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JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED *
吉林九台農村商業銀行股份有限公司 *
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6122)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

The board of directors (the “**Board**” or “**Board of Directors**”) of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “**Bank**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank and its subsidiaries (the “**Group**”) for the year ended December 31, 2022 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its Audit Committee have reviewed and confirmed the Annual Results.

1. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:	吉林九台農村商業銀行股份有限公司 (abbreviated as “九台農商銀行”)
Registered Name in English:	Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as “ Jiutai Rural Commercial Bank ”)
Legal Representative:	Gao Bing ⁽¹⁾
Authorized Representatives:	Yuan Chunyu, Lau Kwok Yin
Board Secretary:	Yuan Chunyu
Joint Company Secretaries:	Yuan Chunyu, Lau Kwok Yin
Registered Office Address of the Bank:	No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin Province, the People's Republic of China (the “ PRC ”)
Principal Office Address of the Bank:	No. 2559 Wei Shan Road, High-tech Zone, Changchun, Jilin Province, the PRC

(1) The Board of the Bank received a resignation report from Mr. Gao Bing on March 17, 2023. Mr. Gao Bing resigned from the positions of executive Director, Chairman of the Bank, etc., due to the relevant regulation regarding expiration of the term of office as a key personnel, effective immediately. As at the date of this announcement, the Bank has not registered the change in legal representative.

Customer Service Hotline:	+86 (431) 96888
Telephone:	+86 (431) 8925 0628
Facsimile:	+86 (431) 8925 0628
Company Website:	www.jtnsh.com
Principal Place of Business in Hong Kong:	Room 15, 11th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong
H Share Disclosure Websites:	The Stock Exchange of Hong Kong Limited's HKEXnews website at www.hkexnews.hk The Bank's website at www.jtnsh.com
Listing Place:	The Stock Exchange of Hong Kong Limited (the " Hong Kong Stock Exchange ")
Stock Short Name:	JIUTAI RCB
Stock Code:	06122
H Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
PRC Legal Adviser:	King & Wood Mallesons 17/F-18/F, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District, Beijing, the PRC
Hong Kong Legal Adviser:	Clifford Chance 27/F, Jardine House One Connaught Place Central Hong Kong
Auditors of the Bank:	<i>Domestic Auditor:</i> CAC CPA Limited Liability Partnership 52/F Centre Plaza No. 188 Jiefang Road Heping District, Tianjin, the PRC <i>International Auditor:</i> SHINEWING (HK) CPA Limited 17/F, Chubb Tower, Windsor House 311 Gloucester Road, Causeway Bay, Hong Kong

2. FINANCIAL SUMMARY

2.1 Financial Data from 2018 to 2022

(Expressed in millions of RMB,
unless otherwise stated)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Operating results					
Interest income	14,382.7	12,524.3	10,371.1	8,722.5	8,602.6
Interest expenses	(7,867.8)	(6,347.9)	(5,272.6)	(4,557.1)	(5,082.5)
Net interest income	<u>6,514.9</u>	<u>6,176.4</u>	<u>5,098.5</u>	<u>4,165.4</u>	<u>3,520.1</u>
Fee and commission income	153.5	169.4	268.9	349.0	407.2
Fee and commission expenses	(71.8)	(96.7)	(38.3)	(32.5)	(31.6)
Net fee and commission income	<u>81.7</u>	<u>72.7</u>	<u>230.6</u>	<u>316.5</u>	<u>375.6</u>
Net gains arising from investment securities	98.6	87.3	46.4	21.1	11.8
Dividend income	21.4	57.0	59.4	64.7	82.2
Net trading gains	95.1	1.0	149.8	609.8	914.5
Gain/(loss) on disposal of an associate	—	—	(37.1)	37.5	—
Losses on deemed partial disposal of subsidiaries/associates	—	(46.5)	—	—	(6.2)
Losses on deemed disposal of a subsidiary	(208.6)	—	—	—	—
Net exchange gains	8.0	11.3	10.2	5.7	15.0
Other operating (expenses) incomes, net	(14.0)	3.1	(11.0)	90.7	124.6
Operating income	6,597.1	6,362.3	5,546.8	5,311.4	5,037.6
Operating expenses	(3,266.2)	(3,073.9)	(2,743.7)	(2,787.4)	(2,851.4)
Impairment losses on assets, net of reversals	(1,360.9)	(1,569.4)	(1,306.6)	(1,088.1)	(890.2)
Operating profit	1,970.0	1,719.0	1,496.5	1,435.9	1,296.0
Share of profits of associates	13.5	28.5	44.6	67.6	143.7
Profit before tax	1,983.5	1,747.5	1,541.1	1,503.5	1,439.7
Income tax expense	(311.5)	(457.5)	(341.4)	(307.8)	(256.1)
Profit for the year	<u>1,672.0</u>	<u>1,290.0</u>	<u>1,199.7</u>	<u>1,195.7</u>	<u>1,183.6</u>
Profit for the year attributable to:					
—Owners of the Bank	1,683.3	1,129.4	1,104.5	1,042.2	982.9
—Non-controlling interests	(11.3)	160.6	95.2	153.5	200.7
Profit for the year	<u>1,672.0</u>	<u>1,290.0</u>	<u>1,199.7</u>	<u>1,195.7</u>	<u>1,183.6</u>

(Expressed in millions of RMB,
unless otherwise stated)

	2022	2021	2020	2019	2018
Major indicators of assets/liabilities					
Total assets	267,000.7	234,140.2	200,363.3	173,275.5	164,253.2
Of which: loans and advances to customers	170,597.4	152,642.7	126,959.7	93,394.2	75,354.5
Total liabilities	248,381.4	216,365.2	184,112.1	157,615.4	149,145.7
Of which: deposits from customers	232,291.9	196,959.4	152,406.7	122,840.4	109,521.2
Total equity	18,619.3	17,775.0	16,251.2	15,660.1	15,107.5
Per share (RMB)					
Net assets per share	3.13	2.87 (Restated) ⁽¹⁴⁾	3.11	3.04	3.10
Basic earnings per share	0.33	0.22 (Restated) ⁽¹⁴⁾	0.25	0.24	0.23
Diluted earnings per share	0.33	0.22 (Restated) ⁽¹⁴⁾	0.25	0.24	0.23
Profitability indicators (%)					
Return on assets ⁽¹⁾	0.67%	0.59%	0.64%	0.71%	0.67%
Return on capital ⁽²⁾	9.19%	7.58%	7.52%	7.77%	7.45%
Net interest spread ⁽³⁾	2.44%	2.81%	2.58%	2.74%	2.36%
Net interest margin ⁽⁴⁾	2.56%	2.91%	2.75%	2.75%	2.22%
Net fee and commission income to operating income ratio ⁽⁵⁾	1.24%	1.14%	4.16%	5.96%	7.46%
Cost-to-income ratio ⁽⁶⁾	48.04%	46.90%	47.96%	51.08%	54.72%
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁷⁾	8.91%	8.83%	9.05%	9.55%	9.40%
Tier-one capital adequacy ratio ⁽⁸⁾	9.01%	8.96%	9.15%	9.66%	9.50%
Capital adequacy ratio ⁽⁹⁾	11.50%	11.63%	11.37%	11.98%	11.83%
Shareholders' equity to total assets ratio	6.97%	7.59%	8.11%	9.04%	9.20%
Assets quality indicators (%)					
Non-performing loan ratio ⁽¹⁰⁾	1.98%	1.88%	1.63%	1.68%	1.75%
Provision coverage ratio ⁽¹¹⁾	157.39%	157.33%	164.82%	167.58%	160.41%
Provision to total loan ratio ⁽¹²⁾	3.12%	2.95%	2.69%	2.82%	2.80%
Other indicators (%)⁽¹³⁾					
Loan to deposit ratio	75.67%	81.22%	86.85%	78.23%	70.79%

Notes:

- (1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.
- (2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and at the end of that year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets*100%.
- (10) Non-performing loan ratio = total non-performing loans/total loans and advances to customers*100%.
- (11) Provision coverage ratio = total provision for impairment losses on loans and advances to customers/total non-performing loans*100%.
- (12) Provision to total loan ratio = total provision for impairment losses on loans and advances to customers/total loans and advances to customers*100%.
- (13) The relevant indicator refers to the ratio the Bank reports to the China Banking and Insurance Regulatory Commission (the “**CBIRC**”) and calculated in accordance with PRC GAAP and relevant requirements of the CBIRC regarding financial data.
- (14) The weighted average number of ordinary shares in issue during the year ended 31 December 2021 has been adjusted retrospectively taking into account the capitalisation issue of 461,290,142 ordinary shares and 219,661,972 ordinary shares as if the capitalisation issue on 26 August 2022 and 23 July 2021 respectively had been completed on 1 January 2021.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Environment and Outlook

At present, the characteristics of changes in the world, times and history are more obvious, the uncertainty of external environment is increasing, and the growth momentum of the world economy and trade is weakening. Despite the recovery growth trend of domestic economy, the “triple pressure” of demand contraction, supply shock and weakening expectations continues.

2023 is the first year to implement the spirit of the 20th National Congress of the Communist Party of China. The focus will be further shifted to the economic development. Positive fiscal policy shall continue to increase efficiency, and prudent monetary policy shall be precise and powerful. Driven by the two major policies, the GDP is planned to increase by approximately 5%. Although banking financial institutions still face various operation pressures, the gradual recovery of China’s economy will drive the gradual recovery of market financing demand. With the implementation of a series of policies such as ensuring the demand for credit funds in key areas, supporting the expansion of consumption and the steady development of real estate, as well as the promotion of fiscal and monetary policies, the business environment is expected to be more friendly.

The Bank will make every effort to promote the implementation and effectiveness of the financial policies of the Party and the government, firmly grasp the development direction in accordance with the principle of “adhering to the orientation, consolidating the foundation, adjusting the structure, improving quality and efficiency, controlling risks and stabilizing growth”, and unswervingly follow the high-quality development path in the new era in serving the real economy and regional economic development.

3.2 Development Strategies

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

3.3 Overall Business Review

In 2022, in the face of the complex and severe external environment and multiple tests brought by the frequent outbreak of pandemic, the Group strictly implemented the decisions and plans of the Party and the government in compliance with the regulatory requirement at all levels, coordinated the pandemic prevention and control as well as reform and development, and maintained a stable and positive development trend.

The Group recorded a total operating income of RMB6,597.1 million in 2022, representing an increase of 3.7% as compared to RMB6,362.3 million in 2021. The Group's net profit increased by 29.6% from RMB1,290.0 million in 2021 to RMB1,672.0 million in 2022.

As of December 31, 2022, the Group's total assets amounted to RMB267,000.7 million, representing a year-on-year increase of 14.0%; total loans and advances to customers amounted to RMB170,597.4 million, representing a year-on-year increase of 11.8%; the non-performing loan ratio amounted to 1.98%, representing a year-on-year increase of 0.1 percentage point; total deposits from customers amounted to RMB227,345.1 million, representing a year-on-year increase of 17.7%.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			Change in percentage (%)
	2022	2021	Change in amount	
Interest income	14,382.7	12,524.3	1,858.4	14.8
Interest expense	(7,867.8)	(6,347.9)	(1,519.9)	23.9
Net interest income	6,514.9	6,176.4	338.5	5.5
Fee and commission income	153.5	169.4	(15.9)	(9.4)
Fee and commission expenses	(71.8)	(96.7)	24.9	(25.7)
Net fee and commission income	81.7	72.7	9.0	12.4
Net gains arising from investment securities	98.6	87.3	11.3	12.9
Dividend income	21.4	57.0	(35.6)	(62.5)
Net trading gains	95.1	1.0	94.1	9,410.0
Gain (losses) on disposal of an associate	—	—	—	—
Losses on deemed partial disposal of subsidiaries/associates	—	(46.5)	46.5	(100.0)
Losses on deemed disposal of a subsidiary	(208.6)	—	(208.6)	—
Net exchange gains	8.0	11.3	(3.3)	(29.2)
Other operating (expenses) incomes, net	(14.0)	3.1	(17.1)	(551.6)
Operating income	6,597.1	6,362.3	234.8	3.7
Operating expenses	(3,266.2)	(3,073.9)	(192.3)	6.3
Impairment losses on assets, net reservals	(1,360.9)	(1,569.4)	208.5	(13.3)
Operating profit	1,970.0	1,719.0	251.0	14.6
Share of profits of associates	13.5	28.5	(15.0)	(52.6)
Profit before tax	1,983.5	1,747.5	236.0	13.5
Income tax expense	(311.5)	(457.5)	146.0	(31.9)
Profit for the year	1,672.0	1,290.0	382.0	29.6
Profit for the year attributable to:				
—Owners of the Bank	1,683.3	1,129.4	553.9	49.0
—Non-controlling interests	(11.3)	160.6	(171.9)	(107.0)
Profit for the year	1,672.0	1,290.0	382.0	29.6

In 2022, the Group's profit before tax was RMB1,983.5 million, representing a year-on-year increase of 13.5%; profit for the year was RMB1,672.0 million, representing a year-on-year increase of 29.6%. It was mainly due to the fact that the Group actively implemented various policies of the Party and the State and the work plan of the regulatory authorities, adhered to its market positioning, continued to increase its support for agriculture and small businesses, continuously met the demand for structural and diversified financial services, and steadily increased the scale of loan placement, resulting in an increase in net interest income, which was partially offset by an increase in operating expenses.

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 97.1% and 98.8% of operating income in 2021 and 2022, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			Change in percentage (%)
	2022	2021	Change in amount	
Interest income	14,382.7	12,524.3	1,858.4	14.8
Interest expense	(7,867.8)	(6,347.9)	(1,519.9)	23.9
Net interest income	<u>6,514.9</u>	<u>6,176.4</u>	<u>338.5</u>	<u>5.5</u>

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2022			Year ended December 31, 2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning Assets						
Loans and advances to customers	176,272.2	12,402.7	7.04	150,225.2	10,424.2	6.94
Investment securities and other financial assets ⁽¹⁾	31,418.3	1,233.0	3.92	28,875.4	1,557.5	5.39
Financial assets held under resale agreements	14,408.3	278.2	1.93	3,158.7	98.7	3.12
Deposits with banks and other financial institutions	13,493.7	209.2	1.55	11,845.9	181.3	1.53
Deposits with the central bank ⁽²⁾	17,863.0	223.1	1.25	17,021.4	219.5	1.29
Placements with banks and other financial institutions	1,149.9	36.5	3.17	917.5	43.1	4.70
Total interest-earning assets	<u>254,605.4</u>	<u>14,382.7</u>	5.65	<u>212,044.1</u>	<u>12,524.3</u>	5.91

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2022			Year ended December 31, 2021		
	Average balance	Interest expenses	Average cost (%)	Average balance	Interest expenses	Average cost (%)
Interest-bearing liabilities						
Deposits from customers	221,802.6	7,152.9	3.22	173,993.7	5,328.5	3.06
Financial assets sold under repurchase agreements	6,190.4	92.5	1.49	5,723.8	117.9	2.06
Deposits from banks and other financial institutions	5,852.9	217.2	3.71	8,780.9	287.8	3.28
Debt securities issued ⁽³⁾	5,827.0	277.6	4.76	6,440.7	292.7	4.54
Placements from banks and other financial institutions	1,514.5	37.5	2.48	6,936.6	242.2	3.49
Borrowing from the central bank	3,286.0	68.8	2.09	2,404.0	54.7	2.28
Lease liabilities	476.2	21.3	4.47	524.5	24.1	4.59
Total interest-bearing liabilities	244,949.6	7,867.8	3.21	204,804.2	6,347.9	3.10
Net interest income		6,514.9			6,176.4	
Net interest spread⁽⁴⁾			2.44			2.81
Net interest margin⁽⁵⁾			2.56			2.91

Notes:

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

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

(Expressed in millions of RMB, unless otherwise stated)	2022 vs 2021		
	Volume⁽¹⁾	Interest rate⁽²⁾	Net Increase/ (decrease)⁽³⁾
Interest-earning Assets			
Loans and advances to customers	1,832.7	145.8	1,978.5
Investment securities and other financial assets	99.8	(424.3)	(324.5)
Financial assets held under resale agreements	217.2	(37.7)	179.5
Deposits with banks and other financial institutions	25.5	2.4	27.9
Deposits with the central bank	10.5	(6.9)	3.6
Placements with banks and other financial institutions	7.4	(14.0)	(6.6)
Changes in interest income	<u>2,193.1</u>	<u>(334.7)</u>	<u>1,858.4</u>
Interest-bearing Liabilities			
Deposits from customers	1,541.8	282.6	1,824.4
Financial assets sold under repurchase agreements	7.0	(32.4)	(25.4)
Deposits from banks and other financial institutions	(108.7)	38.1	(70.6)
Debt securities issued	(29.2)	14.1	(15.1)
Placements from banks and other financial institutions	(134.3)	(70.4)	(204.7)
Borrowing from the central bank	18.5	(4.4)	14.1
Lease liabilities	(2.2)	(0.6)	(2.8)
Changes in interest expense	<u>1,292.9</u>	<u>227.0</u>	<u>1,519.9</u>
Changes in net interest income	<u>900.2</u>	<u>(561.7)</u>	<u>338.5</u>

