</u></u>	<u><u>12,848,177</u></u>

The liabilities of above collateral were presented in Note 25.

Collateral accepted

The Group accepts bonds and bills as collateral in relevant securities borrowing and lending and repurchase agreement businesses. As at the end of the reporting period, the Group did not hold any collateral that can be resold or re-pledged.

37 Contingent liabilities and commitments *(continued)*

(f) Redemption commitments of government bonds

The Group is entrusted by the MOF to underwrite certain government bonds. The investors of the government bonds have a right to redeem the bonds they hold at any time before their maturities, while the Group is obligated to meet redemption requests. The early redemption proceeds for these government bonds are the principal of the bonds plus unpaid interest accrued in accordance with the early redemption agreement.

As at 30 June 2022, the balance of the principals of the Group's government bonds with early redemption obligations was RMB1,352 million (31 December 2021: RMB1,341 million). The original maturities of these government bonds range from 3 to 5 years. Management expects the Group's exposure to early redemptions of these bonds will not be material.

The MOF will not provide funding for the early redemptions of these government bonds on a back-to-back basis but will settle the principal and interest upon maturity.

38 Related party transactions

(a) Related parties of the Group

(i) Major shareholder

Major shareholder in the Bank is shown as follows:

Shareholding (%)	As at 30 June 2022	As at 31 December 2021
Name of shareholder		
Guangdong Canvest Investment Co., Ltd.	<u>4.34%</u>	<u>4.34%</u>

(ii) Other related parties

Other related parties could be natural persons or legal persons, including directors, supervisors, senior managers of the Bank and their close family members; Entities controlled or jointly controlled by directors, supervisors, senior managers of the Bank and their closely related family members, and entities controlled or jointly controlled by the major shareholder of the Group as set out in Note 38(a)(i).

38 Related party transactions *(continued)*

(b) Related party transactions and balances

(i) *Transactions and balances with major shareholder*

As at each of the balance sheet dates, the Group had the following transactions and balances with major shareholder:

	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers	43,000	44,070
Deposits from customers	<u>88,860</u>	<u>939</u>

The balances with related parties are trade in nature.

	Six months ended 30 June	
	2022	2021
Interest income	1,082	1,131
Interest expense	6	15
Fee and commission income	<u>1</u>	<u>2</u>

	Six months ended 30 June	
Range of rates	2022	2021
Loans and advances to customers	5.22%	5.22%
Deposits from customers	<u>0.35%</u>	<u>0.35%</u>

38 Related party transactions *(continued)*

(b) Related party transactions and balances *(continued)*

(ii) Transactions and balances with subsidiaries

As at each of the balance sheet dates, the Group had the following transactions and balances with subsidiaries:

	As at 30 June 2022	As at 31 December 2021
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	53,280	91
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	289,841	290,839
Debt securities issued	<u>50,607</u>	<u>656,684</u>

The balances with related parties are trade in nature.

	Six months ended 30 June	
	2022	2021
Interest income	1	25
Interest expense	<u>895</u>	<u>853</u>

	Six months ended 30 June	
Range of rates	2022	2021
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	0.39%	0.35% – 2.80%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1.80% – 2.80%	2.00% – 3.80%
Debt securities issued	<u>3.58%</u>	<u>2.94% – 3.75%</u>

38 Related party transactions *(continued)*

(b) Related party transactions and balances *(continued)*

(iii) Transactions and balances with associates

As at each of the balance sheet dates, the Group had the following transactions and balances with associates:

	As at 30 June 2022	As at 31 December 2021
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	1	1
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	<u>100,000</u>	<u>170,000</u>

The Balances with related parties are trade in nature.

	Six months ended 30 June	
	2022	2021
Interest expense	<u>1,400</u>	<u>2,212</u>

	Six months ended 30 June	
Range of rates	2022	2021
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	0.28% – 0.31%	0.28% – 0.31%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	<u>1.60% – 4.00%</u>	<u>1.60% – 4.00%</u>

38 Related party transactions *(continued)*

(b) Related party transactions and balances *(continued)*

(iv) Transaction and balances with other related parties

As at each of the balance sheet dates, the Group had the following transactions and balances with other related parties:

	Note	As at 30 June 2022	As at 31 December 2021
Loans and advances to customers		14,736,452	18,609,400
Deposits from customers		3,421,202	6,193,842
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions		250,000	–
Non-principal-guaranteed WMPs issued by the Bank		295,028	2,075,274
Other liabilities – payable for civil engineering services		–	8,528
Right-of-use assets	(1)	968	13,182
Lease liabilities	(1)	971	14,461
Off-balance sheet items			
Credit Commitment		68,130	83,514

The balances with related parties are trade in nature.

	Six months ended 30 June	
	2022	2021
Interest income	363,685	488,110
Interest expense	13,277	21,380
Fee and commission income	153	414
Leasing expenses	428	3,658

38 Related party transactions *(continued)*

(b) Related party transactions and balances *(continued)*

(iv) *Transaction and balances with other related parties (continued)*

Range of rates	Six months ended 30 June	
	2022	2021
Loans and advances to customers	3.28% – 7.04%	3.28% – 8.65%
Deposits from customers	0.35% – 5.50%	0.35% – 5.50%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1.80% – 2.74%	0.20% – 1.50%
Management fee rate of non-principal-guaranteed WMPs issued by the Bank	<u>0.10% – 0.50%</u>	<u>0.20% – 2.00%</u>

- (1) During the periods ended 30 June 2022 and 2021, the Bank incurred RMB0.43 million and RMB3.69 million for lease contracts with related parties respectively. The lease term ranges from 1 year to 10 years. These leases were accounted for under IFRS 16 and the respective right-of-use assets and lease liabilities were recognised in the consolidated statements of financial position.

(c) Remuneration of key management personnel

Key management personnel refer to those persons who have the authority and responsibility to plan, conduct and control the Bank's activities.

The remuneration of key management personnel in each of the reporting periods is as follows:

	Six months ended 30 June	
	2022	2021
Salaries	6,913	7,380
Subsidies and physical benefits	398	414
Discretionary bonuses	11,774	12,541
Pension plan contributions	521	460
Total	<u>19,606</u>	<u>20,795</u>

38 Related party transactions *(continued)*

(d) **Loans and advances balances with directors, supervisors and their certain controlled body corporates and connected entities**

	As at 30 June 2022	As at 31 December 2021
Directors	10,868	11,973
Supervisors	–	647
Certain controlled body corporates and connected entities of the directors	12,462,685	14,937,163
Certain controlled body corporates and connected entities of the supervisors	<u>1,508,191</u>	<u>1,420,794</u>
Total	<u><u>13,981,744</u></u>	<u><u>16,370,577</u></u>

39 Segmental analysis

(a) **Business segments**

The Group manages its operations from both business and regional perspectives. From a business perspective, the Group mainly provides financial services through four business segments, which are listed below:

- Corporate banking: Corporate banking business segment covers financial products and services to corporate customers, governments and financial institutions. These products and services include corporate loans and advances, trade finance, deposits, and various other corporate intermediary businesses.
- Personal banking: Personal banking business segment covers financial products and services to individual customers. These products and services include personal loans and advances, deposits, bank cards, and various other individual intermediary businesses.
- Treasury: Treasury segment covers the Group's money market transactions, repurchase transactions, debt instrument investments, wealth management products and precious metals.
- Others: The others segment covers the remaining businesses of the Group that cannot be directly attributable to the above segments, and some assets, liabilities, income or expenses of the Head Office that have not been properly allocated.

