九台农商银行
JIUTAI RURAL COMMERCIAL BANK

JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED *
吉 林 九 台 農 村 商 業 銀 行 股 份 有 限 公 司 *
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6122)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

The board of directors (the "**Board**" or "**Board of Directors**") of Jilin Jiutai Rural Commercial Bank Corporation Limited (the "**Bank**") is pleased to announce the unaudited interim results (the "**Interim Results**") of the Bank and its subsidiaries (the "**Group**") for the six months ended June 30, 2023 (the "**Reporting Period**") prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**") promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Interim Results.

1. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:	吉林九台農村商業銀行股份有限公司 (abbreviated as "九台農商銀行")
Registered Name in English:	Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as "**Jiutai Rural Commercial Bank**")
Legal Representative:	Gao Bing(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 and 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 is in the process of registering the change in legal representative.

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

2. FINANCIAL SUMMARY

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2023	2022	Change in percentage (%)	Year ended December 31, 2022
Operating results				
Interest income	**6,533.5**	6,759.5	(3.3)	14,382.7
Interest expenses	**(4,116.4)**	(3,811.9)	8.0	(7,867.8)
Net interest income	**2,417.1**	2,947.6	(18.0)	6,514.9
Fee and commission income	**39.4**	63.1	(37.6)	153.5
Fee and commission expenses	**(31.7)**	(32.7)	(3.1)	(71.8)
Net fee and commission income	**7.7**	30.4	(74.7)	81.7
Net trading gains	**43.1**	65.4	(34.1)	95.1
Dividend income	**0.9**	21.4	(95.8)	21.4
Net gains arising from investment securities	**80.1**	32.3	148.0	98.6
Losses on deemed disposal of a subsidiary	**–**	–	–	(208.6)
Net exchange gains	**2.4**	4.9	(51.0)	8.0
Other operating (expenses) income, net	**(33.8)**	49.8	(167.9)	(14.0)
Operating income	**2,517.5**	3,151.8	(20.1)	6,597.1
Operating expenses	**(1,380.2)**	(1,322.1)	4.4	(3,266.2)
Impairment losses on assets	**(1,043.9)**	(1,048.4)	(0.4)	(1,360.9)
Operating profit	**93.4**	781.3	(88.0)	1,970.0
Share of results of associates	**2.4**	(6.4)	(137.5)	13.5
Profit before tax	**95.8**	774.9	(87.6)	1,983.5
Income tax credit (expenses)	**32.3**	(121.3)	(126.6)	(311.5)
Profit for the period/end of year	**128.1**	653.6	(80.4)	1,672.0
Profit for the year attributable to:				
– Owners of the Bank	**149.3**	732.1	(79.6)	1,683.3
– Non-controlling interests	**(21.2)**	(78.5)	(73.0)	(11.3)
Profit for the period/end of year	**128.1**	653.6	(80.4)	1,672.0
		(Restated)		(Restated)
Basic earnings per share (RMB)	**0.03**	0.14	(78.6)	0.33
Diluted earnings per share (RMB)	**0.03**	0.14	(78.6)	0.33

(Expressed in millions of RMB, unless otherwise stated)	**As at June 30, 2023**	As at December 31, 2022	Change in percentage (%)
Major indicators of assets/liabilities			
Total assets	**267,276.7**	267,000.7	0.1
Of which: loans and advances to customers	**175,234.7**	170,597.4	2.7
Total liabilities	**248,488.0**	248,381.4	0.0
Of which: deposits from customers	**238,036.0**	232,291.9	2.5
Total equity	**18,788.7**	18,619.3	0.9

	Six months ended June 30,		Change in percentage
	2023	2022	(%)
Profitability indicators (%)			
Return on assets[(1)(15)]	**0.10%**	0.53%	(81.1)
Return on capital[(2)(15)]	**1.37%**	7.22%	(81.0)
Net interest spread[(3)(15)]	**1.74%**	2.29%	(24.0)
Net interest margin[(4)(15)]	**1.83%**	2.39%	(23.4)
Net fee and commission income to operating income ratio[(5)]	**0.31%**	0.96%	(67.7)
Cost-to-income ratio[(6)]	**53.18%**	40.64%	30.9

	As at June 30, 2023	As at December 31, 2022	Change in percentage (%)	As at June 30, 2022
Capital adequacy indicators (%)				
Core tier-one capital adequacy ratio[(7)]	**8.51%**	8.91%	(4.5)	8.51%
Tier-one capital adequacy ratio[(8)]	**8.60%**	9.01%	(4.6)	8.60%
Capital adequacy ratio[(9)]	**10.98%**	11.50%	(4.5)	11.25%
Shareholders' equity to total assets ratio	**7.03%**	6.97%	0.9	7.11%
Assets quality indicators (%)				
Non-performing loan ratio[(10)]	**2.28%**	1.98%	15.2	1.96%
Provision coverage ratio[(11)]	**150.19%**	157.39%	(4.6)	165.54%
Provision to total loan ratio[(12)]	**3.42%**	3.12%	9.6	3.24%
Other indicators[(13)] (%)				
Loan to deposit ratio[(14)]	**76.87%**	75.67%	1.6	79.00%

Notes:

(1) Calculated by dividing the net profit for the period/year by the average balance of total assets at the beginning and the end of that period/year.

(2) Calculated by dividing the net profit for the period/year by the average balance of total equity at the beginning and at the end of that period/year.

(3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.

(4) Calculated by dividing net interest income by average interest-earning assets.