Notes:

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

(ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
Loans and advances to customers	12,402.7	86.2	10,424.2	83.2
Investment securities and other financial assets	1,233.0	8.6	1,557.5	12.4
Financial assets held under resale agreements	278.2	1.9	98.7	0.8
Deposits with banks and other financial institutions	209.2	1.5	181.3	1.4
Deposits with the central bank	223.1	1.5	219.5	1.9
Placements with banks and other financial institutions	36.5	0.3	43.1	0.3
Total	14,382.7	100.0	12,524.3	100.0

The Group's interest income increased by 14.8% from RMB12,524.3 million in 2021 to RMB14,382.7 million in 2022, primarily due to the increase in the average balance of interest-earning assets from RMB212,044.1 million in 2021 to RMB254,605.4 million in 2022, partially offset by the decrease in the average yield on interest-earning assets from 5.91% in 2021 to 5.65% in 2022. The increase in the average balance of interest-earning assets was mainly due to the Group's conscientious implementation of the economic and financial policies of the Party and the State, the continuous increase in support for agriculture and small businesses, and the continuous growth in the scale of loans; as well as the steady growth in the scale and volume of funding business as a result of the continuous enhancement of the use of funds in accordance with the changes in market conditions in order to increase the return on funds. The decrease in the average yield on interest-earning assets was mainly due to the decline in market funding rates and changes in the structure of investment securities and other financial assets, partially offset by the increase in the average yield on loans and advances issued due to the increase in the proportion of medium- and long-term loans.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 83.2% and 86.2% of the Group's total interest income in 2021 and 2022, respectively.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,					
	2022			2021		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loan and advances						
—Loan	146,212.8	10,350.5	7.08	119,630.1	8,434.0	7.05
—Finance leases loan	3,032.9	179.4	5.92	2,706.1	146.1	5.40
Retail loans	26,971.4	1,871.3	6.94	25,520.3	1,765.4	6.92
Discounted bills	55.1	1.5	2.72	2,368.7	78.7	3.32
Total loans and advances to customers	176,272.2	12,402.7	7.04	150,225.2	10,424.2	6.94

As the largest component of the Group's interest income, the interest income from loans and advances to customers increased by 19.0% from RMB10,424.2 million in 2021 to RMB12,402.7 million in 2022, which was mainly due to the increase in the average balance of loans and advances to customers from RMB150,225.2 million in 2021 to RMB176,272.2 million in 2022 and the increase in the average yield of such assets from 6.94% in 2021 to 7.04% in 2022. The increase in the average balance of these assets was mainly due to the Group's continuous enhancement of the quality and efficiency of its financial services to the real economy, its in-depth integration into the regional economic development strategy, its comprehensive enhancement of its ability to support micro enterprise, small enterprise and agricultural industries, its support for key industries and services in key areas, its continuous increase in the scale of credit allocation, and its support for the production and operation of enterprises affected by the pandemic by means of increased credit allocation. The increase in the average yield of these assets was mainly due to the increase in the proportion of medium- and long-term loans.

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

Interest income from investment securities and other financial assets decreased by 20.8% from RMB1,557.5 million in 2021 to RMB1,233.0 million in 2022, primarily due to a decrease in the average yield of investment securities and other financial assets from 5.39% in 2021 to 3.92% in 2022, which was partially offset by an increase in the average balance of such assets from RMB28,875.4 million in 2021 to RMB31,418.3 million in 2022. The increase in the average balance of such assets was primarily due to the Group's reasonable increase in the scale of bond investments in light of changes in market conditions and in conjunction with liquidity adequacy, which was partially offset by a decrease in the scale of investments under asset management plans and trust plans. The decrease in the average yield of such assets was primarily due to the changes in structure of investment assets and changes in market interest rates.

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

Interest income from financial assets held under resale agreements increased by 181.9% from RMB98.7 million in 2021 to RMB278.2 million in 2022, primarily due to an increase in the average balance of the financial assets held under resale agreements from RMB3,158.7 million in 2021 to RMB14,408.3 million in 2022, which was partially offset by the decrease in the average yield on such assets from 3.12% in 2021 to 1.93% in 2022. The increase in the average balance of such assets was primarily attributable to the fact that the Group reasonably increased the size of its financial assets held under resale agreements in order to balance its liquidity and to improve its ability to generate profits. The decrease in the average yield of such assets was primarily due to the decrease in market interest rate.

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

Interest income from deposits with banks and other financial institutions increased by 15.4% from RMB181.3 million in 2021 to RMB209.2 million in 2022, primarily due to the increase in the average balance of deposits with banks and other financial institutions from RMB11,845.9 in 2021 to RMB13,493.7 million in 2022, and the increase in the average yield on such assets from 1.53% in 2021 to 1.55% in 2022. The increase in the average balance of such assets was primarily due to the optimization of allocation of asset structure and reasonable increase in the scale of interbank deposits by the Group in accordance with its business needs. The increase in the average yield of such assets was primarily due to the change in the maturity structure of asset allocation.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 1.6% from RMB219.5 million in 2021 to RMB223.1 million in 2022, primarily due to the increase in the average balance of deposits with the central bank from RMB17,021.4 million in 2021 to RMB17,863.0 million in 2022, which was partially offset by the decrease in the average yield of such assets from 1.29% in 2021 to 1.25% in 2022. The increase in average balance of such assets was primarily due to the increase in the payment of legal deposit reserve as a result of the growth in the scale of deposits from customers of the Group. The decrease in the average yield of such assets was primarily due to the changes in the structure of the legal reserve and excess reserves.

(iii) Interest expenses

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2022		2021	
	Amount	% of total	Amount	% of total
Deposits from customers	7,152.9	90.9	5,328.5	83.9
Financial assets sold under repurchase agreements	92.5	1.2	117.9	1.9
Deposits from banks and other financial institutions	217.2	2.8	287.8	4.5
Debt securities issued	277.6	3.5	292.7	4.6
Placements from banks and other financial institutions	37.5	0.5	242.2	3.8
Borrowings from the central bank	68.8	0.9	54.7	0.9
Lease liabilities	21.3	0.2	24.1	0.4
Total	7,867.8	100.0	6,347.9	100.0

(A) Interest expenses on deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,					
	2022			2021		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Corporate deposits						
Time	9,085.0	219.0	2.41	7,703.6	227.4	2.95
Demand	46,201.4	1,237.2	2.68	41,247.6	954.6	2.31
Subtotal	55,286.4	1,456.2	2.63	48,951.2	1,182.0	2.41
Retail deposits						
Time	150,388.5	5,473.4	3.64	107,846.1	3,879.8	3.60
Demand	16,127.7	223.3	1.38	17,196.4	266.7	1.55
Subtotal	166,516.2	5,696.7	3.42	125,042.5	4,146.5	3.32
Total deposits from customers	221,802.6	7,152.9	3.22	173,993.7	5,328.5	3.06

Interest expenses on deposits from customers increased by 34.2% from RMB5,328.5 million in 2021 to RMB7,152.9 million in 2022, primarily due to an increase in the average balance of deposits from customers from RMB173,993.7 million in 2021 to RMB221,802.6 million in 2022 as well as an increase in the average cost of such liabilities from 3.06% in 2021 to 3.22% in 2022. The increase in average balance of such liabilities was primarily due to the Group's adherence to the "customer-centric" development philosophy, the promotion of the "Bank+" strategic cooperation, the in-depth implementation of the "community finance" construction, the enhancement of customer acquisition capabilities and the continuous development of precision marketing, which led to steady growth in deposits. The increase in the average cost of such liabilities was primarily due to the marketization of interest rates and changes in the structure of deposits.

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

Interest expenses on financial assets sold under repurchase agreements decreased by 21.5% from RMB117.9 million in 2021 to RMB92.5 million in 2022, primarily due to a decrease in the average cost of financial assets sold under repurchase agreements from 2.06% in 2021 to 1.49% in 2022, which was partially offset by the increase in average balance of such liabilities from RMB5,723.8 million in 2021 to RMB6,190.4 million in 2022. The decrease in the average cost of such liabilities was primarily due to the decrease in market interest rates. The increase in the average balance of such liabilities was mainly due to the proactive increase in the scale of such liabilities as the Group rationalized its debt structure based on its operational needs.

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

Interest expenses on deposits from banks and other financial institutions decreased by 24.5% from RMB287.8 million in 2021 to RMB217.2 million in 2022, mainly due to a decrease in the average balance of the deposits from banks and other financial institutions from RMB8,780.9 million in 2021 to RMB5,852.9 million in 2022, partially offset by the increase in the average cost of such liabilities from 3.28% in 2021 to 3.71% in 2022. The decrease in the average balance of such liabilities was primarily due to the steady growth of the Group's core deposits and the increasingly reasonable maturity structure of its liabilities, and the proactive adjustment of the scale of these liabilities. The increase in the average cost of such liabilities was mainly due to the changes in maturity structure.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued decreased by 5.2% from RMB292.7 million in 2021 to RMB277.6 million in 2022, mainly due to the decrease in the average balance of the debt securities issued from RMB6,440.7 million in 2021 to RMB5,827.0 million in 2022, which was offset by the increase in the average cost of such liabilities from 4.54% in 2021 to 4.76% in 2022. The decrease in the average balance of such liabilities was primarily due to the repayment of certain interbank certificates of deposit upon maturity. The increase in the average yield of such liabilities was primarily due to the changes in product structure and changes in maturity structure.

(iv) Net interest spread and net interest margin

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

Net interest spread decreased by 0.37 percentage points from 2.81% in 2021 to 2.44% in 2022. Net interest margin decreased by 0.35 percentage points from 2.91% in 2021 to 2.56% in 2022. The decrease in net interest margin and net interest spread were primarily due to the decrease of 0.26 percentage points in the average yield on interest-earning assets and the increase of 0.11 percentage points in the average cost of interest-bearing liabilities compared with the same period of the previous year. The decrease in the average yield on interest-earning assets was mainly due to the decrease in the average yields on investments in securities and other financial assets, deposits with the central bank, financial assets held under resale agreement and placement with banks and other financial institutions due to downturn in market interest rates, partially offset by the increase in the average yields on loans and advances to customers and deposits with banks and other financial institutions due to timely adjustment of asset duration matching by the Group based on changes in market environment and capital adequacy. The increase in the average cost of interest-bearing liabilities was mainly due to the increase in the average cost of deposits from customers as a result of the marketization of interest rates and changes in the type and maturity structure of deposits, as well as the increase in the average cost of debt securities issued and deposits from banks and other financial institutions as a result of changes in the maturity structure, partially offset by the decrease in the average cost of financial assets sold under repurchase agreements, borrowings from the central bank and lease liabilities.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2022	2021	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	31.2	33.2	(2.0)	(6.0)
Syndicated loan service fees	11.1	45.8	(34.7)	(75.8)
Settlement and clearing fees	52.4	65.5	(13.1)	(20.0)
Agency services fees	12.3	16.6	(4.3)	(25.9)
Wealth management service fees	38.2	3.9	34.3	879.5
Bank card service fees	3.5	3.4	0.1	2.9
Others ⁽¹⁾	4.8	1.0	3.8	380.0
Subtotal	153.5	169.4	(15.9)	(9.4)
Fee and commission expense	(71.8)	(96.7)	24.9	(25.7)
Net fee and commission income	81.7	72.7	9.0	12.4

Note:

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

Net fee and commission income increased by 12.4% from RMB72.7 million in 2021 to RMB81.7 million in 2022, primarily due to the increase in wealth management service fees and bank card service fees as well as the decrease in fee and commission expenses, partially offset by the decrease in advisory fees income, syndicated loan service fees, settlement and clearing fees, and agency services fees.

Advisory fees income decreased by 6.0% from RMB33.2 million in 2021 to RMB31.2 million in 2022, mainly due to the decrease in consultancy services provided by the Group to its clients.

Syndicated loan service fees income decreased by 75.8% from RMB45.8 million in 2021 to RMB11.1 million in 2022, mainly due to the decrease in the volume of syndicated loan business.

Settlement and clearing fees income decreased by 20.0% from RMB65.5 million in 2021 to RMB52.4 million in 2022, mainly due to the decrease in the volume of settlement business.

Agency service fees income decreased by 25.9% from RMB16.6 million in 2021 to RMB12.3 million in 2022, mainly due to the decrease in the volume of commissioned agency business.

Wealth management service fees income increased by 879.5% from RMB3.9 million in 2021 to RMB38.2 million in 2022, mainly due to the increase in the scale of financial products issued.

Bank card service fees income increased by 2.9% from RMB3.4 million in 2021 to RMB3.5 million in 2022, mainly due to the increase in the amount of bank card transactions.

Fee and commission expenses mainly included fees paid to third parties. Fee and commission expenses decreased by 25.7% from RMB96.7 million in 2021 to RMB71.8 million in 2022, mainly due to the decrease in the volume of settlement business.

(B) Net gains arising from investment securities

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

Net gains arising from investment securities increased by 12.9% from RMB87.3 million in 2021 to RMB98.6 million in 2022. The increase was mainly due to the Group's selective sale of its bond assets according to the portfolio investment strategy and the bond market price trend.

(C) Dividend income

Dividend income decreased by 62.5% from RMB57.0 million in 2021 to RMB21.4 million in 2022. The decrease in dividend income was mainly due to the decrease in dividend income as a result of the lower dividend payout of the non-controlling agricultural and commercial banks.

(D) Net trading gains

Net trading gains increased by 9,410.0% from RMB1.0 million in 2021 to RMB95.1 million in 2022, mainly due to the significant increase in gains during the holding period as a result of the increase in the size of the monetary fund business and the recovery of some maturing trading financial assets, partially offset by the loss on fair value changes.

(E) Net exchange gains

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains decreased by 29.2% from RMB11.3 million in 2021 to RMB8.0 million in 2022, mainly due to the decrease in foreign exchange trading income and the impact of foreign exchange rate fluctuations.

(F) Other operating income (expense), net

Other operating income (expense), net mainly included government subsidies and other non-recurring income, net of non-recurring expenses such as charitable donation. Other operating income (expense), net decreased from RMB3.1 million in 2021 to RMB(14.0) million in 2022, which was mainly due to the increase in deposit insurance premium payments as a result of the rise in deposits.

(vi) Operating expenses

Operating expenses increased by 6.3% from RMB3,073.9 million in 2021 to RMB3,266.2 million in 2022. The increase was primarily due to the increase in staff costs, general management and administrative expenses and taxes and surcharges, partially offset by the decrease in property and equipment expenses.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2022	2021	Change in amount	Change in Percentage (%)
Staff cost	2,103.8	1,924.5	179.3	9.3
Property and equipment expenses	547.6	549.3	(1.7)	(0.3)
General management and administrative expenses	517.9	509.9	8.0	1.6
Tax and surcharges	96.9	90.2	6.7	7.4
Total	3,266.2	3,073.9	192.3	6.3

(A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2022	2021	Change in amount	Change in Percentage (%)
Salaries and bonuses	1,512.9	1,373.2	139.7	10.2
Social insurance	315.1	295.6	19.5	6.6
Staff welfares	120.8	115.7	5.1	4.4
Housing allowances	125.8	111.3	14.5	13.0
Labor union and staff education expenses	29.2	28.7	0.5	1.7
Total staff costs	2,103.8	1,924.5	179.3	9.3

Staff costs increased by 9.3% from RMB1,924.5 million in 2021 to RMB2,103.8 million in 2022. The increase in staff costs was primarily due to the increase in the number of employees due to the establishment of additional business outlets, which led to an increase in employee salaries and bonuses and other related expenses.

(B) Property and equipment expenses

Property and equipment expenses decreased by 0.3% from RMB549.3 million in 2021 to RMB547.6 million in 2022. The decrease in property and equipment expenses was mainly due to the depreciation period of some of the Group's owned properties, partially offset by the increase in depreciation expenses for newly established business outlets.

(C) General management and administrative expenses

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash and repair expenses. General management and administrative expenses increased by 1.6% from RMB509.9 million in 2021 to RMB517.9 million in 2022. The increase in general management and administrative expenses was primarily due to the increase in general management and administrative expenses associated with the growing scale of the Group's business and the increase in the number of outlets.

(D) Tax and surcharges

Tax and surcharges increased by 7.4% from RMB90.2 million in 2021 to RMB96.9 million in 2022. The increase in tax and surcharges were primarily due to the increase in additional tax expense as a result of the increase in VAT paid by the Group compared to the same period.