39 Segmental analysis (continued)

(a) Business segments (continued)

From a regional perspective, all businesses of the Group are conducted in Mainland China.

	Six months ended 30 June 2022				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	5,689,299	2,280,286	3,333,914	–	11,303,499
External interest expense	(2,099,278)	(2,034,920)	(1,834,823)	–	(5,969,021)
Inter-segment net interest income or expense	(204,324)	2,257,076	(2,052,752)	–	–
Net interest income	3,385,697	2,502,442	(553,661)	–	5,334,478
Net fee and commission income	45,713	416,138	27,973	(7,367)	482,457
Net trading gains	34,611	17,485	691,961	–	744,057
Net gains on financial investments	–	–	505,368	89,427	594,795
Other operating income	20,597	14	–	36,291	56,902
Operating income	3,486,618	2,936,079	671,641	118,351	7,212,689
Operating expense – Depreciation and amortisation	(766,594)	(904,752)	(434,169)	(55,805)	(2,158,320)
Expected credit losses	(63,121)	(104,562)	(57,541)	(2,593)	(227,817)
Share of profits of associates	(518,247)	(414,670)	(182,446)	–	(1,115,363)
	–	–	–	18,725	18,725
Profit before tax	2,201,777	1,616,657	58,026	81,271	3,957,731
Capital expenditure	77,435	128,272	70,590	3,181	279,478

	As at 30 June 2022				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	178,264,763	109,433,836	334,672,979	2,654,810	625,026,388
Deferred tax assets	–	–	–	–	3,551,091
Total assets	178,264,763	109,433,836	334,672,979	2,654,810	628,577,479
Segment liabilities	187,389,358	267,077,384	121,881,124	699,391	577,047,257

39 Segmental analysis (continued)

(a) Business segments (continued)

	Six months ended 30 June 2021				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	4,942,632	2,505,663	3,305,166	–	10,753,461
External interest expense	(1,860,272)	(1,853,150)	(1,837,106)	–	(5,550,528)
Inter-segment net interest income or expense	11,715	1,648,378	(1,660,093)	–	–
Net interest income	3,094,075	2,300,891	(192,033)	–	5,202,933
Net fee and commission income	67,292	354,105	(92,215)	11,710	340,892
Net trading gains	59,177	25,101	491,925	–	576,203
Net gains/(loses) on financial investments	–	–	346,450	(1,775)	344,675
Other operating income	1	158	–	23,061	23,220
Operating income	3,220,545	2,680,255	554,127	32,996	6,487,923
Operating expense	(1,009,359)	(856,034)	(222,973)	(44,502)	(2,132,868)
– Depreciation and amortisation	(123,881)	(95,448)	(29,240)	(2,598)	(251,167)
Expected credit losses	(603,728)	(223,595)	(84,900)	–	(912,223)
Share of profits of associates	–	–	–	27,646	27,646
Profit before tax	1,607,458	1,600,626	246,254	16,140	3,470,478
Capital expenditure	211,582	163,021	49,941	4,437	428,981

	As at 30 June 2021				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	151,268,539	100,600,337	325,631,164	2,620,919	580,120,959
Deferred tax assets	–	–	–	–	3,236,520
Total assets	151,268,539	100,600,337	325,631,164	2,620,919	583,357,479
Segment liabilities	171,812,991	238,639,860	131,312,828	1,250,383	543,016,062

40 Financial risk management

Overview

The Group's activities expose it to a variety of financial risks. The Group analyses and evaluates its risk exposures, and accepts and manages a certain level of such risks or combined risks. Financial risk management is critical to the financial industry in which the Group operates, and business operations inevitably involve financial risks. The Group's aim is to achieve an appropriate balance between risk and return to minimise potential adverse effects on the Group's financial statements.

The Group's risk management policies are designed to identify and analyse related risks, so as to set appropriate risk limits and control processes, and to monitor risks and their limits through reliable processes.

The Board of Directors of the Group is responsible for setting out the overall risk preference, reviewing and approving the Group's risk management objectives and strategies. Senior management is responsible for developing and implementing appropriate risk management policies and procedures based on risk management objectives and strategies. The Board of Supervisors is responsible for supervising and inspecting the risk management and internal control and spurring remedial measures where necessary.

The major financial risks faced by the Group are credit risk, market risk and liquidity risk, and market risk mainly comprises interest rate risk and foreign exchange risk.

40.1 Credit risk

40.1.1 Credit risk management

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable or unwilling to meet its obligations under a contract. The concentrations of credit risk will increase when counterparties are within similar industry segments or geographical regions. On-balance-sheet credit exposure includes loans and advances to customers, financial investments, deposits and placements with banks and certain other financial assets. There is also off-balance-sheet credit exposure, such as credit commitments, letters of credit, guarantees, and acceptance notes. Currently, the Group's principal business is primarily concentrated in Dongguan City of Guangdong Province in China, which indicates that the Group is more susceptible to changes in regional economic conditions. As a result, the management monitors its credit risk prudently. The Risk Management Department at Head Office of the Group is responsible for the daily management of the Group's overall credit risk, and reports to the Group's senior management timely.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.1 Credit risk management *(continued)*

The Group adopts standardised management for the whole business procedure of credit business, including credit investigation and declaration, credit review and approval, loan issuance, post-lending monitoring and NPL management. It comprehensively improves the credit risk management level by strictly regulating credit operation procedures, strengthening end-to-end loan management from pre-lending investigation, rating and assigning credit limits, review and approval, loan drawdown review, to post-lending monitoring, improving the risk mitigation effect of collateral, accelerating the recovering and disposal of NPLs, and promoting the upgrading of credit management system.