(5) Calculated by dividing net fee and commission income by operating income.

(6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.

(7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.

(8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets*100%.

(9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets*100%.

(10) Non-performing loan ratio = non-performing loans and advances to customers/gross loans and advances to customers*100%.

(11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers*100%.

(12) Provision to total loan ratio = provision for impairment losses on loans/gross loans and advances to customers*100%.

(13) These indicators refer to the ratios we report to the former China Banking and Insurance Regulatory Commission ("**Former CBIRC**", currently known as the National Administration of Financial Regulation) and calculated in accordance with PRC GAAP and relative requirements of the Former CBIRC regarding the financial data.

(14) According to the revised PRC Commercial Banking Law which became effective on October 1, 2015, loan to deposit ratio is no longer applicable to the PRC Commercial Banks as a regulatory ratio.

(15) Ratios for the six months ended June 30, 2022 and 2023 are calculated on an annualized basis.

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Environment and Outlook

This year, the global political and economic landscape is still undergoing profound changes, and there are still many uncertainties affecting development. The impact of the domestic pandemic in China has significantly receded, and the triple pressure of demand contraction, supply shock and weakening expectations have been alleviated.

Although China's economy is facing challenges such as insufficient domestic demand, operational difficulties for some enterprises and complex and severe external environment, with the increasing efforts of macroeconomic policy regulation, the gradual implementation of measures such as expanding demand, alleviating difficulties for enterprises and debt resolution, it is expected that the economic operation will continue to improve, and the internal driving force will continue to strengthen, which will promote the economy to achieve effective improvement in quality and reasonable growth in quantity. Moreover, the financial regulatory reform has made significant strides, which will also create a more stable and healthy financial environment and order.

Next, the Bank will actively implement and promote various policies of the Party and the government, effectively grasp the important opportunities brought by macroeconomic stabilization and recovery, comprehensive promotion of rural revitalization, burst of market vitality and continuous deepening of financial reform, and continue to promote high-quality development 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".

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 "Sannong (三農)" and micro, small and medium-sized enterprises (the "**SMEs**"); (ii) exploit the growth potential of personal financial services to further develop 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

The Group recorded a total operating income of RMB2,517.5 million for the six months ended June 30, 2023, representing a decrease of 20.1% as compared to RMB3,151.8 million for the six months ended June 30, 2022. The Group's net profit decreased by 80.4% from RMB653.6 million for the six months ended June 30, 2022 to RMB128.1 million for the six months ended June 30, 2023. The net interest income of the Group decreased by 18.0% from RMB2,947.6 million for the six months ended June 30, 2022 to RMB2,417.1 million for the six months ended June 30, 2023.

As at June 30, 2023, the Group's total assets amounted to RMB267,276.7 million, representing an increase of 0.1% as compared with the beginning of the year; net loans and advances to customers amounted to RMB175,234.7 million, representing an increase of 2.7% as compared with the beginning of the year; the non-performing loan ratio was 2.28%, representing an increase of 0.3 percentage point as compared with the beginning of the year; total deposits from customers amounted to RMB233,138.5 million, representing an increase of 2.5% as compared with the beginning of the year.

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2023	2022	Change in amount	Change in percentage (%)
Interest income	**6,533.5**	6,759.5	(226.0)	(3.3)
Interest expense	**(4,116.4)**	(3,811.9)	(304.5)	8.0
Net interest income	**2,417.1**	2,947.6	(530.5)	(18.0)
Fee and commission income	**39.4**	63.1	(23.7)	(37.6)
Fee and commission expenses	**(31.7)**	(32.7)	1.0	(3.1)
Net fee and commission income	**7.7**	30.4	(22.7)	(74.7)
Net trading gains	**43.1**	65.4	(22.3)	(34.1)
Dividend income	**0.9**	21.4	(20.5)	(95.8)
Net gains arising from investment securities	**80.1**	32.3	47.8	148.0
Net exchange gains	**2.4**	4.9	(2.5)	(51.0)
Other operating (expenses) income, net	**(33.8)**	49.8	(83.6)	(167.9)
Operating income	**2,517.5**	3,151.8	(634.3)	(20.1)
Operating expenses	**(1,380.2)**	(1,322.1)	(58.1)	4.4
Impairment losses on assets	**(1,043.9)**	(1,048.4)	4.5	(0.4)
Operating profit	**93.4**	781.3	(687.9)	(88.0)
Share of results of associates	**2.4**	(6.4)	8.8	(137.5)
Profit before tax	**95.8**	774.9	(679.1)	(87.6)
Income tax credit (expenses)	**32.3**	(121.3)	153.6	(126.6)
Profit for the period	**128.1**	653.6	(525.5)	(80.4)
Profit for the period attributable to:				
– Owners of the Bank	**149.3**	732.1	(582.8)	(79.6)
– Non-controlling interests	**(21.2)**	(78.5)	57.3	(73.0)
Profit for the period	**128.1**	653.6	(525.5)	(80.4)

In the first six months of 2023, the Group's operating income was RMB2,517.5 million, representing a year-on-year decrease of 20.1%; profit before tax was RMB95.8 million, representing a year-on-year decrease of 87.6%; profit for the period was RMB128.1 million, representing a year-on-year decrease of 80.4%. It was primarily due to the fact that the Group took the initiative to reduce fees and make concessions to support entities in order to help stabilize growth and better fulfill social responsibilities; several customers suffered from operating difficulties and a decrease in their ability to repay their loans in the short term due to the impact of the epidemic; and the net interest income decreased compared with the corresponding period of the previous year due to the changes in market interest rates combined with the impact of differences in the growth rate of deposits and loans.