(vii) Impairment losses on assets, net of reservals

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2022	2021	Change in amount	Change in Percentage (%)
Loans and advances to customers	1,128.7	1,232.0	(103.3)	(8.4)
Debt securities financial assets at fair value through other comprehensive income	0.1	—	0.1	—
Financial assets measured at amortized cost	187.0	308.8	(121.8)	(39.4)
Deposits with banks and other financial institutions	(0.6)	1.7	(2.3)	(135.3)
Placements with banks and other financial institutions	0.2	(0.5)	0.7	(140.0)
Other receivables and repossessed assets	27.7	10.1	17.6	174.3
Financial assets held under resale agreements	—	—	—	—
Provision for credit commitments and financial guarantees	13.6	17.1	(3.5)	(20.5)
Property and equipment	—	0.2	(0.2)	(100.0)
Interest receivables (included in other assets)	4.2	—	4.2	—
Total	<u>1,360.9</u>	<u>1,569.4</u>	<u>(208.5)</u>	<u>(13.3)</u>

Impairment losses on assets, net of reservals decreased by 13.3% from RMB1,569.4 million in 2021 to RMB1,360.9 million in 2022. The decrease in impairment losses on assets, net of reservals was mainly due to the change in the scope of consolidation and the decrease in the scale of growth of the Group's loans and advances to customers in 2022 as compared to 2021 and the corresponding decrease in the provision for loan impairment losses.

(viii) Income tax expense

Income tax expense decreased by 31.9% from RMB457.5 million in 2021 to RMB311.5 million in 2022. The decrease in income tax expense was due to the increase in tax-free income.

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2022 and 2021, the Group's total assets amounted to RMB267,000.7 million and RMB234,140.2 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and other financial institutions; (iv) cash and deposits with the central bank; (v) financial assets held under resale agreements; and (vi) placements with banks and other financial institutions. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
Assets				
Total loans and advances to customers	172,029.4	64.4	156,850.2	67.0
Accrued interest on loans and advances to customers	3,927.5	1.5	420.6	0.2
Provision for impairment losses	(5,359.5)	(2.0)	(4,628.1)	(2.0)
Loans and advances to customers, net	170,597.4	63.9	152,642.7	65.2
Investment securities and other financial assets ⁽¹⁾	33,726.6	12.6	30,806.5	13.2
Deposits with banks and other financial institutions	11,092.3	4.1	10,866.7	4.6
Cash and deposits with the central bank	34,642.8	13.0	30,998.0	13.2
Financial assets held under resale agreements	9,570.5	3.6	1,498.8	0.6
Placements with banks and other financial institutions	425.2	0.2	135.0	0.1
Other assets ⁽²⁾	6,945.9	2.6	7,192.5	3.1
Total assets	<u>267,000.7</u>	<u>100.0</u>	<u>234,140.2</u>	<u>100.0</u>

Notes:

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

(A) Loans and advances to customers

As of December 31, 2022, the Group's total loans and advances to customers was RMB172,029.4 million, representing an increase of 9.7% as compared to December 31, 2021. Net loans and advances to customers accounted for 63.9% of the Group's total assets, representing a decrease of 1.3 percentage points as compared to December 31, 2021.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Corporate loan and advances				
—Loan	142,112.5	82.6	126,768.5	80.8
—Finance leases loan	2,932.1	1.7	3,473.4	2.2
Retail loans	26,984.8	15.7	26,594.9	17.0
Discounted bills	—	—	13.4	0.0
Total loans and advances to customers	172,029.4	100.0	156,850.2	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 62.4% and 65.0% of total assets as of December 31, 2022 and 2021, respectively.

The Group's corporate loans increased by 11.4% from RMB130,241.9 million as of December 31, 2021 to RMB145,044.6 million as of December 31, 2022, primarily due to the fact that, with the objective of better serving the real economy, the Group continued to increase credit allocation, improved credit supply, assisted the strategy of high-quality development of the regional economy, improved financial services around industrial clusters, strongly supported industrial transformation and upgrading, and fully met the reasonable credit needs of enterprises.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans increased by 1.5% from RMB26,594.9 million as of December 31, 2021 to RMB26,984.8 million as of December 31, 2022, primarily due to the fact that the Group promoted retail transformation and upgrading, increased the use of retail digital system, and provided a comprehensive service package for retail customers, which contributed to the steady growth of retail loan scale.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 97.8% and 98.4% of total loans and advances to customers as of December 31, 2022 and 2021, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Collateralized loans	68,575.0	39.8	65,738.2	41.9
Pledged loans	16,286.6	9.5	13,589.9	8.7
Guaranteed loans	83,425.1	48.5	74,951.2	47.8
Unsecured loans	3,742.7	2.2	2,570.9	1.6
Total loans and advances to customers	172,029.4	100.0	156,850.2	100.0

Collateralized loans and pledged loans are the largest component of total loans and advances to customers. Collateralized loans and pledged loans as a percentage of total loans and advances to customers were 50.6% as of December 31, 2021 and 49.3% as of December 31, 2022, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of total loans and advances to customers was 47.8% as of December 31, 2021 and 48.5% as of December 31, 2022, respectively.

The Bank and each subsidiary extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2021 and 2022, unsecured loans represented 1.6% and 2.2% of total loans and advances to customers, respectively.

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

(Expressed in millions of RMB,
unless otherwise stated)

	<u>2022</u>	<u>2021</u>
At the beginning of the year	4,628.1	3,501.9
Charge for the year	1,082.1	1,171.0
Reverse for the year	46.6	61.0
Amounts written off as uncollectible	(130.7)	(113.9)
Recoveries of loans and advances previously written off	10.3	8.1
Changes due to consolidation	(276.9)	—
As of December 31	<u>5,359.5</u>	<u>4,628.1</u>

Provision for impairment losses on loans increased by 15.8% from RMB4,628.1 million as of December 31, 2021 to RMB5,359.5 million as of December 31, 2022, primarily due to the increase in the provision for impairment losses on loans and advances to customers as the Group scientifically applied the expected credit loss method to assess future impairment in light of the increase in the size of loans and advances to customers, which was partially offset by the change in the scope of consolidation.

(B) Investment securities and other financial assets

As of December 31, 2022 and 2021, the Group had investment securities and other financial assets of RMB33,726.6 million and RMB30,806.5 million, respectively, representing 12.6% and 13.2% of its total assets, respectively.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
Debt securities investments				
Financial assets at fair value through other comprehensive income	3,839.9	11.4	4,938.0	16.0
Financial assets at amortized cost	16,766.8	49.7	9,711.0	31.5
Subtotal	20,606.7	61.1	14,649.0	47.5
Asset management plans and trust plans				
Asset management plans	3,696.3	11.0	6,178.0	20.1
Trust plans	5,575.5	16.5	6,646.9	21.6
Subtotal	9,271.8	27.5	12,824.9	41.7
Funds	1,003.0	3.0	504.7	1.6
Subtotal	1,003.0	3.0	504.7	1.6
T+0 clearing and advances	0.0	0.0	0.0	0.0
Subtotal	0.0	0.0	0.0	0.0
Equity investments				
Financial assets at fair value through other comprehensive income	141.3	0.4	178.5	0.6
Financial assets at fair value through profit or loss	906.1	2.7	1,105.5	3.6
Subtotal	1,047.4	3.1	1,284.0	4.2
Accrued interest	1,797.7	5.3	1,543.9	5.0
Total investment securities and other financial assets, net	33,726.6	100.0	30,806.5	100.0

Investment securities and other financial assets increased by 9.5% from RMB30,806.5 million as of December 31, 2021 to RMB33,726.6 million as of December 31, 2022. The increase in investment securities and other financial assets were primarily due to the timely adjustment in investment strategy and increase in the investment of debt securities by the Group based on the liquidity adequacy level, market changes and its actual operating condition, partially offset by the decrease in the investment of asset management plans and trust plans.

(ii) Liabilities

As of December 31, 2022 and 2021, total liabilities amounted to RMB248,381.4 million and RMB216,365.2 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) deposits from banks and other financial institutions; (iv) borrowing from the central bank; (v) placement from banks and other financial institutions, and (vi) financial assets sold under repurchase agreements. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
Deposits from customers	232,291.9	93.5	196,959.4	91.0
Debt securities issued	5,351.2	2.2	6,290.4	2.9
Financial assets sold under repurchase agreements	50.0	0.0	—	—
Deposits from banks and other financial institutions	3,471.6	1.4	6,890.2	3.2
Borrowing from the central bank	3,679.8	1.5	2,851.5	1.3
Placements from banks and other financial institutions	2,052.8	0.8	1,502.5	0.7
Other liabilities ⁽¹⁾	1,484.1	0.6	1,871.2	0.9
Total liabilities	248,381.4	100.0	216,365.2	100.0

Note:

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

(A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Restated amount	% of total
Corporate deposits				
Demand deposits	42,187.6	18.2	38,020.5	19.3
Time deposits	8,658.8	3.7	7,962.4	4.0
Subtotal	50,846.4	21.9	45,982.9	23.3
Retail deposits				
Demand deposits	15,817.8	6.8	16,652.9	8.5
Time deposits	157,255.3	67.7	126,759.9	64.4
Subtotal	173,073.1	74.5	143,412.8	72.9
Others⁽¹⁾	3,425.6	1.5	3,710.5	1.8
Total deposits from customers	227,345.1	97.9	193,106.2	98.0
Accrued interest	4,946.8	2.1	3,853.2	2.0
Total deposits from customers	232,291.9	100.0	196,959.4	100.0

Note:

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

Total deposits from customers increased by 17.7% from RMB193,106.2 million as of December 31, 2021 to RMB227,345.1 million as of December 31, 2022. The increase was primarily due to the fact that the Group gave full play to the strengths of its outlets, accelerated digitalization, improved customer experience, realized multi-channel “customer acquisition”, realized a full range of “active customers”, and promoted the linkage of marketing services in various categories of business, resulting in the continuous growth of deposit scale. As well as the fact that due to the impact of the pandemic, residents’ demand for investment and consumption was low, and the willingness to save rose. The Company’s customers increased their liquidity reserves based on their operating needs, resulting in faster growth of retail time deposits and corporate demand deposits.

(B) Debts securities issued

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

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

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

From January 1, 2022 to December 31, 2022, the Bank issued five tranches of zero-coupon interbank certificates, with an aggregate face value of RMB2,500.0 million. The interbank certificates have a term of one year and bear interest at effective rates between 2.85% and 3.50%.

(iii) Shareholders' equity

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Share capital	5,074.2	27.2	4,612.9	26.0
Capital reserve	4,256.8	22.9	5,050.5	28.4
Investment revaluation reserve	56.6	0.3	94.7	0.5
Surplus reserve	1,223.8	6.6	1,058.2	5.9
General reserve	2,636.7	14.1	2,322.0	13.1
Retained earnings	2,639.9	14.2	1,436.8	8.1
Non-controlling interests	2,731.3	14.7	3,199.9	18.0
Total equity	<u>18,619.3</u>	<u>100.0</u>	<u>17,775.0</u>	<u>100.0</u>

(c) Assets Quality Analysis

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

The non-performing loans of the Group are classified into substandard, doubtful and loss. As of December 31, 2022, the Group's non-performing loans amounted to RMB3,405.2 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Normal	163,090.3	94.8	149,270.2	95.2
Special mention	5,533.9	3.2	4,638.3	3.0
Substandard	246.2	0.1	647.1	0.4
Doubtful	3,080.8	1.9	2,226.0	1.4
Loss	78.2	0.0	68.6	0.0
Total loans and advances to customers	172,029.4	100.0	156,850.2	100.0
Non-performing loan and non-performing loan ratio⁽¹⁾	3,405.2	1.98	2,941.7	1.88

Note:

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

The Group's non-performing loan ratio increased from 1.88% as of December 31, 2021 to 1.98% as of December 31, 2022. The increase was primarily due to the impact of overlapping factors such as the external economic environment and the COVID-19 pandemic, which caused the recovery of production and operation of enterprises in the region was slower than expected, and the repayment ability of certain loan customers with difficulties in operation and inadequate cash flow decreased accordingly.

(ii) Concentration of loans

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022				As of December 31, 2021			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans								
Wholesale and retail	31,291.3	18.2	402.7	1.29	26,881.0	17.1	417.7	1.55
Leasing and business services	25,772.5	15.0	246.0	0.95	24,519.2	15.6	451.2	1.84
Manufacturing	16,518.1	9.6	674.0	4.08	19,020.4	12.1	378.8	1.99
Construction	16,332.8	9.5	137.5	0.84	16,126.8	10.3	151.8	0.94
Agriculture, forestry, animal husbandry and fishery	12,658.0	7.4	253.2	2.00	8,863.7	5.7	254.2	2.87
Real estate	9,550.1	5.6	118.6	1.24	4,751.5	3.0	6.6	0.14
Transportation, storage and postal services	8,499.2	4.9	63.5	0.75	5,908.4	3.8	60.5	1.02
Scientific research, technical services and geological prospecting	6,098.4	3.5	25.3	0.41	6,997.2	4.5	77.9	1.11
Information transmission, computer services and software	4,077.6	2.4	44.3	1.09	4,667.5	3.0	72.1	1.54
Water, environment and public facility management	3,583.3	2.1	61.9	1.73	2,445.6	1.6	39.0	1.59
Accommodation and catering	3,016.9	1.7	19.0	0.63	2,995.1	1.9	53.5	1.79
Electricity, gas and water production and supply	2,763.6	1.6	92.1	3.33	1,882.3	1.2	75.0	3.98
Education	1,848.2	1.1	—	—	2,092.9	1.3	—	—
Health and social services	1,384.0	0.8	—	—	1,413.3	0.9	—	—
Resident and other services	720.6	0.4	56.7	7.87	797.3	0.5	13.5	1.69
Cultural, sports and entertainment	538.5	0.3	18.2	3.38	485.2	0.3	13.3	2.74
Mining	239.8	0.1	15.1	6.30	213.5	0.1	6.8	3.19
Public administration, social security and social organizations	151.0	0.1	—	—	181.0	0.1	—	—
Finance	0.7	0.0	—	—	—	—	—	—
Retail loans	26,984.8	15.7	1,177.1	4.36	26,594.9	17.0	869.8	3.27
Discounted bills	—	—	—	—	13.4	0.0	—	—
Total	172,029.4	100.0	3,405.2	1.98	156,850.2	100.0	2,941.7	1.88

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

Loans to borrowers in the wholesale and retail, leasing and business services, manufacturing, construction, and agriculture, forestry, animal husbandry and fishery industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 70.7% and 73.3% of total corporate loans as of December 31, 2022 and 2021, respectively.

As of December 31, 2022, non-performing loans of the Group's corporate loans were mainly concentrated in the manufacturing industry and the wholesale and retail industry, with non-performing loan ratios of 4.08% and 1.29%.

(B) Borrower concentration

Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of December 31, 2022. All of these loans were classified as normal.

**(Expressed in millions of RMB,
unless otherwise stated)**

Customer	Industry	As of December 31, 2022	
		Amount	% of total loan
Borrower A	Transportation, storage and postal services	1,100.0	0.64
Borrower B	Leasing and business services	1,100.0	0.64
Borrower C	Construction	1,097.4	0.64
Borrower D	Real estate	1,059.8	0.61
Borrower E	Accommodation and catering	1,000.0	0.58
Borrower F	Leasing and business services	996.0	0.58
Borrower G	Water, environment and public facility management	942.6	0.55
Borrower H	Transportation, storage and postal services	884.9	0.51
Borrower I	Wholesale and retail	882.5	0.51
Borrower J	Manufacturing	869.3	0.51
Total		<u>9,932.5</u>	<u>5.77</u>

(C) Distribution of non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022			As of December 31, 2021		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans						
Small and micro enterprises ⁽¹⁾	105,398.1	1,864.8	1.77	95,243.8	1,448.9	1.52
Medium enterprises ⁽¹⁾	26,431.8	288.5	1.09	24,761.5	370.9	1.50
Large enterprises ⁽¹⁾	13,172.0	74.8	0.57	9,754.0	252.1	2.58
Others ⁽²⁾	42.7	—	—	482.6	—	—
Subtotal	145,044.6	2,228.1	1.54	130,241.9	2,071.9	1.59
Retail loans						
Personal business loans	20,432.9	1,022.6	5.00	19,967.0	741.7	3.71
Personal consumption loans	3,114.8	125.2	4.02	2,850.9	109.5	3.84
Residential and commercial mortgage loans	3,419.5	28.3	0.83	3,756.4	18.2	0.48
Credit card overdrafts	17.6	1.0	5.68	20.6	0.4	1.94
Subtotal	26,984.8	1,177.1	4.36	26,594.9	869.8	3.27
Discounted bills	—	—	—	13.4	—	—
Total loans	172,029.4	3,405.2	1.98	156,850.2	2,941.7	1.88

Notes:

- (1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises.
- (2) Mainly consist of public services institutions and social organizations.

The non-performing loan ratio of corporate loans decreased from 1.59% as of December 31, 2021 to 1.54% as of December 31, 2022, primarily due to the fact that the Group implemented a policy to help enterprises resume production and work, and increased support for small, medium and large enterprises affected by the pandemic, and continuously optimized its credit structure, with credit resources tilted towards the three rurals, business services and information technology sectors.

The non-performing loan ratio of retail loans increased from 3.27% as of December 31, 2021 to 4.36% as of December 31, 2022, which was mainly due to the fact that under the impact of the prolonged and changing pandemic situation, the recovery of production and operation of certain enterprises in the region was slower than expected, the improvement from operating difficulties has been slow and the personal income of certain borrowers became unstable and their repayment ability decreased accordingly.