For the period ended 30 June 2022 and the year ended 31 December 2021, COVID-19 affected the operations of business enterprises in certain industries in some cities and provinces, as well as the overall economic performance of the country, and as a result, had a negative impact on the asset quality of the Group's credit assets and investments. In response to the government's anti-epidemic policies, the Group delivered timely solutions to assist existing customers who had been affected by the outbreak, including relief measures, and at the same time, further enhanced its credit risk monitoring and early warning management system to step up credit risk monitoring. The Group actively respond to the change of the credit environment by conducting regular analysis on credit risk situations and matters and taking precautionary risk control measures with a forward-looking vision.

The Non-performing Assets Management Committee is responsible for supervising the recovery and disposal of NPLs. The Group manages its NPLs mainly by the following methods: (1) collection; (2) restructuring; (3) disposal of collateral or seeking recourse against guarantors; (4) litigation or arbitration; and (5) write-off according to regulatory requirements, to minimise its losses from credit risks. If the Group, after executing all necessary procedures, still considers that it is not reasonably possible to expect to recover the whole or part of a loan, it shall be written off. For the period ended 30 June 2022 and the year ended 31 December 2021, the loans and advances to customers written off by the Group amounted to RMB245 million (2021: RMB818 million).

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.1 Credit risk management *(continued)*

In addition to risks arising from credit assets, the Group manages the credit risk of treasury operations by carefully selecting banks and other financial institutions with appropriate credit levels as counterparties, balancing credit risk and investment return, comprehensively referring to internal and external credit rating information, grading credit, and using a timely credit line management system to review and adjust the credit line. In addition, the Group provides off-balance-sheet commitments and guarantees for customers. There is a possibility that the Group will make payments on behalf of customers due to their default, and bear the risk similar to loans. Therefore, the Group adopts risk control procedures and policies similar to the credit business to reduce the credit risk.

40.1.2 Measurement of credit risk

(a) Loans

In accordance with the *Guidelines for the Classification of Loan Risks* issued by CBIRC, the Group establishes a management system regarding to the classification of loan risks, and implements five-level classification management. Loans are classified into five categories based on their risk levels, namely pass, special-mention, sub-standard, doubtful and loss, the latter three of which are regarded as non-performing loans. The primary factors considered in impairment assessment for loans include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, profitability, guarantees or collateral and legal responsibility of repayment.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.2 Measurement of credit risk *(continued)*

(a) Loans *(continued)*

The five categories into which the Group classifies its loans and advances to customers are set out below:

- Pass: Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special-mention: Although there is no doubt on the borrower's ability to repay at this point in time, there exist potential factors that may adversely affect its ability to repay in the future.
- Sub-standard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay the principal and interest. There is possibility of some loss even when guarantee is executed and collateral is realized.
- Doubtful: Borrowers cannot repay principal and interest in full and there is possibility of substantial loss even when guarantee is executed and collateral is realized.
- Loss: After exhausting all possible means of recovery or necessary legal procedures, there is still no recovery of principal and interests, or the recovery is negligible.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.2 Measurement of credit risk *(continued)*

(b) Bonds and other notes

The Group manages its credit risk exposures to bonds and other notes by setting restriction of investment size, issuer profile and rating and also post-investment management.

(c) Other financial investments

Other financial investments mainly comprise trust beneficiary rights, fund investments and direct financing instruments for WMPs. The Group has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies. Subsequent risk management is carried out on a regular basis.

(d) Interbank transactions

The Group reviews and monitors credit risk of individual financial institutions periodically and credit quota has been maintained for each bank and other institutions that have transactions with the Group.

(e) Financial guarantees and credit commitments

The primary purpose of financial guarantees and credit commitments is to ensure that customers can acquire the funds needed. Guarantees, acceptances of bills and letters of credit represent irrevocable commitments of the Group to fulfil the obligations of payment to a third party when the customers are unable to do so, with the same credit risk as loans. The amount of potential credit risk faced by the Group is equal to the total amount of its financial guarantees and credit commitments.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.3 Risk limit control and mitigation measures

The Group prudently manages and controls the concentration of credit risk, including single borrower, group, industry and region. The Group has established related mechanism to set up credit risk limit which is bearable for single borrower, and makes an assessment on credit risk limit at least once a year.

The Group has established a series of policies and taken various measures to mitigate the credit risk. Obtaining collateral, deposits and corporate or individual guarantee are important means for the Group to control the credit risk.

The collateral policy established by the Group stipulates the type of specific collateral that is acceptable, mainly including:

- Housing;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as debt securities and stocks.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.3 Risk limit control and mitigation measures *(continued)*

The fair value of collateral or pledge is generally determined with the help of specialised valuation agencies recognized by the Group. In order to reduce the credit risk, the Group has defined the maximum loan-to-value ratio (the ratio of the loan amount to the fair value of collateral or pledge) for different collateral or pledge. The main types of collateral or pledge for loans and advances and the corresponding maximum loan-to-value ratio are as follows:

Collateral	Maximum loan-to-value ratio	Pledge	Maximum loan-to-value ratio
Real estate – residential	70%	Wealth Management Products	95%
Real estate – commercial	70%	Certificates of deposit	95%
Machineries	30%	Treasury bonds (certificate bonds and saving bonds)	95%
Means of transportation	40%	Bank acceptance bills	90%
Mining right	40%	Precious metal	80%
Forest rights	40%	Inventories	30%
Rural land use rights	50%	Shares of public company listed on main boards	60%
		Intellectual properties	20%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.4 Policies on provision for expected credit loss

The Group uses the “ECL model” to make provision for the impairment of financial assets measured at amortised cost and those designated at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

(a) Division of stages

For financial instruments included in the measurement of ECL, the Group applies the “three-stage” impairment model to measure the loss allowance and recognise the ECL in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

- Stage 1: If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss stage is classified as Stage 1.
- Stage 2: If the credit risk has increased significantly since initial recognition but it is not considered that the credit has been impaired on the financial instrument, the loss stage is classified as Stage 2.
- Stage 3: If the credit has been impaired on the financial instrument, the loss stage is classified as Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of the ECL on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of the ECL on the financial instrument within the lifetime.

Various factors, such as five-level classification, number of overdue days and changes in credit ratings, will be taken into account when the credit risk increases significantly during assessment. These three stages are transferable. Financial instruments in the Stage 1 should be downgraded into Stage 2 in case of significant deterioration of credit risk.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.4 Policies on provision for expected credit loss *(continued)*

(b) Judgement criteria for significant increase in credit risk

When one or more of the following quantitative and qualitative criteria or limit indicators are triggered, the Group considers that the credit risk of financial instrument has been significantly increased:

- The debtor breaches the contract and the principal or interest of the contract was overdue for more than 30 days.
- The significant negative influences appears in business, financing or economic position and indication for cash flow or liquidity problems for debtor.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for not more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the AA and higher than the CCC investment grade, comparing with its initial recognition date.
- There are significant changes in the economic, technical or legal environment in which the debtor is located in the current period or in the near future, and the Group will be affected adversely.