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 93.5% and 96.0% of operating income for the six months ended June 30, 2022 and 2023, respectively. The table below sets forth the interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	**Six months ended June 30,**			
	2023	2022	Change in amount	Change in percentage (%)
Interest income	**6,533.5**	6,759.5	(226.0)	(3.3)
Interest expense	**(4,116.4)**	(3,811.9)	(304.5)	8.0
Net interest income	**2,417.1**	2,947.6	(530.5)	(18.0)

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

(Expressed in millions of RMB, unless otherwise stated)	**Six months ended June 30, 2023**			Six months ended June 30, 2022		
	Average balance	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Interest-earning assets						
Loans and advances to customers	**178,191.6**	**5,458.5**	**6.13**	171,652.8	5,757.1	6.71
Investment securities and other financial assets[(1)]	**35,328.7**	**646.0**	**3.66**	32,122.2	664.3	4.14
Deposits with banks	**17,716.0**	**127.8**	**1.44**	13,791.7	95.1	1.38
Financial assets held under resale agreements	**15,447.3**	**171.2**	**2.22**	10,398.1	115.0	2.21
Deposits with the central bank[(2)]	**16,968.4**	**112.2**	**1.32**	17,298.5	110.3	1.28
Placements with banks and other financial institutions	**1,028.8**	**17.8**	**3.46**	936.9	17.7	3.78
Total interest-earning assets	**264,680.8**	**6,533.5**	**4.94**	246,200.2	6,759.5	5.49

(Expressed in millions of RMB, unless otherwise stated)	**Six months ended June 30, 2023**			Six months ended June 30, 2022		
	Average balance	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Interest-bearing liabilities						
Deposits from customers	**235,227.2**	**3,829.0**	**3.26**	215,492.5	3,445.6	3.20
Financial assets sold under repurchase agreements	**9,426.9**	**75.5**	**1.60**	5,145.2	44.7	1.74
Deposits from banks	**2,650.8**	**38.4**	**2.90**	6,913.2	113.8	3.29
Debt securities issued[3]	**4,821.2**	**102.9**	**4.27**	6,110.0	142.0	4.65
Placements from banks	**2,023.9**	**28.9**	**2.86**	1,569.1	22.3	2.84
Borrowing from the central bank	**3,107.4**	**32.8**	**2.11**	2,896.3	31.9	2.20
Lease liabilities	**405.9**	**8.9**	**4.39**	479.8	11.6	4.84
Total interest-bearing liabilities	**257,663.3**	**4,116.4**	**3.20**	238,606.1	3,811.9	3.20
Net interest income		**2,417.1**			2,947.6	
Net interest spread[4]			**1.74**			2.29
Net interest margin[5]			**1.83**			2.39

Notes:

(1) Investment securities and other financial assets include the investments in debt instruments 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 and interbank certificates.

(4) Represents the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

(5) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets).

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

	Six months ended June 30, 2023 vs 2022		
(Expressed in millions of RMB, unless otherwise stated)	**Volume(1)**	**Interest rate(2)**	**Net increase/ (decrease)(3)**
Interest-earning Assets			
Loans and advances to customers	200.3	(498.9)	(298.6)
Investment securities and other financial assets	58.6	(76.9)	(18.3)
Deposits with banks	28.3	4.4	32.7
Financial assets held under resale agreements	56.0	0.2	56.2
Deposits with the central bank	(2.2)	4.1	1.9
Placements with banks and other financial institutions	1.6	(1.5)	0.1
Changes in interest income	342.6	(568.6)	(226.0)
Interest-bearing Liabilities			
Deposits from customers	321.2	62.2	383.4
Financial assets sold under repurchase agreements	34.3	(3.5)	30.8
Deposits from banks	(61.7)	(13.7)	(75.4)
Debt securities issued	(27.5)	(11.6)	(39.1)
Placements from banks	6.5	0.1	6.6
Borrowing from the central bank	2.2	(1.3)	0.9
Lease liabilities	(1.6)	(1.1)	(2.7)
Changes in interest expense	273.4	31.1	304.5
Changes in net interest income	69.2	(599.7)	(530.5)

Notes:

(1) Represents the average balance for the period minus the average balance for the previous period, multiplied by the average yield/cost for the period.

(2) Represents the average yield/cost for the period minus the average yield/cost for the previous period, multiplied by the average balance for the previous period.

(3) Represents interest income/expense for the period minus interest income/expense for the previous period.

(ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2023		2022	
	Amount	**% of total**	Amount	% of total
Loans and advances to customers	**5,458.5**	**83.5**	5,757.1	85.2
Investment securities and other financial assets	**646.0**	**9.9**	664.3	9.8
Deposits with banks	**127.8**	**2.0**	95.1	1.4
Financial assets held under resale agreements	**171.2**	**2.6**	115.0	1.7
Deposits with the central bank	**112.2**	**1.7**	110.3	1.6
Placements with banks and other financial institutions	**17.8**	**0.3**	17.7	0.3
Total	**6,533.5**	**100.0**	6,759.5	100.0