(D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022		As of December 31, 2021	
	Amount	% of total	Amount	% of total
Loans not overdue	166,632.0	96.8	148,175.7	94.5
Loans past due for:				
1 to 90 days	1,852.6	1.1	5,212.4	3.3
91 days to 1 year	696.4	0.4	1,120.8	0.7
1 to 3 years	1,847.5	1.1	1,630.6	1.0
3 years or more	1,000.9	0.6	710.7	0.5
Subtotal	5,397.4	3.2	8,674.5	5.5
Total loans and advances to customers	172,029.4	100.0	156,850.2	100.0

(d) Segment Information

(i) Summary of geographical segment information

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2022		Year ended December 31, 2021	
	Amount	% of total	Amount	% of total
Jilin Province	5,651.6	85.7	5,553.4	87.3
Other Regions ⁽¹⁾	945.5	14.3	808.9	12.7
Total operating income	6,597.1	100.0	6,362.3	100.0

Note:

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

(ii) Summary of business segments

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2022		Year ended December 31, 2021	
	Amount	% of total	Amount	% of total
Corporate banking	4,488.3	68.0	3,776.8	59.4
Retail banking	3,313.8	50.2	2,495.7	39.2
Treasury operations	(1,011.8)	(15.3)	65.0	1.0
Others ⁽¹⁾	(193.2)	(2.9)	24.8	0.4
Total	6,597.1	100.0	6,362.3	100.0

Note:

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

(e) Off-balance Sheet Commitments

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022	As of December 31, 2021
Credit commitments:		
Bank acceptances ⁽¹⁾	2,410.5	2,553.9
Letters of credit ⁽²⁾	3.7	18.9
Letters of guarantee ⁽²⁾	4,411.5	2,849.5
Unused limits of credit cards	<u>162.1</u>	<u>161.1</u>
Subtotal	<u>6,987.8</u>	<u>5,583.4</u>
Operating lease commitments	—	—
Capital commitments	<u>7.2</u>	<u>3.2</u>
Total	<u>6,995.0</u>	<u>5,586.6</u>

Notes:

(1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on its customers.

(2) The Group issues letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments increased by 25.2% from RMB5,586.6 million as of December 31, 2021 to RMB6,995.0 million as of December 31, 2022. The increase in off-balance sheet commitments was primarily due to the increase in business volume of letter of guarantee, partially offset by the decrease in business volume of bank acceptances and letters of credit.

3.4 Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of December 31, 2022, the Group had approximately 4,374 corporate borrowers with loans and advances to customers totaling RMB145,044.6 million. In 2022 and 2021, operating income from the Group's corporate banking business was RMB4,488.3 million and RMB3,776.8 million, respectively, accounting for 68.0% and 59.4% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of December 31, 2022, the Group had 3,189 SME customers with total loans and advances totaling RMB113,270.3 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2022	2021	
External interest income, net ⁽¹⁾	9,020.4	7,341.6	22.9
Inter-segment interest expenses, net ⁽²⁾	(4,565.6)	(3,624.3)	26.0
Net interest income	4,454.8	3,717.3	19.8
Net fee and commission income	33.5	59.5	(43.7)
Operating income	4,488.3	3,776.8	18.8
Operating expenses	(1,697.1)	(1,682.5)	0.9
Impairment losses on assets, net of reservals	(808.5)	(1,254.6)	(35.6)
Profit before tax	1,982.7	839.7	136.1

Notes:

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

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

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of December 31, 2022 and 2021, the Group's corporate loans totaled RMB145,044.6 million and RMB130,241.9 million, respectively, accounting for 84.3% and 83.0% of the Group's gross loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than one year. The Group may rediscount these bills to the People's Bank of China (the "PBOC") or other financial institutions. As of December 31, 2022, the Group had a balance of RMBnil in discounted bills.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of December 31, 2022 and 2021, the Group's corporate deposits totaled RMB50,846.4 million and RMB45,982.9 million, respectively, accounting for 22.4% and 23.8% of total deposits from customers, respectively.

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

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

(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. In 2022 and 2021, the Group's income from consulting and financial advisory services was RMB31.2 million and RMB33.2 million, respectively.

(B) Syndicated loans services

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their relatively large financing needs. In 2022 and 2021, the Group earned service fees for syndicated loans of RMB11.1 million and RMB45.8 million, respectively.

(C) Settlement and clearing services

The Group offers settlement services, including settlement of cash transfers, drafts, cheques and other negotiable instruments, to corporate customers.

(D) Entrusted loans

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

(E) Agency services

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

(F) Wealth management services

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

(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of December 31, 2022, the Group had 70,136 retail borrowers with gross loans and advances to customers of RMB26,984.8 million. In 2022 and 2021, the operating income from the Group's retail banking business amounted to RMB3,313.8 million and RMB2,495.7 million, respectively, accounting for 50.2% and 39.2% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking business for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2022	2021	
External interest expenses, net ⁽¹⁾	(3,792.8)	(2,411.2)	57.3
Inter-segment interest income, net	7,096.6	4,899.3	44.8
Net interest income	3,303.8	2,488.1	32.8
Net fee and commission income	10.0	7.6	31.6
Operating income	3,313.8	2,495.7	32.8
Operating expenses	(1,485.1)	(1,295.3)	14.7
Impairment losses on assets, net of reservals	(333.8)	5.4	(6,281.5)
Profit before tax	1,494.9	1,205.8	24.0

Note:

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

(i) Retail loans

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of December 31, 2022 and 2021, the Group's retail loans totaled RMB26,984.8 million and RMB26,594.9 million, accounting for 15.7% and 17.0% of total loans and advances to customers, respectively.

(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of December 31, 2022 and 2021, the Group's retail deposits totaled RMB173,073.1 million and RMB143,412.8 million, accounting for 76.1% and 74.3% of total deposits from customers, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (長春市總工會) to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group cooperates with well-known domestic third-party payment companies for Internet payment to enhance cardholder experience. As of December 31, 2022, the Group had issued approximately 4.63 million debit cards.

(B) Credit cards

The Bank issued standard UnionPay credit cards to high-quality customer groups and paid attention to users' needs, and the service quality has been continuously improved. In 2022, the Bank upgraded the approval process of its business system to shorten the credit approval time, with the aim of enhancing the card processing experience of customers. The Bank continued to upgrade the interface and functions of the "Jiutai Rural Commercial Bank Credit Card (九台農商銀行信用卡)" WeChat official account and "Jiushang Credit Card (九商信用卡)" mobile APP, so to provide customers with more convenient and comprehensive online credit card services. The Bank enriched its business products to meet the card needs of different customer bases. While improving credit card services, the Bank also closely monitored and effectively prevented and controlled risks relating to credit card business. The credit card business operated smoothly during the year.

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

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

(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including net worth wealth management products and non-net worth wealth management products. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. In 2022 and 2021, the Bank's sales of wealth management products to retail customers totaled RMB9,839.9 million and RMB8,171.5 million, respectively.

(B) Private banking service

The Bank provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. In 2022 and 2021, the Bank's sales of wealth management products to private banking customers totaled RMB390.0 million and RMB512.6 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts, and health consultancy services offered in cooperation with third parties.

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

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

(c) Treasury Operations

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In response to the complicated and ever-changing economic and financial environment as well as changes in policies and market, the Group placed an emphasis on optimization of the assets and liabilities structure and improvement in the yield of our treasury operations. The Bank capitalized on investment opportunities through timely adjustment of its investment strategies and compliant and prudent development of the treasury business. In 2022 and 2021, operating income from the Group's treasury operations was RMB(1,011.8) million and RMB65.0 million, accounting for (15.3)% and 1.0% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2022	2021	
External interest income, net ⁽¹⁾	1,287.3	1,246.1	3.3
Inter-segment interest expenses, net ⁽²⁾	(2,531.0)	(1,275.0)	98.5
Net interest income	(1,243.7)	(28.9)	4,203.5
Net fee and commission income	38.2	5.6	582.1
Net income from other businesses ⁽³⁾	193.7	88.3	119.4
Operating income	(1,011.8)	65.0	(1,656.6)
Operating expenses	(45.3)	(83.6)	(45.8)
Impairment losses on assets, net of reservals	(186.7)	(309.9)	(39.8)
Profit before tax	(1,243.8)	(328.5)	278.6

Notes:

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

(i) Money market transactions

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

(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to regulate its asset and liability structure. As of December 31, 2022 and 2021, the Group's deposits from banks and other financial institutions totaled RMB3,471.6 million and RMB6,890.2 million, and deposits at banks and other financial institutions totaled RMB11,092.3 million and RMB10,866.7 million, respectively.

(B) Interbank placement

As of December 31, 2022 and 2021, the Group's placements with banks and other financial institutions totaled RMB425.2 million and RMB135.0 million, and the Group's placements from banks and other financial institutions totaled RMB2,052.8 million and RMB1,502.5 million, respectively.

(C) Interbank repurchase and reverse repurchase transactions

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-dominated government bonds and policy financial bonds. As of December 31, 2022 and 2021, the Group's financial assets held under resale agreements totaled RMB9,570.5 million and RMB1,498.8 million, and financial assets sold under repurchase agreements totaled RMB50.0 million and totaled RMB nil, respectively.

(ii) Investments in securities and other financial assets

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

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

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

(Expressed in millions of RMB, unless otherwise stated)	As at December 31, 2022		As at December 31, 2021	
	Amount	% of total	Restated amount	% of total
Financial assets at fair value through profit or loss	1,909.1	5.7	2,552.2	8.3
Financial assets at fair value through other comprehensive income	4,019.8	11.9	5,169.9	16.8
Financial assets at amortized cost	27,797.7	82.4	23,084.4	74.9
Total investment securities and other financial assets	33,726.6	100.0	30,806.5	100.0

Total investment securities and other financial assets increased by 9.5% from RMB30,806.5 million as of December 31, 2021 to RMB33,726.6 million as of December 31, 2022.

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

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

(Expressed in millions of RMB, unless otherwise stated)	As at December 31, 2022		As at December 31, 2021	
	Amount	% of total	Restated amount	% of total
Immediately due	6,160.8	18.3	7,176.3	23.3
Due in 3 months	2,090.6	6.2	2,533.9	8.3
Due between 3 and 12 months	7,214.7	21.4	10,239.9	33.2
Due between 1 and 5 years	8,480.4	25.1	5,586.5	18.1
Due over 5 years	8,732.7	25.9	3,985.9	12.9
Undefined	1,047.4	3.1	1,284.0	4.2
Total	33,726.6	100.0	30,806.5	100.0

The Group's securities investment with a remaining maturity of over 5 years accounted for the largest portion.

(C) Holding of government bonds

As of December 31, 2022, the balance of face value of the government bonds held by the Group amounted to RMB18,705.9 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of December 31, 2022.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
22 Interest-bearing treasury bond 23	3,400.0	1.67	October 25, 2023
22 Interest-bearing treasury bond 08	2,860.0	3.32	April 15, 2052
22 Interest-bearing treasury bond 24	1,580.0	3.12	October 25, 2052
22 Interest-bearing treasury bond 20	1,450.0	1.99	September 15, 2024
22 discounted treasury bond 68	1,260.0	1.98	May 29, 2023
21 Interest-bearing treasury bond 09	1,190.0	3.02	May 27, 2031
21 Interest-bearing treasury bond 08	790.0	2.57	May 20, 2023
21 Interest-bearing treasury bond 12	440.0	2.47	September 2, 2024
21 Interest-bearing treasury bond 11	400.0	2.69	August 12, 2026
21 Interest-bearing treasury bond 13	390.0	2.91	October 14, 2028
Total	<u>13,760.0</u>		

(D) Holding of financial bonds

As of December 31, 2022, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB1,320.0 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of December 31, 2022.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
19 Guo Kai 05	370.0	3.48	January 8, 2029
21 Guo Kai 03	250.0	3.30	March 3, 2026
21 Guo Kai 07	200.0	3.00	June 17, 2024
14 Guo Kai 11	130.0	5.67	April 8, 2024
16 Nong Fa 05	100.0	3.33	January 6, 2026
14 Nong Fa 23	100.0	5.48	March 21, 2024
21 Guo Kai 15	60.0	3.12	September 13, 2031
18 Nong Fa 01	50.0	4.98	January 12, 2025
22 Dalian Bank CD327	20.0	3.00	December 28, 2023
14 Guo Kai 22	20.0	5.02	August 21, 2024
Total	<u>1,300.0</u>		

(iii) Treasury operations conducted on behalf of customers

In the Group's treasury operations conducted on behalf of customers, the Group manages funds received from the issuance of wealth management products to corporate and retail customers. In 2022 and 2021, the Group sold wealth management products totaling RMB10,229.9 million and RMB8,684.1 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of December 31, 2022, the Group had 362 outlets, of which 175 outlets, including the three branches in Changchun, Songyuan and Tonghua, were operated by the Bank, and the rest by the Group's subsidiaries under their own names.

Based on different regional conditions, the Group developed community finance, finance for three rurals and corporate finance. In addition to providing traditional banking services, the Group also strove for outlet transformation, and implemented the construction of new community banks in depth. The Bank accelerated its digital transformation, innovated online service channels and improved its financial supply capacity with mobile internet, artificial intelligence, big data and other financial technology tools as carriers. The Bank increased the distribution of smart counters, continued to improve the functions of mobile banking, online banking and WeChat banking, and strengthened the support of online services. The Bank also launched TV bank, built an unmanned bank and created a "new model" of digital banking outlets.

(ii) Electronic banking

(A) Self-service banking

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at our outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of December 31, 2022, the Group had 375 self-service outlets, 72 self-service areas, and 943 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, AI customer service, SMS interaction and other means. As of December 31, 2022, the Group had 2,805,549 telephone and SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of December 31, 2022, the Group had 474,763 internet banking customers.

(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and mobile phone payment services. As of December 31, 2022, the Group had 1,002,518 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information about products, services and promotions, manage accounts, search for locations of bank outlets and reserve counter services. As of December 31, 2022, the Group had 243,701 WeChat banking customers.

(e) Information on the Subsidiaries

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

The Bank, as the main promoter, applied to the CBIRC for the promotion and establishment of Jilin Jiuyin Financial Leasing Co., Ltd. (“**Jilin Jiuyin**”). Jilin Jiuyin’s registered address is in Changchun of Jilin province, and it has a total of 525.0 million shares, 315.0 million shares of which is held by the Bank, accounting for 60.00%. Jilin Jiuyin obtained the business license on February 20, 2017 from the Administration for Industry and Commerce of Jilin province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from non-bank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at December 31, 2022, total assets of Jilin Jiuyin amounted to RMB3,425.4 million. In 2022 and 2021, the operating income of Jilin Jiuyin was RMB127.6 million and RMB114.8 million, accounting for 1.9% and 1.8% of the Group’s total operating income, respectively.

(ii) Village and township banks

As of December 31, 2022, the Bank controlled and consolidated a total of 34 village and township banks in areas including Jilin, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of December 31, 2022, these village and township banks had total assets of RMB62,816.1 million, total deposits of RMB53,992.7 million and total loans of RMB37,504.8 million. In 2022 and 2021, the operating income of these village and township banks was RMB1,852.1 million and RMB1,816.9 million, accounting for 28.1% and 28.6% of the Group’s total operating income, respectively.

The Bank’s village and township banks provide local corporate and retail customers with a broad range of financial products and services. These products and services include commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services. Some village and township banks also engage in money market transactions and invest in debt securities. In 2010, the Bank established a village and township bank management department to help village and township banks to establish strategic development plans, provide research, technology and human resource support and supervise their risk management. In addition, the Group and other banks in China have formed a strategic development alliance for village and township banks headquartered in Tianjin Municipality to promote information exchange and resource sharing among village and township banks in China. The Bank has also established six service centers in Jilin, Tianjin, Anhui, Guangdong and Hainan to support the Bank’s village and township bank operations.

(f) Operation and Safety of IT Systems

In 2022, the Bank carried out IT work through four focuses, including improving the financial technology governance system, accelerating the smart reengineering of financial services, building a new digital infrastructure, and consolidating the foundation for sustainable development, in order to promote digital transformation of the Bank and provide effective support for the innovative development of various businesses.

1. Improved the financial technology governance system

In order to effectively implement relevant requirements in the Guiding Opinions on the Digital Transformation of the Banking and Insurance Industry (關於銀行業保險業數字化轉型的指導意見) issued by the CBIRC and the Financial Technology Development Plan (2022-2025) (金融科技發展規劃(2022-2025年)) issued by the PBOC, and fully implement the Bank's three-year plan for the development of financial technology, the Bank formulated a financial technology innovation implementation plan, aiming to promote the Bank's high-quality development through financial technology innovation, adapt to the new pattern of digital finance in the development of modern economy, and improve the ability and level of serving the real economy. The Bank also revised and improved information technology systems such as the Strategic Plan for Information Technology Outsourcing Management (信息科技外包管理戰略規劃) and the Regulations on the Management of Information Technology Outsourcing Service Providers (信息科技外包服務商管理規定), improved the information technology management and control system, and improved the ability to prevent information technology outsourcing risks and supply chain risks. The Bank effectively promoted the ISO 27001 information security management system and ISO 22301 business continuity management system, successfully passed the annual "double system" supervision and audit, laid a good foundation for the implementation of financial technology to promote the Bank's strategic development. In 2022, the Bank successively organized and carried out four social network security publicity activities. Focusing on the publicity theme and adopting various publicity methods, the Bank publicized financial security knowledge to outlet customers and the society, and fulfilled our social responsibility. The Bank also strengthened the exchange and demonstration with well-known manufacturers and research institutions in the industry, and carried out one bank-wide network security awareness training and three network security skills trainings in a combination of online and offline ways, effectively improved the staff's network security awareness and the information security skills of scientific and technological personnel of the Bank.