After the outbreak of COVID-19, in response to the government's anti-pandemic policies, the Group delivered relief measures to assist existing customers who had been affected. The Group prudently assesses the repayment ability of customers who apply for loan relief measures, and adopts measures, including deferred interest repayment, repayment plan adjustment, etc., for those meeting the policy standards, and at the same time, the Group also evaluates whether the credit risks of these customers have increased significantly.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.4 Policies on provision for expected credit loss *(continued)*

(c) Definition of default and incurred loss

A financial asset will be defined as defaulted if it meets one or more of the following quantitative and qualitative criteria or limit indicators. These criteria are consistent with the definition of incurred loss:

- The debtor breached the contract and the principal or interest of the contract was overdue for more than 90 days.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the CCC (inclusive) investment grade, or a default has occurred, comparing with its initial recognition date.
- The debtor is likely to go bankrupt or face other financial restructuring.
- The issuer of the financial instruments held by the Group is experiencing significant financial difficulty.
- The Group, for economic or legal reasons, grants a concession to the debtor who has financial difficulty.
- The active market for relevant financial assets disappears due to the financial difficulty of the borrower.

The above criteria apply to all financial instruments held by the Group; the definition of default is consistently applied to the ECL calculation process of the Group, including the model building of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

When a financial instrument does not qualify for default for six consecutive months, the Group no longer considers it as an asset in default (it has been reversed). The Group adopts an observation period of six months based on relevant analyses in which the Group has considered the possibility of a financial instrument being reclassified as the default status in various scenarios after it has been reversed.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.4 Policies on provision for expected credit loss *(continued)*

- (d) Calculation of expected credit loss: description of parameters, assumptions, and estimation techniques

The Group calculates the provision for impairment losses of different types of assets as 12-month ECL or lifetime ECL based on whether there was significant increase in credit risk and whether credit impairment occurred for assets. ECL is the product of exposure at default (EAD), probability of default (PD) and loss given default (LGD) after term adjustment and discount. Relevant definitions are as follows:

PD refers to the possibility that borrowers are unable to perform their repayment obligation in the next 12 months or during the rest of the lifetime.

LGD refers to the percentage of the risk exposure loss in the event of default. LGD varies with the type of the counterparty in the transaction, and the accessibility of collateral and other credit supports.

EAD refers to the repayment due to the Group when default occurs in the next 12 months or during the rest of the lifetime. The Group's EAD is determined based on the expected repayment arrangements and different types of products will have different EAD. For loans repaid on an instalment basis or in a lump sum, the Group determines the EAD based on the repayment plan as agreed in the contract.

The Group determines the ECL by estimating the PD, LGD and EAD of an individual loan in each period. It multiplies these three values and adjusts their existence (in case of no early repayment or default). This approach can effectively calculate the ECL of each future period. The calculation results of all periods are then discounted to the reporting date and summed up. Discount rates used to calculate the ECL are the actual interest rate or the approximation thereof.

In reporting periods, there was no significant change in the above estimation techniques or key assumptions.

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.4 Policies on provision for expected credit loss *(continued)*

(e) Forward-looking information in the expected credit loss model

Through data analysis, the Group identifies key economic indicators that affect the credit risk and ECL of each business types, such as producer price index (PPI), stock of social financing scale (CNY loans), industrial added value, China real estate climate index, year-on-year (YOY) growth rate of money supply (M2).

The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and PD. The Group regularly conducts the forecast on three types of domestic macro scenarios and macro-economic indicators such as optimistic, basic and pessimistic for asset impairment model.

(f) Grouping for ECL provision

The Group classified the exposures with similar characteristics when collectively assessing the ECL provision.

The characteristics for grouping are as follows:

Personal loans

- Product types (for instance, personal business loans, personal consumption loans, personal property mortgages, credit cards)

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage 3

Credit risk team monitors and reviews the grouping appropriateness regularly.

40 Financial risk management (continued)

40.1 Credit risk (continued)

40.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements

The Group	Note	As at 30 June 2022				Total
		Stage 1	Stage 2	Stage 3	Not Applicable	
Assets						
Balances with central bank		36,039,976	–	–	–	36,039,976
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions		16,225,669	–	–	–	16,225,669
Derivative financial assets		–	–	–	472,259	472,259
Loans and advances to customers		303,273,765	2,640,215	1,533,742	–	307,477,722
Financial investments						
– Financial investments at fair value through profit or loss		–	–	–	50,472,915	50,472,915
– Financial investments at amortised cost		106,509,517	159,503	–	–	106,669,020
– Financial investments at fair value through other comprehensive income		97,971,361	213,656	169,957	695,957	99,050,931
Other financial assets	(i)	175,922	–	–	–	175,922
Sub-total		560,196,210	3,013,374	1,703,699	51,641,131	616,554,414
Off-balance sheet items						
Unused limit of credit cards		10,938,090	6,646	30,039	–	10,974,775
Guarantees		3,904,130	8,001	–	–	3,912,131
Bank acceptances		3,613,869	–	–	–	3,613,869
Letters of credit		249,666	–	–	–	249,666
Sub-total		18,705,755	14,647	30,039	–	18,750,441
Total		578,901,965	3,028,021	1,733,738	51,641,131	635,304,855

40 Financial risk management (continued)

40.1 Credit risk (continued)

40.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements (continued)

The Group	Note	As at 31 December 2021				Total
		Stage 1	Stage 2	Stage 3	Not Applicable	
Assets						
Balances with central bank		33,251,507	–	–	–	33,251,507
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions		15,772,779	–	–	–	15,772,779
Derivative financial assets		–	–	–	148,556	148,556
Loans and advances to customers		284,794,194	3,693,424	1,196,916	–	289,684,534
Financial investments						
– Financial investments at fair value through profit or loss		–	–	–	43,512,900	43,512,900
– Financial investments at amortised cost		108,209,412	235,865	–	–	108,445,277
– Financial investments at fair value through other comprehensive income		88,973,606	454,548	177,460	697,853	90,303,467
Other financial assets	(i)	228,007	–	–	–	228,007
Sub-total		531,229,505	4,383,837	1,374,376	44,359,309	581,347,027
Off-balance sheet items						
Unused limit of credit cards		10,506,279	5,173	50,792	–	10,562,244
Guarantees		3,080,836	8,001	–	–	3,088,837
Bank acceptances		2,896,674	–	821	–	2,897,495
Letters of credit		299,112	–	–	–	299,112
Sub-total		16,782,901	13,174	51,613	–	16,847,688
Total		548,012,406	4,397,011	1,425,989	44,359,309	598,194,715

(i) Other financial assets include interest receivable and other receivables.