The Group's interest income decreased by 3.3% from RMB6,759.5 million for the six months ended June 30, 2022 to RMB6,533.5 million for the six months ended June 30, 2023, and the decrease was primarily due to the decrease in the average yield on interest-earning assets from 5.49% for the six months ended June 30, 2022 to 4.94% for the six months ended June 30, 2023, which was partially offset by the increase in the average balance of interest-earning assets from RMB246,200.2 million for the six months ended June 30, 2022 to RMB264,680.8 million for the six months ended June 30, 2023. The decrease in the average yield on interest-earning assets was primarily due to the decrease in the average yields on loans and advances to customers, investment securities and other financial assets, and placements with banks and other financial institutions, partially offset by the increase in the average yields on deposits with banks, financial assets held under resale agreements, and deposits with the central bank. The increase in the average balance of interest-earning assets was primarily due to the increase in the average balance of loans and advances to customers, investment securities and other financial assets, deposits with banks, financial assets held under resale agreements and placements with banks and other financial institutions, partially offset by the decrease in the average balance of deposits with the central bank.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 85.2% and 83.5% of the Group's total interest income for the six months ended June 30, 2022 and 2023, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

	Six months ended June 30,					
	2023			2022		
(Expressed in millions of RMB, unless otherwise stated)	**Average balance**	**Interest income**	**Average yield (%)**	Average balance	Interest income	Average yield (%)
Corporate loans	**150,693.7**	**4,584.2**	**6.08**	144,555.3	4,902.7	6.78
Retail loans	**27,426.8**	**873.6**	**6.37**	27,092.4	854.3	6.31
Discounted bills	**71.1**	**0.7**	**1.97**	5.1	0.1	3.92
Gross loans and advances to customers	**178,191.6**	**5,458.5**	**6.13**	171,652.8	5,757.1	6.71

Interest income from loans and advances to customers constitutes the largest portion of the interest income of the Group, which decreased by 5.2% from RMB5,757.1 million for the six months ended June 30, 2022 to RMB5,458.5 million for the six months ended June 30, 2023. The decrease was primarily due to the decrease in average yield on loans and advances to customers from 6.71% for the six months ended June 30, 2022 to 6.13% for the six months ended June 30, 2023, which was partially offset by the increase in the average balance of such assets from RMB171,652.8 million for the six months ended June 30, 2022 to RMB178,191.6 million for the six months ended June 30, 2023. The decrease in the average yield on such assets was primarily due to that several customers suffered from operating difficulties and a decrease in their ability to repay their loans in the short term due to the impact of the epidemic, as well as the Group's fee reductions and concessions to lower the cost of corporate financing and the year-on-year downward impact of the Loan Prime Rate (LPR). The increase in the average balance of such assets was primarily due to the Group's adherence to its primary responsibility and main business, and the orderly increase in financial supply through measures such as serving rural revitalization, supporting industrial clusters, broadening regional markets, helping enterprises to alleviate and resolve difficulties, and promoting retail transformation.

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

Interest income from investment securities and other financial assets decreased by 2.8% from RMB664.3 million for the six months ended June 30, 2022 to RMB646.0 million for the six months ended June 30, 2023. This was primarily due to the decrease in the average yield on investment securities and other financial assets from 4.14% for the six months ended June 30, 2022 to 3.66% for the six months ended June 30, 2023, which was partially offset by the increase in the average balance of such assets from RMB32,122.2 million for the six months ended June 30, 2022 to RMB35,328.7 million for the six months ended June 30, 2023. The decrease in the average yield on such assets was primarily due to changes in the type and maturity structure of investment assets and changes in market interest rates. The increase in the average balance of such assets was primarily due to the reasonable increase in the size of the Group's government bond reserves in accordance with the needs of its business operations, which was partially offset by the decrease in the size of investments in asset management plans, trust plans and funds.

(C) Interest income from deposits with banks

Interest income from deposits with banks increased by 34.4% from RMB95.1 million for the six months ended June 30, 2022 to RMB127.8 million for the six months ended June 30, 2023. This was primarily due to the increase in the average balance of deposits with banks from RMB13,791.7 million for the six months ended June 30, 2022 to RMB17,716.0 million for the six months ended June 30, 2023 and the increase in the average yield on such assets from 1.38% for the six months ended June 30, 2022 to 1.44% for the six months ended June 30, 2023. The increase in the average balance of such assets was primarily due to the increase in the size of the Group's deposits with banks based on operational needs. The increase in the average yield on such assets was primarily due to changes in the maturity structure of the asset portfolio and changes in market interest rates.

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

Interest income from financial assets held under resale agreements increased by 48.9% from RMB115.0 million for the six months ended June 30, 2022 to RMB171.2 million for the six months ended June 30, 2023. This was primarily due to the increase in the average balance of financial assets held under resale agreements from RMB10,398.1 million for the six months ended June 30, 2022 to RMB15,447.3 million for the six months ended June 30, 2023 and the increase in the average yield on such assets from 2.21% for the six months ended June 30, 2022 to 2.22% for the six months ended June 30, 2023. The increase in the average balance of such assets was primarily due to the Group's initiative to increase the size of such assets in line with liquidity management needs. The increase in the average yield on such assets was primarily due to the change in market interest rates.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 1.7% from RMB110.3 million for the six months ended June 30, 2022 to RMB112.2 million for the six months ended June 30, 2023. This was primarily due to the increase in the average yield on deposits with the central bank from 1.28% for the six months ended June 30, 2022 to 1.32% for the six months ended June 30, 2023, which was partially offset by the decrease in the average balance of such assets from RMB17,298.5 million for the six months ended June 30, 2022 to RMB16,968.4 million for the six months ended June 30, 2023. The increase in the average yield on such assets was primarily due to changes in the structure of statutory deposit reserves and surplus deposit reserves. The increase in the average balance of such assets was primarily due to the changes in the statutory deposit reserve ratio.