2. Accelerated the smart reengineering of financial services

The Bank always insisted on using financial technology to actively support business development and management improvement. The Bank explored the development trend and scenarios application of financial technology and accelerated the digital innovation and transformation. In 2022, in order to further deepen our ability to serve the rural revitalization, the Bank studied in detail and built an integrated online financial service platform. By applying the cloud-native design concept and using mobile Internet, big data, artificial intelligence and other financial technologies, the Bank provided customers with high-quality, efficient, safe and convenient personalized online financial services. On the basis of the online financial integrated service platform, the Bank launched a series of financial products that meet the actual needs and promote the development of the industry. The Bank organized the innovative research and development of “agricultural machinery loan” products specifically for agricultural production and operation. The Bank also realized online processing of the entire process from business acceptance, approval to loan disbursement. Taking community finance as an entry point, the Bank launched a new party community service mini program, “Hongfan(紅帆)”, which integrated financial services, life services and charity services. The Bank launched innovative “TV Bank” with JiShi Media Co., Ltd. (吉視傳媒股份有限公司) to create a “financial + media” service platform with functions including financial supermarket, community services, real estate services, charity and television hospital. The Bank continued to optimize the data platform structure and data governance, and launched a unified data display platform that flexibly supports indicator display channels including mobile side, PC side and large-screen to support the accuracy, efficiency and comprehensiveness of business decisions. By the end of 2022, the Bank had passed 27 software licenses, and the online financial integrated service platform project was awarded the “Outstanding Case of IT Architecture Innovation” in the 2022 Outstanding Case of Digital Transformation of Small and Medium-sized Financial Institutions.

3. Created a new digital infrastructure

In 2022, the overall operation and maintenance of the Bank’s data center server room maintained in a good condition, and the availability of the server room infrastructure reached 100%. To cope with the increasing complexity of the network architecture and the rapid growth of network traffic, the Bank implemented a software-defined network (SDN) architecture, actively tried and explored new network technologies, researched and implemented cloud network and intelligent operation and maintenance solutions, enhanced the agility and flexibility of network control, and realized the stable operation of information systems and the innovative development of application technologies. The Bank continued to optimize the automated operation and maintenance platform to achieve automatic fault identification, intelligent alerting, rapid positioning and disposal, as well as intelligent operation and maintenance of networks and applications from “visual operation and maintenance, proactive operation and maintenance, efficient operation and maintenance, and in-depth operation and maintenance” to improve operation and maintenance efficiency and reduce human risks, and promote the maturity of the operation and maintenance organization and improve management capabilities. The Bank also carried out network security reinforcement, fiber optic network renovation, storage virtualization SVC, and national password renovation to ensure the safe and reliable operation of business systems, as well as to provide adequate protection for the rapid launch of business systems. The Bank further refined its operation and maintenance system with ISO 22301 system as its guidance to achieve more standardized and

systematic management of IT operation and maintenance and business continuity. A risk management system with focus on prevention and continuous improvement was set up to facilitate more efficient IT services and business continuity. The Bank's "Smart Security SDN Platform" was awarded as the "Outstanding Case of Network Security" and "Top 10 Outstanding Cases of Network Impact" in the 6th Rural Small and Medium-sized Financial Institutions Technology Innovation.

4. *Strengthened the foundation of sustainable development*

In order to better protect and guide the Bank's digital transformation, the Bank focused on strengthening the development of financial technology talents. On the one hand, the Bank continued to enhance the skills of its staff in project management, system development, quality control and network security; on the other hand, the Bank nurtured the digital mindset of its staff and their ability to integrate with the financial landscape, enabling them to respond to the trend of the times and the development of talents. In 2022, one person of the Bank passed the Certification of Technology Staff through Information Systems Project Manager, one person passed the Certification of CDGA (Data Governance Engineer), and one person passed the Junior and Intermediate Certification of RPA (Robotics Process Automation) Implementation Engineer. At present, the Bank has one person who is a senior engineer and 16 people with 7 senior certifications such as System Analyst, Information Systems Project Manager, Project Management Professional (PMP), Certified Information Systems Auditor (CISA), Certified Information Security Professional (CISP), Certified Information Systems Security Specialist (CISSP), etc.

3.5 Risk Management

(a) *Risk Management of the Bank*

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

(i) Credit risk management

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

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

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

The Bank uses the following mechanisms to manage credit risks:

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

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

In 2022, the Bank seriously complied with the national financial policies and industrial policies and strictly implemented the regulatory requirements. The Bank further optimized its credit risk management procedures and measures, and strengthened the centralized management of credit risk, so as to effectively improve its credit risk management. Firstly, the Bank carried out assets quality risk categorization and monitoring alert to take the initiative in identifying and solving credit risk in a timely manner. Accordingly, the Bank performed credit assets quality management in the post pandemic period and guided the Bank to implement its policies precisely, so as to ensure effective non-performing assets control and pressure reduction. Secondly, the Bank focused on its principal business to support the development of the real economy. The Bank adjusted its credit policy and effectively determined its credit approval plan accordingly to further refine the credit structure. Thirdly, the Bank further standardized credit management. In order to refine the credit management system, the Bank approved the credit limit scientifically and provided credit in reasonable forms. Overall credit approval policy was adopted and different projects were managed separately. Potential risk of new credit products was assessed scientifically in order to determine the appropriate approval criteria. Fourthly, the Bank reinforced the rating management and implemented stringent approval procedures for customers to ensure the quality of new loans. Fifthly, the Bank continued to monitor and analyze significant risk and strictly complied with the prevention and control requirement of significant risks for various businesses. Through effective identification, measurement and monitoring, significant risks were prevented and controlled.

(ii) Market risk management

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

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

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

(A) *Interest rate risk management*

Interest rate risk is the risk of loss to commercial banks due to uncertainty in changes of interest rates. Changes in interest rates may cause changes in the future repricing cash flows of the on- and off-balance sheet operations of the Bank or their discounted values, resulting in a decline in the overall economic value, which in turn may result in losses to the Bank. Based on a variety of sources, interest rate risk can be categorized into re-pricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) and the re-pricing period (for floating interest rate). The overall goal of the interest rate risk management of the Bank is to follow the principles of sound risk preference and to ensure the adverse impacts of changes in interest rates on revenue and value of the Bank are controllable. By implementing interest rate risk management, the Bank aims to pursue reasonable revenue under controllable interest rate risk by conducting research and analysis on the trend of interest rate through identification, accurate measurement and continuous monitoring of interest rate risk. The Bank adopts interest rate risk management as an important tool to create profit and increase value.

The Bank has established a governance structure compatible with its interest rate risk management, which comprises the Board and its Risk Management Committee, the senior management and its Asset and Liability Management Committee, departments at the front and middle offices, branches and subsidiaries. Such governance structure is also under the supervision of the Board of Supervisors and subject to audit by the audit department. The senior management is responsible for the specific management of the interest rate risk of the Bank, while the Asset and Liability Management Committee performs relevant functions as authorized by senior management, including the formulation, evaluation, supervision and implementation of interest rate risk preferences and interest rate risk management strategies, policies and procedures. Each management level has clear division of work, ensuring that the interest rate risk management can be carried out independently and effectively with sufficient resources.

In 2022, the Bank continued to follow the principle of sound and prudent operation, strengthened its study and assessment on interest rate risk and adopted various measures to enhance the management of interest rate risk. Firstly, the Bank optimized the maturity structure of assets and liabilities, strengthened gap risk management, and appropriately adjusted the business contract period and repricing period to reduce the impact of interest rate changes on the interest rate risk of the Bank's books. Secondly, the Bank established a sound pricing management system, set up a scientific internal funds transfer pricing system (FTP) and loan rate pricing system (RPM), improved deposit and loan pricing management methods, continuously enhanced pricing capabilities, objectively evaluated the interest rate situation of each institution and product and its ability to generate profits, brought into play the role of price leverage in guiding business strategies and business development, realized the optimal allocation of resources and structure, and improved the ability to prevent and control interest rate risk. Thirdly, the Bank focused on balancing risk and return. The Bank strengthened the identification, measurement, monitoring and control of interest rate risk in the bank's books, and regularly conducted stress tests on interest rate risk in the bank's books. Through the statistics of interest rate sensitive assets and liabilities repricing period, the Bank set up different interest rate shock scenarios and stress scenarios, calculated the impact of interest rate fluctuation risk on economic value under specific interest rate shock scenarios, reduced the impact of interest rate risk in the bank's books on the Bank's business under the premise of guaranteed income, improved the effectiveness and foresight of interest rate risk management in the bank's books, and comprehensively enhanced the level of interest rate risk management in the bank's books.

The table below sets forth the results of the Group's gap analysis based on the earlier of (i) the expected next repricing dates and (ii) the final maturity dates of its assets and liabilities as of December 31, 2022.

As of December 31, 2022

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	34,642.8	686.7	33,956.1	—	—	—
Deposits with banks and other financial institutions	11,092.3	30.8	9,766.5	1,295.0	—	—
Placements with banks and other financial institutions	425.2	0.3	370.0	54.9	—	—
Loans and advances to customers	170,597.4	3,927.5	32,078.6	76,676.9	49,317.4	8,597.0
Financial assets held under resale agreements	9,570.5	6.2	9,564.3	—	—	—
Investment securities and other financial assets	33,726.6	2,845.1	7,183.4	6,782.6	8,182.8	8,732.7
Others ⁽¹⁾	6,945.9	6,945.9	—	—	—	—
Total assets	267,000.7	14,442.5	92,918.9	84,809.4	57,500.2	17,329.7
Liabilities						
Borrowings from the central bank	3,679.8	0.5	574.1	3,105.2	—	—
Deposits from banks and other financial institutions	3,471.6	55.3	1,971.3	1,445.0	—	—
Placements from banks and other financial institutions	2,052.8	0.3	52.5	2,000.0	—	—
Provision for credit commitments and financial guarantees	74.1	74.1	—	—	—	—
Financial assets sold under repurchase agreements	50.0	—	50.0	—	—	—
Deposits from customers	232,291.9	4,946.8	81,878.2	27,449.0	118,017.9	—
Debt securities issued	5,351.2	79.2	499.8	1,976.1	799.5	1,996.6
Others ⁽²⁾	1,410.0	1,410.0	—	—	—	—
Total liabilities	248,381.4	6,566.2	85,025.9	35,975.3	118,817.4	1,996.6
Asset-liability gap	18,619.3	7,876.3	7,893.0	48,834.1	(61,317.2)	15,333.1

As of December 31, 2021 (Restated)

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021 (Restated)					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	30,998.0	745.8	30,252.2	-	-	-
Deposits with banks and other financial institutions	10,866.7	38.6	9,978.5	849.6	-	-
Placements with banks and other financial institutions	135.0	0.2	-	134.8	-	-
Loans and advances to customers	152,642.7	420.6	22,262.2	67,101.3	53,545.5	9,313.1
Financial assets held under resale agreements	1,498.8	0.3	1,498.5	-	-	-
Investment securities and other financial assets	30,806.5	2,827.9	8,785.3	9,687.8	5,519.6	3,985.9
Others ⁽¹⁾	7,192.5	7,192.5	-	-	-	-
Total assets	234,140.2	11,225.9	72,776.7	77,773.5	59,065.1	13,299.0
Liabilities						
Borrowings from the central bank	2,851.5	0.3	220.5	2,630.7	-	-
Deposits from banks and other financial institutions	6,890.2	126.5	4,232.7	2,501.0	30.0	-
Placements from banks and other financial institutions	1,502.5	-	2.5	1,500.0	-	-
Provision for credit commitments and financial guarantees	60.5	60.5	-	-	-	-
Financial assets sold under repurchase agreements	-	-	-	-	-	-
Deposits from customers	196,959.4	3,853.2	75,374.3	19,788.7	97,462.9	480.3
Debt securities issued	6,290.4	79.3	675.8	2,739.9	799.2	1,996.2
Others ⁽²⁾	1,810.7	1,810.7	-	-	-	-
Total liabilities	216,365.2	5,930.5	80,505.8	29,160.3	98,292.1	2,476.5
Asset-liability gap	17,775.0	5,295.4	(7,729.1)	48,613.2	(39,227.0)	10,822.5

Notes:

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

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

(Amount expressed in millions of RMB, unless otherwise stated)	Year as of December 31,			
	2022	2021	2022	2021
	<u>Changes in net profit</u>	<u>Changes in equity</u>	<u>Changes in net profit</u>	<u>Changes in equity</u>
Increase by 100 basis points	115.2	432.8	12.1	411.7
Decrease by 100 basis points	<u>(115.2)</u>	<u>(432.8)</u>	<u>(12.1)</u>	<u>(411.7)</u>

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

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

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

(B) Exchange rate risk management

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

In 2022, the Bank continued to implement its philosophy of management of neutral exchange rate risk. The Bank monitored foreign exchange positions on a real-time basis, avoided transactions with high exchange rate risks, reasonably matched transaction with currencies and maturities and settled major transactions in a timely manner to reduce exchange rate risk and lock costs, and effectively reduced exchange rate risk and obtained stable income. The Bank revalued monetary balance sheet items and non-monetary items at fair value daily to enhance the management level of foreign exchange translation. The Bank has duly considered the effect of exchange rate changes on revenue for the current period to proactively regulate potential systematic risks. The exchange rate risk management level of the Bank can be extensively improved.

(iii) Operational risk management

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

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

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

(iv) Liquidity risk

(A) Liquidity risk management

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

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

In 2022, the Bank continued to adhere to the four operating principles of unified management, safety and soundness, forward-looking management and comprehensive coverage, strengthened the forward-looking and proactive management of liquidity, and effectively integrated the pandemic prevention and control with liquidity management, and maintained stable liquidity in general. The Bank took the following measures: Firstly, the Bank revised the “Contingency Plans for Handling Liquidity Risks (流動性風險應急處置預案)”, and continuously improved its coordination and rapid response mechanism to enhance its ability to cope with various liquidity risks. Secondly, the Bank strengthened its liquidity risk monitoring and management as well as early warning analysis. In addition to the implementation of the regulatory requirements, the Bank closely monitored the indicators and limits in light of the impact of the pandemic and the Bank's actual situation, identified, evaluated and measured the risks in a timely manner, and made advance preparations to prevent, control and mitigate the risks. The Bank focused on strengthening daytime liquidity management, conducting accurate calculations and timely monitoring, and reasonably adjusted the excess reserve and liquidation funds to ensure a reasonable level of reserve. Thirdly, the Bank strictly implemented its liquidity risk management policies and preferences. Meanwhile, the Bank coordinated the relations between safety, liquidity and efficiency to support the development of the real economy in response to internal and external changes such as monetary policy adjustment and business structure adjustment. Fourthly, the Bank conducted liquidity risk stress tests on a quarterly basis. The Bank timely assessed its ability to withstand liquidity risk and its risk mitigation capability, and increased stress tests at important and sensitive times to enhance monitoring and prevention of liquidity risk. The Bank formulated contingency plans based on the liquidity gap situation to ensure that liquidity risk is safe and controllable. Fifthly, the Bank regularly conducted liquidity contingency drills to improve the efficiency of the Bank's response in crisis situations.

(B) Liquidity risk analysis

The Group funds its loan and investment portfolios principally through deposits from customers. Deposits from customers have been, and the Bank believes that it will continue to be, a stable source of funding. Deposits from customers with remaining maturities of less than one year represented 48.8% and 48.9% of the total deposits from customers as of December 31, 2022 and 2021, respectively.