40 Financial risk management (continued)

40.1 Credit risk (continued)

40.1.6 Loans and advances to customers

(a) Industry analysis

The Group	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage	Amount	Percentage
Corporate loans and advances				
Manufacturing	43,691,976	13.77%	37,127,691	12.43%
Leasing and commercial services	35,321,958	11.13%	29,694,458	9.94%
Wholesale and retail	33,940,687	10.69%	30,156,442	10.10%
Construction	21,894,923	6.90%	20,666,620	6.92%
Real estate	16,775,362	5.28%	14,443,950	4.84%
Production and supply of power, gas and water	6,324,521	1.99%	5,344,555	1.79%
Finance	5,713,458	1.80%	5,573,905	1.87%
Education	4,138,024	1.30%	3,143,951	1.05%
Water, environment and public utilities management	3,434,384	1.08%	2,715,332	0.91%
Transportation, logistics and postal services	3,434,210	1.08%	3,169,693	1.06%
Hotels and catering industries	2,609,745	0.82%	2,302,218	0.77%
Health, social security, and welfare	2,483,876	0.78%	2,877,962	0.96%
Agriculture, forestry, animal husbandry and fishery	2,003,026	0.63%	2,112,790	0.71%
Information transmission, software and IT services	1,060,205	0.33%	1,420,075	0.48%
Scientific research and technical services, and geological prospecting	473,393	0.15%	256,390	0.09%
Residential services and other services	195,460	0.06%	199,432	0.07%
Culture, sports, and entertainment	122,658	0.04%	134,320	0.04%
Public management and social organisations	–	0.00%	36,038	0.01%
Mining	–	0.00%	13,300	0.00%
Sub-total	<u>183,617,866</u>	<u>57.83%</u>	<u>161,389,122</u>	<u>54.04%</u>

40 Financial risk management (continued)

40.1 Credit risk (continued)

40.1.6 Loans and advances to customers (continued)

(a) Industry analysis (continued)

The Group	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage	Amount	Percentage
Personal loans and advances				
Property mortgages	39,610,813	12.48%	40,260,382	13.48%
Operational loans	33,551,031	10.57%	29,199,175	9.77%
Consumption loans	28,788,066	9.07%	32,743,978	10.95%
Advances of credit cards	6,458,680	2.03%	6,663,366	2.23%
Sub-total	108,408,590	34.15%	108,866,901	36.43%
Rediscounted bills and other loans	24,856,613	7.83%	27,858,949	9.33%
Accrued interest	597,165	0.19%	598,457	0.20%
Total loans and advances to customers	317,480,234	100.00%	298,713,429	100.00%

(b) Type of collateral analysis

The Group	As at 30 June 2022	As at 31 December 2021
Collateralised loans	168,157,113	156,304,340
Guaranteed loans	78,535,982	68,643,992
Pledged loans	39,855,932	41,152,064
Unsecured loans	30,334,042	32,014,576
Sub-total	316,883,069	298,114,972
Accrued interest	597,165	598,457
Total	317,480,234	298,713,429

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.6 Loans and advances to customers *(continued)*

(c) Concentration analysis by geographical regions

The Group	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage	Amount	Percentage
Dongguan	254,412,570	80.14%	236,567,843	79.20%
Zhanjiang	16,710,853	5.26%	16,258,307	5.44%
Others	45,759,646	14.41%	45,288,822	15.16%
Accrued interest	597,165	0.19%	598,457	0.20%
Total	317,480,234	100.00%	298,713,429	100.00%

Concentration analysis of overdue loans and advances to customers by geographical regions

The Group	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage	Amount	Percentage
Dongguan	2,125,790	41.39%	1,632,508	52.39%
Zhanjiang	314,696	6.13%	323,432	10.38%
Others	2,695,365	52.48%	1,159,851	37.23%
Total	5,135,851	100.00%	3,115,791	100.00%

40 Financial risk management (continued)

40.1 Credit risk (continued)

40.1.6 Loans and advances to customers (continued)

(d) Analysis by overdue days and impairment evaluation

(1) The maximum credit risk exposures of loans and advances are analysed by overdue days as follows:

The Group Loans and advances	As at 30 June 2022			
	Stage 1	Stage 2	Stage 3	Total
Overdue days				
Not overdue	305,932,433	3,698,131	2,713,819	312,344,383
Between 0 and 30 days	287,157	196,312	1,701,381	2,184,850
Between 30 and 60 days	–	383,882	120,125	504,007
Between 60 and 90 days	–	46,162	170,957	217,119
More than 90 days/Default	–	–	2,229,875	2,229,875
Total	306,219,590	4,324,487	6,936,157	317,480,234
Provision for impairment losses	(2,945,825)	(1,684,272)	(5,402,415)	(10,032,512)
Net amount	303,273,765	2,640,215	1,533,742	307,447,722

The Group Loans and advances	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Overdue days				
Not overdue	287,039,266	5,871,753	2,686,619	295,597,638
Between 0 and 30 days	299,056	137,254	77,519	513,829
Between 30 and 60 days	–	317,719	80,335	398,054
Between 60 and 90 days	–	32,004	246,730	278,734
More than 90 days/Default	–	–	1,925,174	1,925,174
Total	287,338,322	6,358,730	5,016,377	298,713,429
Provision for impairment losses	(2,544,128)	(2,665,306)	(3,819,461)	(9,028,895)
Net amount	284,794,194	3,693,424	1,196,916	289,684,534

40 Financial risk management (continued)

40.1 Credit risk (continued)

40.1.6 Loans and advances to customers (continued)

- (d) Analysis by overdue days and impairment evaluation (continued)
- (2) Overdue loans and advances to customers are set out by collateral type and overdue days as follows:

The Group	As at 30 June 2021				Total
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	
Guaranteed loans	1,874,002	211,566	122,338	4,946	2,212,852
Collateralised loans	526,427	624,944	525,215	59,260	1,735,846
Unsecured loans	505,547	231,236	186,595	9,876	933,254
Pledged loans	-	224,099	6,367	23,433	253,899
Total	2,905,976	1,291,845	840,515	97,515	5,135,851

The Group	As at 31 December 2021				Total
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	
Collateralised loans	586,993	598,298	333,467	8,552	1,527,310
Unsecured loans	462,388	208,488	110,014	7,912	788,802
Guaranteed loans	141,236	241,914	20,961	140,405	544,516
Pledged loans	-	224,100	6,393	24,670	255,163
Total	1,190,617	1,272,800	470,835	181,539	3,115,791

40 Financial risk management *(continued)*

40.1 Credit risk *(continued)*

40.1.6 Loans and advances to customers *(continued)*

- (e) Loans and advances to customers impaired/at Stage 3

The total amounts of loans and advances to customers impaired/at Stage 3 are set out as follows:

The Group	As at 30 June 2022	As at 31 December 2021
Corporate loans and advances	5,606,578	3,911,649
Personal loans and advances	<u>1,329,579</u>	<u>1,104,728</u>
Total	<u>6,936,157</u>	<u>5,016,377</u>
Fair value of collateral		
– Corporate loans and advances	2,804,071	3,503,138
– Personal loans and advances	<u>691,374</u>	<u>469,552</u>
Total	<u>3,495,445</u>	<u>3,972,690</u>

40 Financial risk management (continued)

40.1 Credit risk (continued)

40.1.6 Loans and advances to customers (continued)

(e) Loans and advances to customers impaired/at Stage 3 (continued)

The fair value of collateral is determined based on the latest available external valuation prices, adjusted for the current experiences of collateral realisation and market conditions.