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

Interest income from placements with banks and other financial institutions increased by 0.6% from RMB17.7 million for the six months ended June 30, 2022 to RMB17.8 million for the six months ended June 30, 2023. This was primarily due to the increase in the average balance of placements with banks and other financial institutions from RMB936.9 million for the six months ended June 30, 2022 to RMB1,028.8 million for the six months ended June 30, 2023, which was partially offset by a decrease in average yield on such assets from 3.78% for the six months ended June 30, 2022 to 3.46% for the six months ended June 30, 2023. The increase in the average balance of such assets was primarily due to the Group's timely adjustment of the size of such assets in order to balance earnings and liquidity needs. The decrease in the average yield on such assets was primarily due to the change in the maturity structure of the assets.

(iii) Interest expenses

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

	Six months ended June 30,			
	2023		2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**3,829.0**	**93.0**	3,445.6	90.4
Financial assets sold under repurchase agreements	**75.5**	**1.8**	44.7	1.2
Deposits from banks	**38.4**	**0.9**	113.8	3.0
Debt securities issued	**102.9**	**2.5**	142.0	3.7
Placements from banks	**28.9**	**0.7**	22.3	0.6
Borrowings from the central bank	**32.8**	**0.9**	31.9	0.8
Lease liabilities	**8.9**	**0.2**	11.6	0.3
Total	**4,116.4**	**100.0**	3,811.9	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 indicated.

	Six months ended June 30,					
	2023			2022		
(Expressed in millions of RMB, unless otherwise stated)	**Average balance**	**Interest income**	**Average cost (%)**	Average balance	Interest income	Average cost (%)
Corporate deposits						
Time	**8,900.4**	**116.1**	**2.61**	10,078.8	109.3	2.17
Demand	**40,797.6**	**570.2**	**2.80**	47,201.3	606.2	2.57
Subtotal	**49,698.0**	**686.3**	**2.76**	57,280.1	715.5	2.50
Retail deposits						
Time	**169,791.8**	**3,037.2**	**3.58**	141,910.8	2,616.8	3.69
Demand	**15,737.4**	**105.5**	**1.34**	16,301.6	113.3	1.39
Subtotal	**185,529.2**	**3,142.7**	**3.39**	158,212.4	2,730.1	3.45
Total deposits from customers	**235,227.2**	**3,829.0**	**3.26**	215,492.5	3,445.6	3.20

Interest expenses on deposits from customers increased by 11.1% from RMB3,445.6 million for the six months ended June 30, 2022 to RMB3,829.0 million for the six months ended June 30, 2023. This was primarily due to the increase in the average balance of deposits from customers from RMB215,492.5 million for the six months ended June 30, 2022 to RMB235,227.2 million for the six months ended June 30, 2023 and the increase in the average cost of such liabilities from 3.20% for the six months ended June 30, 2022 to 3.26% for the six months ended June 30, 2023. The increase in the average balance of such liabilities was primarily due to the Group's focus on the marketing of community finance and industry chain finance, its efforts in resource integration and product mix, and its enhancement of customer acquisition capacity, which resulted in a steady growth in total deposits. The increase in the average cost of such liabilities was primarily due to the change in deposit structure.

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

Interest expenses on financial assets sold under repurchase agreements increased by 68.9% from RMB44.7 million for the six months ended June 30, 2022 to RMB75.5 million for the six months ended June 30, 2023. This was primarily due to the increase in the average balance of financial assets sold under repurchase agreements from RMB5,145.2 million for the six months ended June 30, 2022 to RMB9,426.9 million for the six months ended June 30, 2023, which was partially offset by the decrease in the average cost on such liabilities from 1.74% for the six months ended June 30, 2022 to 1.60% for the six months ended June 30, 2023. The increase in the average balance of such liabilities was primarily due to the Group's initiative to increase the size of such liabilities by rationalizing its liability structure based on operational needs. The decrease in the average cost of such liabilities was primarily due to the changes in market interest rates.

(C) Interest expenses on deposits from banks

Interest expenses on deposits from banks decreased by 66.3% from RMB113.8 million for the six months ended June 30, 2022 to RMB38.4 million for the six months ended June 30, 2023. This was primarily due to the decrease in the average balance of such liabilities from RMB6,913.2 million for the six months ended June 30, 2022 to RMB2,650.8 million for the six months ended June 30, 2023 and the decrease in the average cost of such liabilities from 3.29% for the six months ended June 30, 2022 to 2.90% for the six months ended June 30, 2023. The decrease in the average balance of such liabilities was primarily due to the Group's initiative to reduce the size of such liabilities by adjusting its liability structure in a timely manner in accordance with changes in market interest rates. The decrease in the average cost of such liabilities was primarily due to the change in the maturity structure.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued decreased by 27.5% from RMB142.0 million for the six months ended June 30, 2022 to RMB102.9 million for the six months ended June 30, 2023. This was primarily due to the decrease in the average balance of debt securities issued from RMB6,110.0 million for the six months ended June 30, 2022 to RMB4,821.2 million for the six months ended June 30, 2023 and the decrease in the average cost of such liabilities from 4.65% for the six months ended June 30, 2022 to 4.27% for the six months ended June 30, 2023. The decrease in the average balance of such liabilities was primarily due to a decrease in the issuance size of bonds and interbank certificates. The decrease in the average cost on such liabilities was primarily due to changes in the bond structure.