The table below sets forth the remaining maturities of the Group's assets and liabilities as of December 31, 2022.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2022							Total
	Indefinite	Overdue/on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	12,635.4	22,007.2	—	0.2	—	—	—	34,642.8
Deposits with banks and other financial institutions	—	8,824.4	447.4	515.9	1,304.6	—	—	11,092.3
Placements with banks and other financial institutions	—	—	370.2	0.1	54.9	—	—	425.2
Financial assets held under resale agreements	—	—	9,570.5	—	—	—	—	9,570.5
Financial assets at fair value through profit or loss	906.1	—	1,003.0	—	—	—	—	1,909.1
Loans and advances to customers	6,215.1	3,090.9	7,479.1	10,998.9	78,424.7	52,639.5	11,749.2	170,597.4
Financial assets at fair value through other comprehensive income	141.3	—	34.2	10.8	121.2	839.3	2,873.0	4,019.8
Financial assets at amortized cost	—	6,160.8	184.3	858.3	7,093.5	7,641.1	5,859.7	27,797.7
Others ⁽¹⁾	6,632.4	52.1	—	—	13.1	248.3	—	6,945.9
Total assets	<u>26,530.3</u>	<u>40,135.4</u>	<u>19,088.7</u>	<u>12,384.2</u>	<u>87,012.0</u>	<u>61,368.2</u>	<u>20,481.9</u>	<u>267,000.7</u>

		As of December 31, 2022						
(Expressed in millions of RMB, unless otherwise stated)								
	Indefinite	Overdue/on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Liabilities								
Borrowings from the central bank	—	—	78.2	496.4	3,105.2	—	—	3,679.8
Deposits from banks and other financial institutions	—	11.3	1,804.6	201.5	1,454.2	—	—	3,471.6
Placements from banks and other financial institutions	—	2.5	50.3	—	2,000.0	—	—	2,052.8
Provision for credit commitments and financial guarantees	—	—	3.8	5.2	36.1	23.7	5.3	74.1
Financial assets sold under repurchase agreements	—	—	50.0	—	—	—	—	50.0
Deposits from customers	—	71,152.9	4,239.6	7,472.2	30,400.0	119,027.2	—	232,291.9
Debt securities issued	—	—	499.8	—	2,055.3	799.5	1,996.6	5,351.2
Others ⁽²⁾	—	597.5	414.6	5.5	113.0	232.3	47.1	1,410.0
Total liabilities	<u>—</u>	<u>71,764.2</u>	<u>7,140.9</u>	<u>8,180.8</u>	<u>39,163.8</u>	<u>120,082.7</u>	<u>2,049.0</u>	<u>248,381.4</u>
Net working capital	<u>26,530.3</u>	<u>(31,628.8)</u>	<u>11,947.8</u>	<u>4,203.4</u>	<u>47,848.2</u>	<u>(58,714.5)</u>	<u>18,432.9</u>	<u>18,619.3</u>

As of December 31, 2021 (Restated)

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021 (Restated)							Total
	Indefinite	Overdue/on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	11,580.0	19,417.9	—	0.1	—	—	—	30,998.0
Deposits with banks and other financial institutions	—	8,546.1	767.5	696.3	856.8	—	—	10,866.7
Placements with banks and other financial institutions	—	—	—	0.2	134.8	—	—	135.0
Financial assets held under resale agreements	—	—	1,498.8	—	—	—	—	1,498.8
Financial assets at fair value through profit or loss	1,105.5	473.7	504.7	—	—	—	468.3	2,552.2
Loans and advances to customers	4,424.3	989.5	5,030.0	8,901.8	66,658.4	53,479.3	13,159.4	152,642.7
Financial assets at fair value through other comprehensive income	178.5	—	13.9	9.0	1,673.3	1,066.5	2,228.7	5,169.9
Financial assets at amortized cost	—	6,702.6	791.8	1,214.5	8,566.6	4,520.0	1,288.9	23,084.4
Others ⁽¹⁾	6,795.3	140.3	—	—	—	256.9	—	7,192.5
Total assets	24,083.6	36,270.1	8,606.7	10,821.9	77,889.9	59,322.7	17,145.3	234,140.2

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021 (Restated)							Total
	Indefinite	Overdue/on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Liabilities								
Borrowings from the central bank	—	—	22.1	198.7	2,630.7	—	—	2,851.5
Deposits from banks and other financial institutions	—	25.7	1,759.5	2,554.9	2,520.1	30.0	—	6,890.2
Placements from banks and other financial institutions	—	2.5	—	—	1,500.0	—	—	1,502.5
Provision for credit commitments and financial guarantees	—	—	2.8	6.5	34.8	4.3	12.1	60.5
Financial assets sold under repurchase agreements	—	—	—	—	—	—	—	—
Deposits from customers	—	61,631.6	8,806.9	5,627.3	20,333.2	100,080.1	480.3	196,959.4
Debt securities issued	—	—	—	675.8	2,819.2	799.2	1,996.2	6,290.4
Others ⁽²⁾	—	660.9	667.8	6.7	126.1	305.8	43.4	1,810.7
Total liabilities	<u>—</u>	<u>62,320.7</u>	<u>11,259.1</u>	<u>9,069.9</u>	<u>29,964.1</u>	<u>101,219.4</u>	<u>2,532.0</u>	<u>216,365.2</u>
Net working capital	<u>24,083.6</u>	<u>(26,050.6)</u>	<u>(2,652.4)</u>	<u>1,752.0</u>	<u>47,925.8</u>	<u>(41,896.7)</u>	<u>14,613.3</u>	<u>17,775.0</u>

Notes:

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

(v) Reputational risk management

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

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

In 2022, the Bank continued to improve the reputation risk management system and mechanism, and implemented the normalized management of reputation risk. Firstly, the Bank thoroughly implemented the reputation risk management system, strengthened risk early warning according to the division of responsibilities, and continuously strengthened the monitoring and investigation of public opinion events to achieve early detection, early identification and early disposal. The Bank developed plans for handling reputation risk and public opinion events to improve the ability to handle emergencies. Secondly, the Bank strengthened branding, actively fulfilled social responsibilities and established a good corporate image. The Bank made solid progress in information disclosure and publicity, accepted public supervision and enhanced reputation capital accumulation. Thirdly, the Bank insisted on focusing on the customers, optimized various products and services, operated with integrity, improved the consumer protection system, improved the complaint handling mechanism, and continuously enhanced customer satisfaction and sense of belonging. Fourthly, the Bank fostered a reputation risk management culture, strengthened reputation risk management concept, and enhanced the employee training on reputation risk awareness. The Bank made overall plans to combine reputation risk management with market risk, liquidity risk, operational risk and other risk management so as to prevent the transfer of other types of risk to reputation risk.

(vi) Legal and compliance risk management

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

The Bank prioritizes legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In 2022, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. Firstly, the Bank entered the third year of the “compliance task”, focused on the key points and solved the difficulties of compliance management of the Bank. The Bank improved its system and mechanism, and regulated its internal control processes, in order to strengthen the implementation of systems, smooth the system of compliance risk prevention and create a positive compliance culture. Secondly, the foundation of the rule of law was consolidated. The Bank formulated the Eighth Five-Year Plan for the Promotion and Education on Law and Order (2021-2025) (《開展法治宣傳教育第八個五年規劃((2021-2025年)》) to promote the ideas of Xi Jinping on the rule of law and strengthen the rule of law in the Bank. Monthly civil code promotion activity, “Good Life comes with Civil Code (美好生活民法典相伴)” was organized to establish systematic and regular promotion and education of law and order. Thirdly, the Bank strengthened case risk investigation on major entities, major business sectors and employees in major positions to achieve comprehensive prevention. The Bank paid high attention to case prevention and eliminated potential problems in a timely manner to effectively mitigate risks. In 2022, the Bank carried out case risk investigations quarterly and rectification of unlawful fund-raising related to pension. Fourthly, the Bank consolidated its foundation to strengthen compliant operation of grassroots institutions. The Bank instructed grassroots institutions to enhance the study of rules and regulations and conduct warning education, which further raised the compliance awareness of all employees.

(vii) IT risk management

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

The Bank has an IT committee responsible for overseeing and guiding its IT activities. IT risks are included in the comprehensive risk management system of the Bank. The IT department is responsible for the implementation of specific risk management measures, plans and proposals.

In 2022, the Bank strengthened the identification, measurement, monitoring and control of IT risks through optimizing its IT risk management system, building the strong fintech security firewall, and strengthening business continuity management capacity. The Bank also established a comprehensive IT risk management mechanism covering all periods and aspects. Firstly, the Bank optimized its IT risk management system. The Strategic Plan of Information Technology Outsourcing Management (《信息科技外包管理戰略規劃》) and the Management Rules of Information Technology Subcontractors (《信息科技外包服務商管理規定》) were amended and refined. The Bank further enhanced risk management to prevent IT risk and secure the safe

and stable operation of information system effectively. The Bank also organized quarterly IT risk appraisal and performed comprehensive analysis and appraisal on IT risks and management based on IT governance, major IT infrastructure management, IT safety management, branch safety management, network safety management, server safety management, system development and testing management, business continuity management and IT outsourcing management, which has improved the risk identification and management level and established an outstanding IT risk appraisal mechanism of the Bank. The Bank conducted four IT-related inspections and audits, covering IT structure, system development, system alteration, data backup, business continuity and outsourcing management. The Bank organized four promotion activities, namely the IT promotion week and the 5th anniversary of the implementation of network safety law, to promote network safety and related legal knowledge, which effectively enhanced the information safety awareness of employees. The Bank actively arranged network security skills training by making use of online and offline methods, and organized hacking and defense drills to effectively enhance the information security skills of technicians and raise the risk prevention ability of employees. Secondly, the Bank built the strong fintech security firewall. The Bank established and refined its security protection mechanism through strengthening the security protection, improving the rules of systems and enhancing the safety awareness. The Bank put more efforts in the management of network security by developing a network security technology protection system covering all aspects and procedures. The ability to cope with major network threats, material disasters and contingent events was enhanced. The Bank formulated its information security working plan and procurement budget for 2022 based on the ISO 27001 system, implemented key tasks such as network architecture optimization and data governance, and continuously optimized internal control management strategies and procedures of technologies. The Bank built the software-defined networking (SDN), supported inter-regional boundary protection and traffic management through virtualization, supported dynamic optimization of security strategy, and completed overall optimization of network architecture. The Bank carried out business monitoring platform testing, production network changes, Internet security protection and other work to provide guarantee for the safe and reliable operation of business systems, and also to support the quick launch of the rapidly growing business systems. The Bank improved the security strategies such as firewall, IDS, IPS and WAF, consolidated network security, and continued to optimize the automatic operation and maintenance platform to perform active analysis and intelligent research and judgement on massive security alerts. Security events were handled automatically, and the intelligent and integrated operation and maintenance were achieved. Thirdly, the Bank strengthened its business continuity management capabilities. The Bank further refined its operation and maintenance system with ISO 22301 system as its guidance to achieve more standardized and systematic management of IT operation and maintenance and business continuity. A risk management system with focus on prevention and continuous improvement was set up to facilitate more efficient IT services and business continuity. Based on the analysis of business impacts, the Bank modified various contingency plans and formulated emergency drill plans. In 2022, the Bank organized 14 emergency drills, including data center power system, core database, data backup system and switching of external links, etc., in order to improve capabilities to cope with contingency and evaluate the effectiveness of emergency plan and sufficiency of emergency resources and improve risk awareness and capabilities to cope with contingency of the emergency team and ensure the safe and reliable operation of the data center and business system.

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

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

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

In 2022, the Bank duly performed its responsibilities in anti-money laundering and anti-terrorism financing, and continued to enhance the anti-money laundering risk management. Firstly, the Bank raised its political stance and improved the anti-money laundering system and mechanism. The Bank has incorporated the anti-money laundering work into its work focus, gave full play to the unique role of anti-money laundering in the prevention and resolution of financial risks, and deepened construction and improvement of corresponding systems around the early warning, in-process monitoring and post-accident tracking of risks. Secondly, the Bank deepened coordination and cooperation to promote joint efforts in anti-money laundering. The Bank further implemented the mechanism of joint meetings on anti-money laundering, coordinated the collaboration and cooperation of relevant departments, coordinated the efforts of all departments to clarify the division of tasks, so as to promote the high-quality implementation of anti-money laundering. Thirdly, the Bank implemented its main responsibility and strengthened supervision and management. The Bank effectively strengthened the construction of anti-money laundering team, continued to improve the ability to perform duties, carried out internal self-inspection on anti-money laundering management, and continuously improved the level of internal control and the main responsibility of anti-money laundering risk prevention and control. The Bank conducted comprehensive anti-money laundering investigation and data monitoring and analysis and further refined the management of customer identification information in order to prevent and eliminate money-laundering crimes. Fourthly, the Bank actively the promotion and developed the culture of anti-money laundering. The Bank proactively carried out anti-money laundering promotion with innovative methods, expanded coverage and extended promotion period to further strengthen the public awareness and participation in anti-money laundering, thereby creating a good social atmosphere valuing anti-money laundering.

(ix) Internal audit

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

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

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

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

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

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

(b) Risk Management of the Subsidiaries

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

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

(i) Credit risk management

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

(ii) Market risk management

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

(iii) Operational risk management

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

(iv) Liquidity risk management

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

(v) Reputational risk management

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

(vi) Legal and compliance risk management

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

(vii) IT risk management

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

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

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

(ix) Internal audit

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

3.6 Analysis on Capital Adequacy Ratio

All commercial banks in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 10.5%, 10.5%, 10.5%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 8.5%, 8.5%, 8.5%, 8.5% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 7.5%, 7.5%, 7.5%, 7.5% and 7.5%, respectively, as of December 31, 2018, 2019, 2020, 2021 and 2022.

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

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2022	December 31, 2021
Core capital		
Paid-up capital	5,074.2	4,612.9
Qualifying portion of capital reserve	4,256.8	5,050.5
Surplus reserve	1,223.8	1,058.2
General risk reserve	2,636.7	2,322.0
Investment revaluation reserve	56.6	94.7
Retained earnings	2,639.9	1,436.8
Qualifying portions of non-controlling interests	1,502.7	1,854.2
Core tier-one capital deductions ⁽¹⁾	(150.5)	(532.6)
Net core tier-one capital	17,240.2	15,896.7
Other tier-one capital ⁽²⁾	194.2	238.2
Net tier-one capital	17,434.4	16,134.9
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,480.0	2,640.0
Surplus reserve for loan impairment	1,954.3	1,686.3
Eligible portion of non-controlling interests	384.6	480.8
Net capital base	22,253.3	20,942.0
Total risk-weighted assets	193,589.1	180,086.9
Core tier-one capital adequacy ratio (%)	8.91%	8.83%
Tier-one capital adequacy ratio (%)	9.01%	8.96%
Capital adequacy ratio (%)	11.50%	11.63%

Notes:

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

4. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

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

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

(1) Private Placement of Domestic Shares

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

(2) Non-public Issuance of H Shares

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

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 held on September 5, 2018. The validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was extended by resolutions adopted at the first extraordinary general meeting of 2019, the second domestic class meeting of 2019 and the second H share class meeting of 2019 held on October 24, 2019. The validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was further extended by resolutions adopted at the first extraordinary general meeting of 2020, the second domestic class meeting of 2020 and the second H share class meeting of 2020 held on October 22, 2020. The extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was extended by resolutions adopted at the annual general meeting of 2020, the first domestic share class meeting of 2021 and the first H share class meeting of 2021 held on June 18, 2021. The resolutions in relation to the adjustment of the Plans on the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the Board meeting of the Bank held on August 30, 2021, pursuant to which the Board adjusted and updated the issue price and other matters under the Plans on the Private Placement of Domestic Shares and the Non-public Issuance of H Shares based on market conditions and actual situation of the Bank. As the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares expired on June 18, 2022, the extension of the validity period of the issue plans and relevant authorizations

for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was considered and approved at the Board meeting of the Bank held on March 30, 2022 as well as the annual general meeting of 2021, the first domestic share class meeting of 2022 and the first H share class meeting of 2022 held on June 17, 2022. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcements dated July 12, 2018, August 23, 2019, August 28, 2020, March 30, 2021, August 30, 2021, September 30, 2021 and March 30, 2022 and the circulars dated August 15, 2018, September 13, 2019, September 30, 2020, May 7, 2021 and April 27, 2022 of the Bank, respectively.

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

4.2 Capital Reserve Capitalization

As resolved by the Board and considered and approved by shareholders at the 2021 annual general meeting, the first domestic share class meeting of 2022 and the first H share class meeting of 2022 of the Bank held on June 17, 2022, the Bank issued new shares by way of capitalization of capital reserve to the holders of domestic shares and H shares whose names appeared on the share register of the Bank at the close of business on Thursday, June 30, 2022 on the basis of 10 new shares for every 100 existing shares held by the shareholders (the “**Capitalization Issue**”). Based on the 4,612,901,427 shares of the Bank in issue as at April 22, 2022, the total number of new shares issued by way of capitalization of capital reserve is 461,290,142 shares, including 373,426,405 shares issued to holders of domestic shares and 87,863,737 shares issued to holders of H shares. Immediately following the completion of the Capitalization Issue, the total number of shares in issue of the Bank is 5,074,191,569 shares, including 4,107,690,457 domestic shares and 966,501,112 H shares. The listing and trading of the new H shares under the Capitalization Issue have been approved by the Hong Kong Stock Exchange, and the Capitalization Issue has been approved by the CBIRC Jilin Bureau. The listing and trading of the new H shares on the Hong Kong Stock Exchange commenced on July 8, 2022.

The Bank has also changed its registered capital and amended its articles of association (the “**Articles of Association**”) to reflect the change in registered capital as a result of the Capitalization Issue.

4.3 Amendments to the Articles of Association

Due to the change of the registered capital and share structure of the Bank upon completion of the Capitalization Issue, the Bank amended the provisions of its Articles of Association in relation with its registered capital and share structure. Relevant amendments were approved by its shareholders at the 2021 annual general meeting held on June 17, 2022.