Concentration of loans and advances to customers impaired/at Stage 3 by geographical regions

The Group	As at 30 June 2022		As at 31 December 2021	
	Amount	Percentage	Amount	Percentage
Dongguan	4,426,402	63.82%	4,270,342	85.13%
Zhanjiang	314,696	4.54%	200,373	3.99%
Others	2,195,059	31.64%	545,662	10.88%
Total	6,936,157	100.00%	5,016,377	100.00%

As at 30 June 2022, the Group's loans and advances to customers impaired/at Stage 3 accounted for 2.15% (31 December 2021: 1.68%) of total loans.

40.1.7 Foreclosed assets

Foreclosed assets are disposed once they are sold and gains from the sale can be used to decrease the balance of liabilities. Usually the Group does not use recovered foreclosed assets for business activities. As at the end of the reporting period, foreclosed assets were listed under other assets.

40 Financial risk management (continued)

40.1 Credit risk (continued)

40.1.8 Debt instrument investments

The credit risks of debt instrument investments are classified mainly based on their external credit ratings.

- (a) The exposures of financial investments at amortised cost are analysed as follows:

The Group	Note	As at 30 June 2022			Total
		Stage 1	Stage 2	Stage 3	
Credit ratings					
AA to AAA		16,975,071	–	–	16,975,071
CCC+ to AA–		–	84,243	–	84,243
CCC and below		–	–	–	–
Unrated	(i)	89,950,974	195,196	–	90,146,170
Total		106,926,045	279,439	–	107,205,484
Provision for impairment losses		(416,528)	(119,936)	–	(536,464)
Net book value		<u>106,509,517</u>	<u>159,503</u>	<u>–</u>	<u>106,669,020</u>

The Group	Note	As at 31 December 2021			Total
		Stage 1	Stage 2	Stage 3	
Credit ratings					
AA to AAA		18,787,277	–	–	18,787,277
CCC+ to AA–		–	415,782	–	415,782
CCC and below		–	–	–	–
Unrated	(i)	89,653,135	–	–	89,653,135
Total		108,440,412	415,782	–	108,856,194
Provision for impairment losses		(231,000)	(179,917)	–	(410,917)
Net book value		<u>108,209,412</u>	<u>235,865</u>	<u>–</u>	<u>108,445,277</u>

40 Financial risk management (continued)

40.1 Credit risk (continued)

40.1.8 Debt instrument investments

- (b) The exposures of financial investments at fair value through other comprehensive income are analysed as follows:

The Group	Note	As at 30 June 2022			Total
		Stage 1	Stage 2	Stage 3	
Credit ratings					
AA to AAA		17,627,135	–	–	17,627,135
CCC+ to AA–		–	213,656	–	213,656
CCC and below		–	–	–	–
Default		–	–	146,855	146,855
Unrated	(i)	80,344,226	–	23,102	80,367,328
Net book value		<u>97,971,361</u>	<u>213,656</u>	<u>169,957</u>	<u>98,354,974</u>

The Group	Note	As at 31 December 2021			Total
		Stage 1	Stage 2	Stage 3	
Credit ratings					
AA to AAA		12,500,575	–	–	12,500,575
CCC+ to AA–		–	454,548	–	454,548
CCC and below		–	–	36,749	36,749
Default		–	–	140,711	140,711
Unrated	(i)	76,473,031	–	–	76,473,031
Net book value		<u>88,973,606</u>	<u>454,548</u>	<u>177,460</u>	<u>89,605,614</u>

- (i) The Group's unrated debt instrument investments comprise mainly of treasury bonds, local government bonds, financial bonds issued by policy banks and trust beneficiary rights.

40 Financial risk management *(continued)*

40.2 Fair value of financial assets and liabilities

(a) *Fair value hierarchy*

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

40 Financial risk management (continued)

40.2 Fair value of financial assets and liabilities (continued)

(b) *Financial instruments not measured at fair value*

The tables below summarise the carrying amount and fair values of financial assets and liabilities not measured at fair value. Financial assets and liabilities with similar carrying amount and fair values, such as balances with central bank, financial assets held under resale agreements and deposits and placements with banks and other financial institutions, loans and advances to customers, borrowings from central bank, due to customers, financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions, and certificates of interbank deposit, are not included.

The Group	As at 30 June 2022				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
Financial asset					
Financial investments at amortised cost	106,669,020	107,739,068	-	107,167,761	571,307
Financial liability					
Bonds issued	56,610,435	56,818,161	-	56,818,161	-

The Group	As at 31 December 2021				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
Financial asset					
Financial investments at amortised cost	108,445,277	109,542,123	-	109,079,280	462,843
Financial liability					
Bonds issued	67,857,602	68,039,927	-	68,039,927	-

40 Financial risk management (continued)

40.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value

The Group	Note	As at 30 June 2022			Total
		Level 1	Level 2	Level 3	
Financial assets					
Derivative financial assets		-	472,259	-	472,259
Loans and advances to customers at fair value through other comprehensive income		-	-	24,856,613	24,856,613
Financial investments at fair value through profit or loss					
- Debt securities		-	26,239,921	-	26,239,921
- Fund investments		-	19,275,734	-	19,275,734
- Trust beneficiary rights	17.1(b)	-	-	4,957,260	4,957,260
Financial investments at fair value through other comprehensive income					
- Debt securities		-	98,185,017	146,855	98,331,872
- Trust beneficiary rights and asset management plan	17.1(b)	-	-	23,102	23,102
- Listed equity investment		50,662	-	-	50,662
- Unlisted equity investment		-	58,349	586,946	645,295
Total		<u>50,662</u>	<u>144,231,280</u>	<u>30,570,776</u>	<u>174,852,718</u>
Financial liabilities					
Financial liabilities at fair value through profit or loss		-	652,922	-	652,922
Derivative financial liabilities		-	498,261	-	498,261
Total		<u>-</u>	<u>1,151,183</u>	<u>-</u>	<u>1,151,183</u>