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

Interest expenses on placements from banks and other financial institutions increased by 29.6% from RMB22.3 million for the six months ended June 30, 2022 to RMB28.9 million for the six months ended June 30, 2023. This was primarily due to the increase in the average balance of placements from banks and other financial institutions from RMB1,569.1 million for the six months ended June 30, 2022 to RMB2,023.9 million for the six months ended June 30, 2023, and the increase in the average cost of such liabilities from 2.84% for the six months ended June 30, 2022 to 2.86% for the six months ended June 30, 2023. The increase in the average balance of such liabilities was primarily due to the Group's initiative to increase the size of such liabilities by rationalizing its liability structure based on operational needs. The increase in the average cost on such liabilities was primarily due to changes in market interest rates.

(F) Interest expenses on borrowings from the central bank

The interest expenses on borrowings from the central bank increased by 2.8% from RMB31.9 million for the six months ended June 30, 2022 to RMB32.8 million for the six months ended June 30, 2023. This was primarily due to the increase in the average balance of borrowings from the central bank from RMB2,896.3 million for the six months ended June 30, 2022 to RMB3,107.4 million for the six months ended June 30, 2023, which was partially offset by a decrease in the average cost of such liabilities from 2.20% for the six months ended June 30, 2022 to 2.11% for the six months ended June 30, 2023. The increase in the average balance of such liabilities primarily reflected the Group's initiative to increase the scale of special central bank borrowings in order to fully implement the policy of supporting agriculture and SMEs' development. The decrease in the average cost on such liabilities was primarily due to changes in market interest rates.

(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 0.55 percentage point from 2.29% for the six months ended June 30, 2022 to 1.74% for the six months ended June 30, 2023. Net interest margin decreased by 0.56 percentage point from 2.39% for the six months ended June 30, 2022 to 1.83% for the six months ended June 30, 2023. This was primarily due to a decrease of 0.55 percentage point in the average yield on interest-earning assets compared with the same period of the previous year and the average cost of interest-bearing liabilities was flat compared with the same period of the previous year. The decrease in the average yield on interest-earning assets was primarily due to the decline in the repayment ability of some customers due to the impact of the epidemic, the decrease in the average yields on loans and advances to customers, and the decrease in the average yield on investment securities and other financial assets, and placements with banks and other financial institutions due to the impact of changes in the maturity structure of assets and changes in market interest rates, which was partially offset by the increase in the average yields on deposits with banks, financial assets held under resale agreements, and deposits with the central bank.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2023	2022	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	**13.2**	16.5	(3.3)	(20.0)
Syndicated loan service fees	**–**	7.8	(7.8)	(100.0)
Settlement and clearing fees	**11.4**	10.6	0.8	7.5
Agency services fees	**6.1**	5.1	1.0	19.6
Wealth management service fees	**5.1**	20.4	(15.3)	(75.0)
Bank card service fees	**1.0**	1.2	(0.2)	(16.7)
Others[1]	**2.6**	1.5	1.1	73.3
Subtotal	**39.4**	63.1	(23.7)	(37.6)
Fee and commission expense	**(31.7)**	(32.7)	1.0	(3.1)
Net fee and commission income	**7.7**	30.4	(22.7)	(74.7)

Note:

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

Net fee and commission income decreased by 74.7% from RMB30.4 million for the six months ended June 30, 2022 to RMB7.7 million for the six months ended June 30, 2023. This was primarily due to the decrease in advisory fees income, fee income from syndicated loan business, fee income from wealth management, and fee income from bank card service, which was partially offset by the increase in settlement and clearing fees income, agency service fees income, and other fee income.

Advisory fees income decreased by 20.0% from RMB16.5 million for the six months ended June 30, 2022 to RMB13.2 million for the six months ended June 30, 2023, which was primarily due to the decrease in consultancy services provided by the Group to customers.

Income from syndicated loan service decreased by 100.0% from RMB7.8 million for the six months ended June 30, 2022 to RMB nil for the six months ended June 30, 2023, mainly due to the decreased volume of syndicated loan business.

Settlement and clearing fees income increased by 7.5% from RMB10.6 million for the six months ended June 30, 2022 to RMB11.4 million for the six months ended June 30, 2023, mainly due to the increase in the volume of settlement business.

Agency service fees income increased by 19.6% from RMB5.1 million for the six months ended June 30, 2022 to RMB6.1 million for the six months ended June 30, 2023, mainly due to the increase in the volume of agency service.

Wealth management service fees income decreased by 75.0% from RMB20.4 million for the six months ended June 30, 2022 to RMB5.1 million for the six months ended June 30, 2023, mainly due to the decrease in the scale of issuance of wealth management products.

Bank card service fees income decreased by 16.7% from RMB1.2 million for the six months ended June 30, 2022 to RMB1.0 million for the six months ended June 30, 2023, mainly due to the decrease in the amount of bank card transactions.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses decreased by 3.1% from RMB32.7 million for the six months ended June 30, 2022 to RMB31.7 million for the six months ended June 30, 2023, which was mainly due to the decrease in settlement and clearing fee expenses.

(B) Net gains arising from investment securities

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

Net gains arising from investment securities increased by 148.0% from RMB32.3 million for the six months ended June 30, 2022 to RMB80.1 million for the six months ended June 30, 2023. This was mainly due to the timely disposal of bond assets held by the Group in accordance with the Group's asset portfolio investment strategy and operational needs.