The above amendments to the Articles of Association have been reported to the CBIRC Jilin Bureau on August 29, 2022 and became effective from the same day. For details of such amendments, investors please refer to the circular of the Bank dated April 27, 2022 on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

5. OTHER INFORMATION

5.1 Corporate Governance

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

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

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

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

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

5.2 Securities Transactions by Directors, Supervisors and Senior Management

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

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

5.3 Profit and Dividend

The revenue of the Group for the year ended December 31, 2022 and the financial position of the Group as at the same day are set out in the financial report of this announcement.

The Board does not recommend the distribution of final dividend for the year ended December 31, 2022. The Board will propose the abovementioned resolution at the 2022 annual general meeting for approval. The Bank will issue an announcement separately if there are any changes in the arrangement of the abovementioned distribution of dividend.

5.4 Tax Relief

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

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

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

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

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

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

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

5.5 AGM and Book Closure Dates

The AGM will be held on Friday, June 16, 2023. In order to determine the holders of H shares who are eligible to attend the AGM, the register of holders of H shares of the Bank will be closed from Wednesday, May 17, 2023 to Friday, June 16, 2023 (both days inclusive), during which period no transfer of H shares will be registered.

In order to qualify for attending the AGM, share certificates accompanied by instruments of transfer must be lodged with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, May 16, 2023. Holders of H shares of the Bank who are registered with Computershare Hong Kong Investor Services Limited on Friday, June 16, 2023 are entitled to attend the AGM.

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

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

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

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

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

5.7 Actively respond to the challenge of the novel coronavirus pneumonia

In 2022, the COVID-19 pandemic witnessed a frequent occurrence in multiple places with severe and complex situation. The Bank comprehensively implemented the scientific research and judgment and major deployment of the Party and the State on pandemic prevention and control, strictly implemented the pandemic prevention and control responsibilities and the requirements of local pandemic control, thoroughly understood the internal logic of “pandemic control, economic stability, and development security”, took the initiative to shoulder the responsibility of supporting and stabilizing the regional economy, and made precise efforts in supporting agriculture and SME enterprises, serving entities and supporting private enterprises, thereby improving the quality and efficiency of serving entities with finance. Additionally, the Bank proactively improved the way of financial services by scientific and technological means, optimized and enriched the “contactless service” channels and scenarios, and improved the convenience and availability of online financial services. The Bank won the victories in both pandemic prevention and control and business development.

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

5.8 Event after the Reporting Period

Mr. Gao Bing resigned from the positions of executive Director, Chairman of the Bank, the chairman of the Strategy and Development Committee of the Board and the chairman of the Three Rurals Financial Services Committee of the Board, etc, due to the relevant regulation regarding expiration of the term of office as a key personnel, with effectivity from March 17, 2023.

On March 30, 2023, the Board has considered and approved the resolution in relation to the nomination of Mr. Guo Ce as the candidate for executive Director of the Bank. The resolution shall be submitted to the shareholders’ general meeting of the Bank for consideration and approval, and the qualification of Mr. Guo Ce for serving as a Director is subject to approval by regulatory authorities.

As Mr. Gao Bing has resigned as the Chairman of the Bank and in order to guarantee the normal operation of the Bank, on March 30, 2023, the Board recommended Mr. Guo Ce to perform the obligations of the Chairman on behalf until the date of election of new Chairman by the Bank and his qualification being approved by regulatory authorities.

For details of above matters, please refer to the announcements of the Bank dated March 17, 2023 and March 30, 2023.

6. FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	<u>2022</u>	<u>2021</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Interest income		14,382,696	12,524,305
Interest expenses		<u>(7,867,756)</u>	<u>(6,347,936)</u>
Net interest income	4	<u>6,514,940</u>	<u>6,176,369</u>
Fee and commission income		153,493	169,408
Fee and commission expenses		<u>(71,849)</u>	<u>(96,706)</u>
Net fee and commission income	5	<u>81,644</u>	<u>72,702</u>
Net trading gains	6	95,101	959
Dividend income		21,423	56,961
Net gains arising from investment securities	7	98,551	87,306
Losses on deemed partial disposal of an associate		–	(46,452)
Losses on deemed disposal of a subsidiary		(208,561)	–
Net exchange gains		8,025	11,336
Other operating (expenses) income, net	8	<u>(14,056)</u>	<u>3,113</u>
Operating income		6,597,067	6,362,294
Operating expenses	9	(3,266,177)	(3,073,881)
Impairment losses on assets, net of reversals	10	<u>(1,360,882)</u>	<u>(1,569,379)</u>
Operating profit		1,970,008	1,719,034
Share of profits of associates		<u>13,469</u>	<u>28,521</u>
Profit before tax		1,983,477	1,747,555
Income tax expense	11	<u>(311,452)</u>	<u>(457,557)</u>
Profit for the year		<u>1,672,025</u>	<u>1,289,998</u>

	Note	<u>2022</u>	<u>2021</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive (expense) income for the year:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Financial assets at fair value through other comprehensive income			
– Changes in fair value of debt instruments		(42,401)	79,349
– Reclassified to the profit or loss upon disposal		—	(960)
– Changes in allowance for expected credit loss		(7)	—
– Income tax relating to item that may be reclassified subsequently		10,602	(19,597)
– Share of other comprehensive income of associates		<u>1,502</u>	<u>9,464</u>
		<u>(30,304)</u>	<u>68,256</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
– Financial assets at fair value through other comprehensive income			
– Change in fair value of on investments in equity investments		(25,580)	25,296
– Income tax relating to item that will not be reclassified subsequently		<u>6,746</u>	<u>(9,164)</u>
		<u>(18,834)</u>	<u>16,132</u>
Other comprehensive (expense) income for the year, net of tax		<u>(49,138)</u>	<u>84,388</u>
Total comprehensive income for the year		<u><u>1,622,887</u></u>	<u><u>1,374,386</u></u>
Profit (loss) for the year attributable to:			
– Owners of the Bank		1,683,339	1,129,398
– Non-controlling interests		<u>(11,314)</u>	<u>160,600</u>
		<u><u>1,672,025</u></u>	<u><u>1,289,998</u></u>
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Bank		1,645,244	1,213,658
– Non-controlling interests		<u>(22,357)</u>	<u>160,728</u>
		<u><u>1,622,887</u></u>	<u><u>1,374,386</u></u>
Earnings per share			(Restated)
– Basic and diluted (RMB cents)	12	<u><u>33.17</u></u>	<u><u>22.26</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2022

	Notes	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i> (Restated)	1/1/2021 <i>RMB'000</i> (Restated)
Assets				
Cash and deposits with the central bank		34,642,750	30,997,989	25,155,200
Deposits with banks and other financial institutions		11,092,260	10,866,741	8,417,943
Placements with banks and other financial institutions		425,218	135,018	743,762
Financial assets held under resale agreements	13	9,570,521	1,498,781	1,102,231
Financial assets at fair value through profit or loss	14	1,909,099	2,552,214	3,200,209
Loans and advances to customers	15	170,597,441	152,642,695	126,959,688
Financial assets at fair value through other comprehensive income	16	4,019,840	5,169,919	2,550,517
Financial assets measured at amortised cost	17	27,797,726	23,084,401	24,891,893
Interests in associates		1,297,272	961,033	1,005,130
Property and equipment		2,773,837	3,265,481	3,249,491
Right-of-use assets		519,577	614,709	664,240
Goodwill		15,133	401,335	401,335
Deferred tax assets		1,218,909	1,004,495	773,222
Other assets		1,121,166	945,429	1,248,409
Total assets		267,000,749	234,140,240	200,363,270
Liabilities and equity				
Liabilities				
Borrowings from the central bank		3,679,787	2,851,548	4,012,154
Deposits from banks and other financial institutions		3,471,600	6,890,222	8,543,520
Placements from banks and other financial institutions		2,052,823	1,502,496	7,194,675
Financial assets sold under repurchase agreements	18	50,021	—	2,656,192
Deposits from customers		232,291,863	196,959,403	152,406,742
Accrued staff costs		193,286	179,710	176,684
Tax payable		59,653	291,529	223,806
Debt securities issued	19	5,351,209	6,290,398	7,548,535
Lease liabilities		429,046	518,779	591,499
Other liabilities		802,115	881,143	758,278
Total liabilities		248,381,403	216,365,228	184,112,085
Equity				
Share capital		5,074,192	4,612,901	4,393,239
Capital reserve		4,256,757	5,050,510	4,921,340
Investment revaluation reserve		56,566	94,661	10,401
Surplus reserve		1,223,755	1,058,252	915,524
General reserve		2,636,746	2,321,962	2,077,865
Retained earnings		2,639,899	1,436,812	1,353,162
Total equity attributable to owners of the Bank		15,887,915	14,575,098	13,671,531
Non-controlling interests		2,731,431	3,199,914	2,579,654
Total equity		18,619,346	17,775,012	16,251,185
Total liabilities and equity		267,000,749	234,140,240	200,363,270

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As 1 January 2022	4,612,901	5,050,510	94,661	1,058,252	2,321,962	1,436,812	14,575,098	3,199,914	17,775,012
Profit (loss) for the year	—	—	—	—	—	1,683,339	1,683,339	(11,314)	1,672,025
Other comprehensive expense for the year	—	—	(38,095)	—	—	—	(38,095)	(11,043)	(49,138)
Total comprehensive (expense) income for the year	—	—	(38,095)	—	—	1,683,339	1,645,244	(22,357)	1,622,887
Changes in ownership in subsidiaries without changes in control	—	(287,520)	—	—	—	—	(287,520)	(163,500)	(451,020)
Release of reserve upon deemed disposal of a subsidiary	—	(44,942)	—	—	(39,820)	39,820	(44,942)	(360,234)	(405,176)
Changes in share capital									
– Capitalisation of capital reserve	461,291	(461,291)	—	—	—	—	—	—	—
Appropriation of profits									
– Appropriation to surplus reserve	—	—	—	165,503	—	(165,503)	—	—	—
– Appropriation to general reserve	—	—	—	—	354,604	(354,604)	—	—	—
– Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(15,710)	(15,710)
Acquisition of a subsidiary	—	—	—	—	—	35	35	93,318	93,353
At 31 December 2022	5,074,192	4,256,757	56,566	1,223,755	2,636,746	2,639,899	15,887,915	2,731,431	18,619,346

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
As 1 January 2021	4,393,239	4,921,340	10,401	915,524	2,077,865	1,353,162	13,671,531	2,579,654	16,251,185
Profit for the year	—	—	—	—	—	1,129,398	1,129,398	160,600	1,289,998
Other comprehensive income (expense) for the year	—	—	84,274	(1)	—	(13)	84,260	128	84,388
Total comprehensive income (expense) for the year	—	—	84,274	(1)	—	1,129,385	1,213,658	160,728	1,374,386
Changes in ownership in subsidiaries without changes in control	—	348,832	—	—	—	—	348,832	516,393	865,225
Disposal of equity investments classified as financial assets at fair value through other comprehensive income	—	—	(14)	7	—	70	63	—	63
Changes in share capital									
– Capitalisation of capital reserve	219,662	(219,662)	—	—	—	—	—	—	—
Appropriation of profits									
– Appropriation to surplus reserve	—	—	—	142,722	—	(142,722)	—	—	—
– Appropriation to general reserve	—	—	—	—	244,097	(244,097)	—	—	—
– Dividends recognised as distribution	—	—	—	—	—	(658,986)	(658,986)	—	(658,986)
– Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(56,861)	(56,861)
At 31 December 2021	4,612,901	5,050,510	94,661	1,058,252	2,321,962	1,436,812	14,575,098	3,199,914	17,775,012

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
OPERATING ACTIVITIES		
Profit before tax for the year	1,983,477	1,747,555
Adjustments for:		
Interest income from financial investments	(1,233,030)	(1,557,501)
Share of profits of associates	(13,469)	(28,521)
Dividend income	(21,423)	(56,961)
Government grants	(47,209)	(49,986)
Losses on deemed partial disposal of an associate	–	46,452
Net gains arising from investment securities	(98,551)	(87,306)
Gain on disposal of property and equipment	(53,769)	(22,672)
(Gain)loss on early termination of lease agreements	(909)	351
Impairment losses on assets, net of reversals	1,360,882	1,569,379
Interest expense on debts securities issued	277,598	292,736
Depreciation of property and equipment	287,469	291,200
Interest income from impaired loans and advances to customers	(46,623)	(60,991)
Depreciation of right-of-use assets	176,530	168,658
Net unrealised trading losses	233,919	132,908
Interest expense on lease liabilities	21,340	24,076
Amortisation of long-term deferred expenses	23,325	33,103
Losses on deemed disposal of a subsidiary	208,561	–
	<u>3,058,118</u>	<u>2,442,480</u>
Changes in operating assets		
Net increase in loans and advances to customers	(22,315,124)	(26,818,604)
Net (increase)/decrease in other operating assets (including interests receivables)	(3,981,124)	48,994
Net (increase)/decrease in deposits with the central bank	(1,582,682)	129,596
Net decrease in financial assets at fair value through profit or loss	360,000	515,087
Net decrease in deposits and placements with the banks and other financial institutions	22,992	153,540
	<u>(27,495,938)</u>	<u>(25,971,387)</u>
Changes in operating liabilities		
Net increase/(decrease) in financial assets sold under repurchase agreements	50,000	(2,654,900)
Net increase in deposits from customers (including interests payable)	44,874,050	43,343,049
Net increase/(decrease) in placements from banks and other financial institutions	550,000	(5,599,000)
Net decrease in deposits from banks and other financial institutions	(3,332,376)	(1,572,183)
Net increase/(decrease) in borrowing from central bank	862,256	(1,159,741)
Net increase in other operating liabilities	1,264,154	1,138,459
Net increase in accrued staff costs	14,116	3,026
	<u>44,282,200</u>	<u>33,498,710</u>

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Cash generated from operations	19,844,380	9,969,803
Income tax paid	<u>(843,669)</u>	<u>(649,868)</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>19,000,711</u>	<u>9,319,935</u>
INVESTING ACTIVITIES		
Payments on acquisition of financial investments	(80,276,132)	(32,047,181)
Payments on acquisition of property and equipment	(167,626)	(330,659)
Proceeds from disposal of financial investments	75,922,356	31,297,661
Interest income from financial investments	1,316,058	1,538,683
Proceeds from disposal of property and equipment	117,463	35,287
Dividend income received from equity investments	21,423	56,961
Dividend received from associates	–	35,630
Acquisition of a subsidiary	54,756	–
Deemed disposal of a subsidiary	<u>(2,745,700)</u>	<u>–</u>
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	<u>(5,757,402)</u>	<u>586,382</u>
FINANCING ACTIVITIES		
Repayment of debt securities issued	(3,450,000)	(6,850,000)
Dividends paid	(6)	(658,512)
Payment on lease liabilities	(168,613)	(170,611)
Interest paid on debts securities issued	(195,400)	(137,200)
Dividends paid to non-controlling interests	(15,710)	(56,861)
Interest paid on lease liabilities	(21,340)	(24,076)
Net proceeds from issue of new debt securities	2,428,613	5,436,327
Acquisition of additional interest in a subsidiary	(468,000)	–
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	16,980	865,225
Government grants received	<u>47,209</u>	<u>49,986</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,826,267)</u>	<u>(1,545,722)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>11,417,042</u>	<u>8,360,595</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>29,622,412</u>	<u>21,261,817</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>41,039,454</u>	<u>29,622,412</u>
Interest received	<u>10,884,818</u>	<u>12,333,482</u>
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	<u>(6,278,099)</u>	<u>(4,997,963)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL

The Bank, formerly known as Jiutai Rural Credit Cooperative Union, is a joint stock commercial bank established on 16 December 2008 with approval of the former China Banking Regulatory Commission Jilin Regulatory Bureau (Jin Yin Jian Fu 2008 No.320) on 15 December 2008.

The Bank obtained its finance permit from the China Banking and Insurance Regulatory Commission (the “CBIRC”) Jilin Bureau (Institution Number: No. B1001H222010001) and the business license from Market Supervision and Administration Bureau of Jilin Province (Unified Social Credit Code: 912200001243547911). The legal representative is Gao Bing⁽¹⁾ and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin, the People’s Republic of China (the “PRC”).

As at 31 December 2022, the Bank has established 3 branches and 90 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by China Banking and Insurance Regulatory Commission. The Group operates in mainland China.

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

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

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

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning 1 January 2022.

Amendments to IFRS16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020 cycle

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

(1) The Board of the Bank received a resignation report from Mr. Gao Bing, the Chairman of the Bank, on March 17, 2023. Mr. Gao Bing resigned from the positions of executive director, Chairman of the Bank, etc., due to the relevant regulation regarding expiration of the term of office as a key personnel, effective immediately. As at the date of this announcement, the Bank has not registered the change in legal representative.

New and amendments to IFRSs issued but not yet effective

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

IFRS 17 (including the October 2020 and February 2022 amendments to IFRS 17)	Insurance Contracts ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to IAS 1	Non-current Liabilities with Covenants ²
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 12	Deferred Tax related to Assets and liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after a date to be determined.