40 Financial risk management (continued)

40.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

The Group	Note	As at 31 December 2021			Total
		Level 1	Level 2	Level 3	
Financial assets					
Derivative financial assets		-	148,556	-	148,556
Loans and advances to customers at fair value through other comprehensive income		-	-	27,858,949	27,858,949
Financial investments at fair value through profit or loss					
- Debt securities		-	21,011,211	-	21,011,211
- Fund investments		-	17,690,169	-	17,690,169
- Trust beneficiary rights	17.1(b)	-	-	4,811,520	4,811,520
Financial investments at fair value through other comprehensive income					
- Debt securities		-	89,428,153	148,495	89,576,648
- Trust beneficiary rights and asset management plan	17.1(b)	-	-	28,966	28,966
- Listed equity investment		65,500	-	-	65,500
- Unlisted equity investment		-	54,802	577,551	632,353
Total		<u>65,500</u>	<u>128,332,891</u>	<u>33,425,481</u>	<u>161,823,872</u>
Financial liabilities					
Financial liabilities at fair value through profit or loss		-	492,648	-	492,648
Derivative financial liabilities		-	159,573	-	159,573
Total		<u>-</u>	<u>652,221</u>	<u>-</u>	<u>652,221</u>

40 Financial risk management *(continued)*

40.2 Fair value of financial assets and liabilities *(continued)*

(c) Financial instruments measured at fair value (continued)

The fair values of financial assets and liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and liabilities. Financial Market Department and Investment Banking and Wealth Management Department are responsible for carrying out the valuation of financial assets and financial liabilities. Valuation methods, parameters, assumptions and results are independently verified by the Department of Comprehensive Risk Management and Compliance; valuation results are obtained following the valuation process and accounted for in accordance with the accounting rules by the Operation Management Department; information on financial assets and liabilities for disclosure purposes is prepared by the Financial Accounting Department based on the independently reviewed valuation results. Valuation policies and procedures for various kinds of financial instruments are approved by the Group's Risk Management Committee. Any changes in valuation policies and procedures are required to be submitted to the Risk Management Committee for approval before being put into practice. For the period ended 30 June 2022 and the year ended 31 December 2021, there were no significant transfers between the fair value levels.

40 Financial risk management *(continued)*

40.2 Fair value of financial assets and liabilities *(continued)*

(c) *Financial instruments measured at fair value (continued)*

Information about the Level 3 fair value measurement using material unobservable inputs is as follows:

The Group	Note	As at 30 June 2022		
		Fair value	Valuation technique	Unobservable inputs Item
Loans and advances to customers at fair value through other comprehensive income		24,856,613	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial investments at fair value through profit or loss				
– Trust beneficiary rights	17.1(b)	4,957,260	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial investments at fair value through other comprehensive income				
– Debt securities		146,855	Discounted cash flow	Risk-adjusted discount rate cash flow
– Trust beneficiary rights and asset management plan	17.1(b)	23,102	Discounted cash flow	Risk-adjusted discount rate cash flow
– Unlisted equity investments		586,946	Market approach	Price to book ratio (P/B) Haircuts for low liquidity

40 Financial risk management (continued)

40.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

The Group	Note	As at 31 December 2021		
		Fair value	Valuation technique	Unobservable inputs Item
Loans and advances to customers at fair value through other comprehensive income		27,858,949	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial investments at fair value through profit or loss				
– Trust beneficiary rights	17.1(b)	4,811,520	Discounted cash flow	Risk-adjusted discount rate cash flow
Financial investments at fair value through other comprehensive income				
– Debt securities		148,495	Discounted cash flow	Risk-adjusted discount rate cash flow
– Trust beneficiary rights and asset management plan	17.1(b)	28,966	Discounted cash flow	Risk-adjusted discount rate cash flow
– Unlisted equity investments		577,551	Market approach	Price to book ratio (P/B) Haircuts for low liquidity

40 Financial risk management (continued)

40.2 Fair value of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value (continued)

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

The Group	Note	As at 30 June 2022			
		Effect on net profit		Effect on revaluation reserve	
		Favourable	(Unfavourable)	Favourable	(Unfavourable)
Loans and advances to customers at fair value through other comprehensive income		-	-	147,671	(104,323)
Financial investments at fair value through profit or loss - Trust beneficiary rights	17.1(b)	46,029	(43,677)	-	-
Financial investments at fair value through other comprehensive income					
- Debt securities		-	-	2,541	(2,461)
- Trust beneficiary rights and asset management plan	17.1(b)	-	-	238	(233)
- Unlisted equity investments		-	-	5,811	(5,811)

The Group	Note	As at 31 December 2021			
		Effect on net profit		Effect on revaluation reserve	
		Favourable	(Unfavourable)	Favourable	(Unfavourable)
Loans and advances to customers at fair value through other comprehensive income		-	-	290,782	(290,508)
Financial investments at fair value through profit or loss - Trust beneficiary rights	17.1(b)	60,369	(60,072)	-	-
Financial investments at fair value through other comprehensive income					
- Debt securities		-	-	1,392	(1,394)
- Trust beneficiary rights and asset management plan	17.1(b)	-	-	269	(270)
- Unlisted equity investments		-	-	10,322	(10,220)

40 Financial risk management (continued)

40.2 Fair value of financial assets and liabilities (continued)

The movement of Level 3 fair value measurements is as follows:

The Group	Note	1 January 2022	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		30 June 2022	Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the period
				Purchases	Sales and settlements	Recorded in profit or loss	Recorded in other comprehensive income		
Assets									
Loans and advances to customers at fair value through other comprehensive income		27,858,949	-	17,158,610	(20,411,412)	253,724	(3,258)	24,856,613	-
Financial investments at fair value through profit or loss – Trust beneficiary rights	17.1(b)	4,811,520	-	621,000	(530,525)	55,265	-	4,957,260	55,265
Financial investments at fair value through other comprehensive income									
– Debt securities		148,495	-	-	(17,952)	16,312	-	146,855	-
– Trust beneficiary rights and asset management plan	17.1(b)	28,966	-	-	(116,308)	-	110,444	23,102	-
– Unlisted equity investments		577,551	-	-	-	-	9,395	586,946	-
Sub-total		755,012	-	-	(134,260)	16,312	119,839	756,903	-
Total		33,425,481	-	17,779,610	(21,076,197)	325,301	116,581	30,570,776	55,265