(C) Dividend income

Dividend income decreased by 95.8% from RMB21.4 million for the six months ended June 30, 2022 to RMB0.9 million for the six months ended June 30, 2023. This was mainly due to the decreased dividend payment from holding companies.

(D) Net trading gains

Net trading gains decreased by 34.1% from RMB65.4 million for the six months ended June 30, 2022 to RMB43.1 million for the six months ended June 30, 2023, mainly due to the decrease in interest income from trading financial assets as a result of changes in size and interest rates, which was partially offset by the increase in the fair value of trading financial assets.

(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 51.0% from RMB4.9 million for the six months ended June 30, 2022 to RMB2.4 million for the six months ended June 30, 2023, primarily due to the decrease in foreign exchange trading income and the impact of foreign exchange rate fluctuations.

(F) Other operating (expenses) income, net

Other operating (expenses) income, net mainly included non-recurring income such as government subsidies and insurance claim, net of non-recurring expenses such as charitable donation. Other operating (expenses) income, net decreased by 167.9% from RMB49.8 million for the six months ended June 30, 2022 to RMB(33.8) million for the six months ended June 30, 2023, which was mainly due to the decrease in gains on central bank interest rate swaps, net gains on the disposal of property and equipment, as well as the increase in deposit insurance premium expense.

(vi) Operating expenses

Operating expenses increased by 4.4% from RMB1,322.1 million for the six months ended June 30, 2022 to RMB1,380.2 million for the six months ended June 30, 2023. 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.

	Six months ended June 30,			
(Expressed in millions of RMB, unless otherwise stated)	**2023**	2022	Change in amount	Change in percentage (%)
Staff costs	**921.6**	847.1	74.5	8.8
Property and equipment expenses	**253.5**	283.4	(29.9)	(10.6)
General management and administrative expenses	**163.6**	150.4	13.2	8.8
Taxes and surcharges	**41.5**	41.2	0.3	0.7
Total	**1,380.2**	1,322.1	58.1	4.4

(A) Staff costs

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

	Six months ended June 30,			
(Expressed in millions of RMB, unless otherwise stated)	**2023**	2022	Change in amount	Change in percentage (%)
Salaries and bonuses	**640.3**	589.1	51.2	8.7
Social insurance	**151.3**	137.9	13.4	9.7
Staff welfares	**51.7**	49.9	1.8	3.6
Housing allowances	**65.4**	59.6	5.8	9.7
Labor union and staff education expenses	**12.9**	10.6	2.3	21.7
Total staff costs	**921.6**	847.1	74.5	8.8

Staff costs increased by 8.8% from RMB847.1 million for the six months ended June 30, 2022 to RMB921.6 million for the six months ended June 30, 2023. The increase in staff costs was primarily due to the increase in salaries and bonuses and a corresponding increase in social insurance.

(B) Property and equipment expenses

Property and equipment expenses decreased by 10.6% from RMB283.4 million for the six months ended June 30, 2022 to RMB253.5 million for the six months ended June 30, 2023. The decrease in property and equipment expenses was mainly due to the depreciation period of some of the Group's owned properties.

(C) General management and administrative expenses

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash, repair expenses and others. General management and administrative expenses increased by 8.8% from RMB150.4 million for the six months ended June 30, 2022 to RMB163.6 million for the six months ended June 30, 2023. The increase in general management and administrative expenses was mainly due to the fact that some outlets were not open for business in the same period last year due to the pandemic and a lower base for general management and administration expenses.

(D) Taxes and surcharges

Taxes and surcharges increased by 0.7% from RMB41.2 million for the six months ended June 30, 2022 to RMB41.5 million for the six months ended June 30, 2023. The increase in taxes and surcharges was primarily due to the increase in VAT resulting in a corresponding increase in such expense.

(vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2023	2022	Change in amount	Change in percentage (%)
Loans and advances to customers	**805.8**	938.8	(133.0)	(14.2)
Financial assets at fair value through other comprehensive income	**(0.1)**	0.2	(0.3)	(150.0)
Financial assets at amortized cost	**230.2**	92.8	137.4	148.1
Deposits with banks	**(1.1)**	(1.0)	(0.1)	10.0
Placement with banks and other financial institutions	**(0.1)**	0.3	(0.4)	(133.3)
Other receivables, prepayment and repossessed assets	**8.4**	5.2	3.2	61.5
Credit commitments and financial guarantees	**(0.5)**	8.8	(9.3)	(105.7)
Interest receivable	**1.3**	3.3	(2.0)	(60.6)
Total	**1,043.9**	1,048.4	(4.5)	(0.4)

Impairment losses on assets decreased by 0.4% from RMB1,048.4 million for the six months ended June 30, 2022 to RMB1,043.9 million for the six months ended June 30, 2023, mainly due to the Group's enhancement of the refined risk management assessment in response to the changes in external market environment, the decrease in impairment losses on assets for loans and advances to customers, financial assets at fair value through other comprehensive income, deposits with banks, placements with banks and other financial institutions, credit commitments and financial guarantees, and interest receivable, but partially offset by the increase in impairment losses on assets for financial assets at amortized cost and other receivables, prepayment and repossessed assets.

(viii) Income tax credit (expenses)

Income tax credit (expenses) decreased by 126.6% from RMB(121.3) million for the six months ended June 30, 2022 to RMB32.3 million for the six months ended June 30, 2023. The decrease in income tax expense was primarily due to the lower operating profit.