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

Reclassification

During the year ended 31 December 2022, the directors of the Bank had reviewed the classification in the consolidated statements of financial positions and considered that presenting accrued interest together with respective underlying financial assets and liabilities instead of as separate line items in the consolidated statements of financial positions.

The directors of the Bank are in view that the change in presentation is in alignment with market practices which can provide reliable and more relevant information to the readers of the consolidated financial statements about the businesses of the Group.

The table below summarises the impact on consolidated statement of financial position as at 31 December 2021 and 1 January 2021.

As at 31 December 2021

	As originally stated	Reclassification	As restated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Cash and deposits with the central bank	30,997,889	100	30,997,989
Deposits with banks and other financial institutions	10,828,113	38,628	10,866,741
Placements with banks and other financial institutions	134,759	259	135,018
Financial assets held under resale agreements	1,498,500	281	1,498,781
Interests receivables	908,379	(908,379)	—
Loans and advances to customers	152,222,135	420,560	152,642,695
Financial assets at fair value through other comprehensive income	5,116,459	53,460	5,169,919
Financial assets measured at amortised cost	22,814,151	270,250	23,084,401
Other assets (including interest receivables)	820,588	124,841	945,429
Liabilities			
Borrowings from the central bank	2,851,219	329	2,851,548
Deposits from banks and other financial institutions	6,763,740	126,482	6,890,222
Deposits from customers	193,106,238	3,853,165	196,959,403
Interest payable	4,059,296	(4,059,296)	—
Debt securities issued	6,211,078	79,320	6,290,398

As at 1 January 2021

	As originally stated	Reclassification	As restated
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Assets			
Cash and deposits with the central bank	25,155,026	174	25,155,200
Deposits with banks and other financial institutions	8,396,699	21,244	8,417,943
Placements with banks and other financial institutions	729,253	14,509	743,762
Financial assets held under resale agreements	1,102,000	231	1,102,231
Interests receivables	874,287	(874,287)	—
Loans and advances to customers	126,574,552	385,136	126,959,688
Financial assets at fair value through other comprehensive income	2,526,111	24,406	2,550,517
Financial assets measured at amortised cost	24,772,682	119,211	24,891,893
Other assets (including interest receivables)	939,033	309,376	1,248,409
Liabilities			
Borrowings from the central bank	4,010,960	1,194	4,012,154
Deposits from banks and other financial institutions	8,335,923	207,597	8,543,520
Placements from banks and other financial institutions	7,101,496	93,179	7,194,675
Financial assets sold under repurchase agreements	2,654,900	1,292	2,656,192
Deposits from customers	149,763,189	2,643,553	152,406,742
Interest payable	2,990,824	(2,990,824)	—
Debt securities issued	7,504,526	44,009	7,548,535

These reclassifications have no impact on the net asset value of the Group as at 31 December 2021 and 1 January 2021.

The table below summarises the impact of on consolidated statement of cash flow for the year ended 31 December 2021.

	As originally stated	Reclassification	As restated
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Operating activities			
Net increase in interest receivables	(15,274)	15,274	—
Net (increase)/decrease in other operating assets	64,268	(15,274)	48,994
Net increase in interests payable	1,033,161	(1,033,161)	—
Net increase in other operating liabilities	105,298	1,033,161	1,138,459

These reclassifications have no material impact on the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity for the year ended 31 December 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is consolidated material if such information is reasonably expected to influence decisions made by primary user.

4. NET INTEREST INCOME

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income arising from		
– Deposits with the central bank	223,061	219,506
– Deposits with banks and other financial institutions	209,151	181,293
– Placements with banks and other financial institutions	36,525	43,070
– Financial assets at fair value through other comprehensive income (“FVTOCI”)	375,094	171,488
– Financial assets measured at amortised cost	857,936	1,386,013
– Loans and advances to customers:		
Corporate loans and advances		
– Loans	10,350,564	8,433,979
– Finance lease loans	179,374	146,085
Personal loans and advances	1,871,344	1,765,399
Discounted bills	1,450	78,744
– Financial assets held under resale agreements	278,197	98,728
	<u>14,382,696</u>	<u>12,524,305</u>
Less: Interest expenses arising from		
– Borrowings from the central bank	(68,769)	(54,703)
– Deposits from banks and other financial institutions	(217,153)	(287,835)
– Placements from banks and other financial institutions	(37,465)	(242,122)
– Deposits from customers:		
Corporate customers	(1,456,193)	(1,182,042)
Individual customers	(5,696,677)	(4,146,557)
– Financial assets sold under repurchase agreements	(92,561)	(117,865)
– Debts securities issued	(277,598)	(292,736)
– Lease liabilities	(21,340)	(24,076)
	<u>(7,867,756)</u>	<u>(6,347,936)</u>
	<u>6,514,940</u>	<u>6,176,369</u>

5. NET FEE AND COMMISSION INCOME

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Fee and commission income		
– Advisory fees	31,174	33,218
– Settlement and clearing fees	52,425	65,495
– Wealth management service fees	38,162	3,936
– Agency service fees	12,348	16,613
– Syndicated loan service fees	11,112	45,751
– Bank card service fees	3,514	3,361
– Others	4,758	1,034
	<u>153,493</u>	<u>169,408</u>
Fee and commission expense		
– Settlement and clearing fees	(53,569)	(79,180)
– Others	(18,280)	(17,526)
	<u>(71,849)</u>	<u>(96,706)</u>
	<u><u>81,644</u></u>	<u><u>72,702</u></u>

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

6. NET TRADING GAINS

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)		
– Unlisted equity investments	(138,269)	(125,999)
– Listed equity investments	(11,861)	(14,152)
– Other debt instruments	(83,789)	7,244
Interest income from financial assets at FVTPL	320,140	119,333
Net gain on disposal of financial assets at FVTPL		
– Unlisted equity investments	—	3,905
– Other debt instruments	8,880	10,628
	<u>95,101</u>	<u>959</u>

7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Net gains on disposal of financial assets measured at amortised cost	15,263	6,143
Net gains on disposal of financial assets at FVTOCI	83,288	80,203
Net revaluation losses on debt instruments reclassified from other comprehensive income upon disposal	<u>—</u>	<u>960</u>
	<u>98,551</u>	<u>87,306</u>

8. OTHER OPERATING (EXPENSE) INCOME, NET

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (Note)	47,209	49,986
Gain on disposal of property and equipment	53,769	22,672
Gain (loss) on early termination of lease agreements	909	(351)
Other operating expense	<u>(115,943)</u>	<u>(69,194)</u>
	<u>(14,056)</u>	<u>3,113</u>

Note:

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

9. OPERATING EXPENSES

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	1,512,860	1,373,157
– Staff welfares	120,761	115,737
– Social insurance	315,083	295,574
– Housing allowances	125,855	111,335
– Labour union and staff education expenses	29,216	28,670
	<u>2,103,775</u>	<u>1,924,473</u>
Premises and equipment expenses		
– Depreciation of property and equipment	287,469	291,200
– Amortisation of long-term deferred expenses	23,325	33,103
– Rental and property management expenses	60,275	56,364
– Depreciation of right-of-use assets	176,530	168,658
	<u>547,599</u>	<u>549,325</u>
Other tax and surcharges	96,874	90,221
Other general and administrative expenses (Note)	517,929	509,862
	<u>3,266,177</u>	<u>3,073,881</u>

Note:

Auditor's remuneration for the year ended 31 December 2022 was RMB2,170,000 (2021: RMB2,170,000).

10. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS, NET OF REVERSAL

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and advances to customers	1,128,724	1,232,012
Other receivables and repossessed assets	27,676	10,157
Debt securities financial assets at FVTOCI	134	—
Deposits with banks and other financial institutions	(620)	1,682
Placements with banks and other financial institutions	226	(506)
Provision for credit commitments and financial guarantees	13,598	17,093
Financial assets measured at amortised costs	186,952	308,757
Property and equipment	—	184
Interest receivables (included in other assets)	4,192	—
	<u>1,360,882</u>	<u>1,569,379</u>

11. INCOME TAX EXPENSE

Income tax:

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
– Mainland China Enterprise Income Tax	<u>605,170</u>	<u>682,607</u>
(Over) under provision in prior years:		
– Mainland China Enterprise Income Tax	<u>(993)</u>	<u>34,984</u>
Deferred tax		
– Current year	<u>(292,725)</u>	<u>(260,034)</u>
	<u>311,452</u>	<u>457,557</u>

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the year ended 31 December 2022, certain branches with operation in subsidiaries, Lingshui Huimin Village Bank Co., Ltd (“陵水惠民村鎮銀行股份有限公司”) and Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司, “Sanya Huimin Village and Township Bank” (2021: Lingshui Huimin Village and Township Bank)), obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

12. EARNINGS PER SHARE

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

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Bank	<u>1,683,339</u>	<u>1,129,398</u>
		(Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	<u>5,074,192</u>	<u>5,074,192</u>

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2022 and 2021.

The weighted average number of ordinary shares in issue during the year ended 31 December 2022 has been adjusted retrospectively taking into account the capitalisation issue of 461,290,142 ordinary shares as if the capitalisation issue had been effective on 1 January 2021.

13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
		(Restated)
In Mainland China		
– Banks	<u>9,464,880</u>	1,498,500
– Other financial institutions	<u>99,475</u>	—
	<u>9,564,355</u>	1,498,500
Accrued interest	<u>6,166</u>	281
	<u><u>9,570,521</u></u>	<u><u>1,498,781</u></u>

(b) Analysed by type of security held

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Debt securities		
– Corporation	99,475	–
– Government	5,386,500	1,158,500
– Other financial institutions	4,078,380	340,000
	9,564,355	1,498,500
Accrued interest	6,166	281
	9,570,521	1,498,781

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Listed equity investments measured at FVTPL	—	61,057
Unlisted equity investments measured at FVTPL (Note)	906,138	1,044,407
	906,138	1,150,464
Asset management plans	–	942,001
Investment funds	1,002,961	504,749
	1,002,961	1,446,750
	1,909,099	2,552,214

Note:

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

15. LOANS AND ADVANCES TO CUSTOMERS

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Gross loans and advances to customers		
Corporate loans and advances		
– Loans	142,112,472	126,768,501
– Finance lease loans	<u>2,932,147</u>	<u>3,473,367</u>
	<u>145,044,619</u>	<u>130,241,868</u>
Personal loans and advances		
– Personal business loans	20,432,868	19,967,028
– Personal consumption loans	3,114,847	2,850,866
– Credit card overdrafts	17,535	20,565
– Residential and commercial mortgage loans	<u>3,419,546</u>	<u>3,756,415</u>
	<u>26,984,796</u>	<u>26,594,874</u>
Discounted bills	<u>—</u>	<u>13,447</u>
	<u>172,029,415</u>	<u>156,850,189</u>
Accrued interest	<u>3,927,580</u>	<u>420,560</u>
Less: Provision for impairment losses		
– Individually assessed	(1,206,331)	(801,044)
– Collectively assessed	<u>(4,153,223)</u>	<u>(3,827,010)</u>
	<u>(5,359,554)</u>	<u>(4,628,054)</u>
	<u>170,597,441</u>	<u>152,642,695</u>

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i> (Restated)
Debt securities issued by the following institutions in Mainland China		
– Government	3,330,746	4,427,040
– Banks and other financial institutions	401,498	401,393
– Corporations	107,673	109,576
	<u>3,839,917</u>	<u>4,938,009</u>
Unlisted equity investments designated at FVTOCI	<u>141,267</u>	178,450
	3,981,184	5,116,459
Accrued interest	<u>38,656</u>	<u>53,460</u>
	<u>4,019,840</u>	<u>5,169,919</u>
Analysed as:		
Listed outside Hong Kong	3,878,573	4,991,469
Unlisted outside Hong Kong	<u>141,267</u>	<u>178,450</u>
	<u>4,019,840</u>	<u>5,169,919</u>

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

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

17. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	<u>2022</u>	<u>2021</u>
	RMB'000	<i>RMB'000</i> (Restated)
Debt securities issued by the following institutions in Mainland China		
– Government	15,525,055	7,772,322
– Banks and other financial institutions	903,234	1,021,221
– Corporations	300,000	430,845
– Interbank certificates	38,779	487,191
	<u>16,767,068</u>	<u>9,711,579</u>
Trust plans	6,148,234	7,176,454
Asset management plans	4,167,655	5,659,336
	<u>10,315,889</u>	<u>12,835,790</u>
	27,082,957	22,547,369
Accrued interest	1,759,115	1,490,554
Less: Provision for impairment losses	(1,044,346)	(953,522)
	<u>27,797,726</u>	<u>23,084,401</u>
Analysed as:		
Listed outside Hong Kong	16,897,330	9,837,677
Unlisted outside Hong Kong	10,900,396	13,246,724
	<u>27,797,726</u>	<u>23,084,401</u>

18. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
In Mainland China		
– Banks	50,000	—
Accrued interest	21	—
	<u>50,021</u>	<u>—</u>

(b) Analysed by collateral

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Debt securities	50,021	—

19. DEBT SECURITIES ISSUED

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate subordinated debts/tier-two capital bonds issued	2,796,031	3,495,092
Interbank deposits	2,475,991	2,715,986
	<u>5,272,022</u>	<u>6,211,078</u>
Accrued interest	79,187	79,320
	<u>5,351,209</u>	<u>6,290,398</u>

20. DIVIDENDS

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

Notes:

- (a) Pursuant to the resolution of the annual general meeting of 2021 on 17 June 2022, the board of the Bank does not recommend any distribution of final dividend for the year ended 31 December 2021.
- (b) Pursuant to the resolution of the annual general meeting of 2020 on 18 June 2021, the Bank distributed cash dividends of RMB0.15 per share (tax included) based on 4,393,239,455 shares held amounting to approximately RMB658,985,918 during the year ended 31 December 2020.

Subsequent to the end of the reporting period, the Board of the Bank does not recommend any distribution of final dividend for the year ended December 31, 2022, which shall be subject to approval by the shareholders in the forthcoming general meeting on 16 June 2023.

21. SEGMENT REPORTING

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

Corporate banking

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

Retail banking

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

Treasury operations

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

Others

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

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

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

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

Segment results, assets and liabilities

	Year ended 31 December 2022				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating income					
External net interest income/ (expense)	9,020,354	(3,792,793)	1,287,412	(33)	6,514,940
Internal net interest (expense)/ income	(4,565,635)	7,096,605	(2,530,970)	—	—
Net interest income	4,454,719	3,303,812	(1,243,558)	(33)	6,514,940
Net fee and commission income	33,501	9,981	38,162	—	81,644
Net trading gains	—	—	95,101	—	95,101
Dividend income	—	—	—	21,423	21,423
Net gains arising from investment securities	—	—	98,551	—	98,551
Loss on deemed partial disposal of a subsidiary	—	—	—	(208,561)	(208,561)
Net exchange gains	—	—	—	8,025	8,025
Other operating expense, net	—	—	—	(14,056)	(14,056)
Operating income	4,488,220	3,313,793	(1,011,744)	(193,202)	6,597,067
Operating expenses	(1,697,056)	(1,485,089)	(45,282)	(38,750)	(3,266,177)
Impairment losses on assets, net of reversals	(808,476)	(333,847)	(186,692)	(31,867)	(1,360,882)
Operating profit (loss)	1,982,688	1,494,857	(1,243,718)	(263,819)	1,970,008
Share of profits of associates	—	—	—	13,469	13,469
Profit (loss) before tax	<u>1,982,688</u>	<u>1,494,857</u>	<u>(1,243,718)</u>	<u>(250,350)</u>	<u>1,983,477</u>
Segment assets	152,650,278	22,120,672	88,446,324	2,564,566	265,781,840
Deferred tax assets	—	—	—	1,218,909	1,218,909
Total assets	<u>152,650,278</u>	<u>22,120,672</u>	<u>88,446,324</u>	<u>3,783,475</u>	<u>267,000,749</u>
Segment liabilities	(55,727,425)	(177,447,680)	(14,650,805)	(555,015)	(248,380,925)
Dividend payable	—	—	—	(478)	(478)
Total liabilities	<u>(55,727,425)</u>	<u>(177,447,680)</u>	<u>(14,650,805)</u>	<u>(555,493)</u>	<u>(248,381,403)</u>
Other segment information					
– Depreciation and amortisation	256,706	222,275	7,575	768	487,324
– Capital expenditure	82,481	83,778	917	450	167,626

Segment results, assets and liabilities (Continued)

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

22. COMMITMENTS

(a) Credit commitments

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

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

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Acceptances	2,410,505	2,553,865
Letters of guarantees	4,411,457	2,849,538
Letters of credit	3,738	18,891
Unused credit card commitments	<u>162,066</u>	<u>161,143</u>
	<u>6,987,766</u>	<u>5,583,437</u>

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

(b) Capital commitments

At 31 December 2022 and 2021, the Group's authorised capital commitments are as follows:

	<u>2022</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of property and equipment		
– Contracted for but not provided	<u>7,223</u>	<u>3,205</u>

7. PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

By order of the Board
Jilin Jiutai Rural Commercial Bank Corporation Limited*
Yuan Chunyu
Joint Company Secretary

Changchun, China
March 30, 2023

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

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