40 Financial risk management (continued)

40.2 Fair value of financial assets and liabilities (continued)

The Group	Note	1 January 2021	Transfer into Level 3	Purchases, sales and settlements		Total gains or losses		31 December 2021	Unrealised gains or losses included in profit or loss for assets and liabilities held at the end of the period
				Purchases	Sales and settlements	Recorded in profit or loss	Recorded in other comprehensive income		
Assets									
Loans and advances to customers at fair value through other comprehensive income		27,817,116	-	27,862,255	(27,817,116)	-	(3,306)	27,858,949	-
Financial investments at fair value through profit or loss									
- Trust beneficiary rights	17.1(b)	3,434,843	-	2,684,000	(1,243,014)	(64,309)	-	4,811,520	(64,309)
- Others		27,304	-	-	(27,304)	-	-	-	-
Sub-total		3,462,147	-	2,684,000	(1,270,318)	(64,309)	-	4,811,520	(64,309)
Financial investments at fair value through other comprehensive income									
- Debt securities		364,975	-	-	(184,224)	-	(32,256)	148,495	-
- Direct financing instruments for WMPs		226,063	-	-	(226,063)	-	-	-	-
- Trust beneficiary rights and asset management plan	17.1(b)	446,175	-	-	(136,236)	-	(280,973)	28,966	-
- Unlisted equity investments		566,705	-	-	-	-	10,846	577,551	-
Sub-total		1,603,918	-	-	(546,523)	-	(302,383)	755,012	-
Total		32,883,181	-	30,546,255	(29,633,957)	(64,309)	(305,689)	33,425,481	(64,309)

40 Financial risk management *(continued)*

40.3 Capital management

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient owner returns and benefits for other stakeholders.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Bank's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Bank calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by CBIRC in June 2012. According to the approach, the Bank calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method.

As at the end of the reporting period, the capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Rules for Regulating the Capital Adequacy of Commercial Banks (Trial)". For systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 8.50%, 9.50% and 11.50%, respectively. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively. At present, the Bank fully complies with all statutory and regulatory requirements.

40 Financial risk management *(continued)*

40.3 Capital management *(continued)*

The capital adequacy ratio of 30 June 2022 and 31 December 2021 under the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) is as follows:

	As at 30 June 2022	As at 31 December 2021
Core tier 1 capital	49,838,631	48,302,837
Core tier 1 capital deductions	(538,605)	(614,169)
Net core tier 1 capital	49,300,026	47,688,668
Other tier 1 capital	129,068	123,227
Net tier 1 capital	49,429,094	47,811,895
Tier 2 capital	4,352,547	8,058,585
Net capital	53,781,641	55,870,480
Total risk-weighted assets	370,187,352	342,993,018
Core tier 1 capital adequacy ratio	13.32%	13.90%
Tier 1 capital adequacy ratio	13.35%	13.94%
Capital adequacy ratio	14.53%	16.29%

41 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2022

Up to the date of issue of these financial statements, a number of amendments, new standards and interpretations are issued which are not yet effective for the six months ended 30 June 2022, and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	<i>Effective for the annual periods beginning on or after</i>
IFRS 17 and Amendments to IFRS 17, <i>Insurance contracts</i>	January 1, 2023
Amendments to IAS 1, <i>Presentation of financial statements</i> “ <i>Classification of liabilities as current or non-current</i> ”	January 1, 2023
Amendments to IAS 1, <i>Presentation of financial statements</i> and IFRS Practice Statement 2, <i>Making materiality judgements</i> “ <i>Disclosure of accounting policies</i> ”	January 1, 2023
Amendments to IAS 8, <i>Accounting policies, changes in accounting estimates and errors</i> “ <i>Definition of accounting estimates</i> ”	January 1, 2023
Amendments to IAS 12, <i>Income taxes</i> “ <i>Deferred tax related to assets and liabilities arising from a single transaction</i> ”	January 1, 2023
Amendments to IFRS 10 and IAS 28, <i>Sale or contribution of assets between an Investor and its associate or joint venture</i>	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

42 Comparative figure

To conform with the presentation of the financial statements, the Group made reclassification adjustments to certain figures for comparative period.

UNREVIEWED SUPPLEMENTARY INFORMATION

Information on Leverage Ratio

Accounting Items Corresponding to Leverage Regulatory Items and Differences between Regulatory Items and Accounting Items

(Unit: RMB'000)

No.	Item	June 30, 2022
1	Consolidated total assets	628,577,479
2	Consolidated adjustments	–
3	Adjustments on client assets	–
4	Derivatives adjustments	82,412
5	Securities financing transaction adjustments	–
6	Off-balance sheet item adjustments	7,717,952
7	Other adjustments	(538,605)
8	Adjusted balance of on- and off-balance sheet assets	635,839,239

Notes: (1) The consolidated total assets are reviewed data on a Group consolidated basis, and others are based on off-site supervision statement of the CBIRC on a Group consolidated basis.

(2) Adjusted balance of on- and off-balance sheet assets = consolidated total assets + consolidated adjustments + adjustments on client assets + derivatives adjustments + securities financing transaction adjustments + off-balance sheet item adjustments + other adjustments.

Leverage Ratio Level, Net Tier 1 Capital, Adjusted On- and Off-Balance Sheet Assets and Related Details

(Unit: RMB'000)

Item	June 30, 2022
On-balance sheet assets (except derivatives and securities financing transactions)	606,139,597
Less: Tier 1 capital deductions	(538,605)
Adjusted balance of on-balance sheet assets (excluding derivatives and securities financing transactions)	605,600,993
Replacement cost of various derivatives (net of qualifying margin)	373,646
Potential exposures of various derivatives	106,190
Total collateral been deducted from the balance sheet	–
Less: Assets receivable due to provision of qualified margin	–
Less: Derivative product asset balance formed from transactions with central counterparties when providing clearing services to clients	–
Notional principal for selling credit derivatives	–
Less: Deductible balance of sold credit derivatives assets	–
Derivative asset balance	479,837
Balance of accounting asset for securities financing transactions	18,995,509
Less: Deductible balance of securities financing transaction assets	–
Counterparty credit exposure for securities financing transactions	3,044,948
Asset balance of securities financing transactions formed by agency securities financing transactions	–
Asset balance of securities financing transactions	22,040,458
Off-balance sheet item balance	17,443,323
Less: Balance of off-balance sheet items decreased due to credit conversion	(9,725,371)
Adjusted off-balance sheet item balance	7,717,952
Net Tier 1 capital	49,429,094
Adjusted balance of on- and off-balance sheet assets	635,839,239
Leverage ratio	7.77%

- Notes: (1) Net Tier 1 capital and Tier 1 capital deductions are reviewed data of the Group, on-balance sheet assets (except derivatives and securities financing transactions) are calculated based on the reviewed data of the Group in accordance with relevant regulatory standard, and other items are based on off-site supervision statement of the CBIRC on a Group consolidated basis
- (2) The leverage ratio is calculated by dividing the net Tier 1 capital by the adjusted balance of on- and off-balance sheet assets.



东莞农村商业银行
DRC Bank