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of June 30, 2023 and December 31, 2022, the Group's total assets amounted to RMB267,276.7 million and RMB267,000.7 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) cash and deposits with the central bank; (iv) deposits with banks; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Assets				
Gross loans and advances to customers	**179,208.3**	**67.1**	172,029.4	64.4
Accrued interest for loans and advances to customers	**2,155.3**	**0.8**	3,927.5	1.5
Provision for impairment losses	**(6,128.9)**	**(2.3)**	(5,359.5)	(2.0)
Loans and advances to customers, net	**175,234.7**	**65.6**	170,597.4	63.9
Investment securities and other financial assets[(1)]	**35,489.2**	**13.3**	33,726.6	12.6
Cash and deposits with the central bank	**25,535.9**	**9.6**	34,642.8	13.0
Deposits with banks	**13,299.3**	**5.0**	11,092.3	4.1
Placements with banks and other financial institutions	**–**	**–**	425.2	0.2
Financial assets held under resale agreements	**10,286.5**	**3.8**	9,570.5	3.6
Other assets[(2)]	**7,431.1**	**2.7**	6,945.9	2.6
Total assets	**267,276.7**	**100.0**	267,000.7	100.0

Notes:

(1) Include financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

(2) Primarily consist of property and equipment, goodwill, other receivables and prepayments, interest receivable, deferred tax assets, repossessed assets, interests in associates, right-of-use assets and tax receivable.

(A) Loans and advances to customers

As of June 30, 2023, the Group's gross loans and advances to customers was RMB179,208.3 million, representing an increase of 4.2% as compared to December 31, 2022. Net loans and advances to customers accounted for 65.6% of the Group's total assets, representing an increase of 1.7 percentage points as compared to December 31, 2022.

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

	As of June 30, 2023		As of December 31, 2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Corporate loan and advances				
– Loan	**149,045.2**	**83.2**	142,112.5	82.6
– Finance leases loan	**2,648.5**	**1.5**	2,932.1	1.7
Retail loans	**27,514.0**	**15.3**	26,984.8	15.7
Discounted bills	**0.6**	**0.0**	–	–
Gross loans and advances to customers	**179,208.3**	**100.0**	172,029.4	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 64.8% and 62.4% of total assets as of June 30, 2023 and December 31, 2022, respectively.

The Group's corporate loans increased by 4.6% from RMB145,044.6 million as of December 31, 2022 to RMB151,693.7 million as of June 30, 2023, primarily due to the fact that the Group closely followed the national policy direction, based on regional development, continuously broadened its service areas under the premise of effective risk prevention, increased its support for the real economy, satisfied the effective credit needs of the Company's loan customers and increased the scale of credit investment.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. The Group's retail loans increased by 2.0% from RMB26,984.8 million as of December 31, 2022 to RMB27,514.0 million as of June 30, 2023, primarily due to the Group's comprehensive acceleration of the transformation and development of its retail business based on the retail digitalization system, which facilitated a steady growth in the scale of retail loans.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 97.8% and 97.8% of gross loans and advances to customers as of June 30, 2023 and December 31, 2022, 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.

	As of June 30, 2023		As of December 31, 2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Collateralized loans	**68,790.6**	**38.4**	68,575.0	39.8
Pledged loans	**13,980.4**	**7.8**	16,286.6	9.5
Guaranteed loans	**92,477.7**	**51.6**	83,425.1	48.5
Unsecured loans	**3,959.6**	**2.2**	3,742.7	2.2
Gross loans and advances to customers	**179,208.3**	**100.0**	172,029.4	100.0

Collateralized loans and pledged loans as a percentage of total loans and advances to customers was 49.3% as of December 31, 2022 and 46.2% as of June 30, 2023, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of gross loans and advances to customers was 48.5% as of December 31, 2022 and 51.6% as of June 30, 2023.

The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2022 and June 30, 2023, unsecured loans represented 2.2% and 2.2% of gross loans and advances to customers.

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2023	As of December 31, 2022
As at the beginning of the period/year	**5,359.5**	4,628.1
Charge for the period/year	**784.9**	1,082.1
Reverse for the period/year	**20.9**	46.6
Amounts written off as uncollectible	**(37.8)**	(130.7)
Recoveries of loans and advances previously written off	**1.4**	10.3
Changes arising from consolidation	**–**	(276.9)
As of June 30/December 31	**6,128.9**	5,359.5

Provision for impairment losses on loans and advances to customers increased by 14.4% from RMB5,359.5 million as of December 31, 2022 to RMB6,128.9 million as of June 30, 2023, which mainly reflected the provision for impairment on loans by the Group based on changes in the size of loans and advances to customers and the degree of potential risks.

(B) Investment securities and other financial assets

As of June 30, 2023 and December 31, 2022, the Group had investment securities and other financial assets of RMB35,489.2 million and RMB33,726.6 million, respectively, representing 13.3% and 12.6% of its total assets, respectively.

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

	As of June 30, 2023		As of December 31, 2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Debt securities investments				
Financial assets at fair value through other comprehensive income	**10,143.0**	**28.6**	3,839.9	11.4
Financial assets at amortized cost	**13,476.5**	**38.0**	16,766.8	49.7
Subtotal	**23,619.5**	**66.6**	20,606.7	61.1
Asset management plans and trust plans				
Asset management plans	**3,396.5**	**9.6**	3,696.3	11.0
Trust plans	**5,565.3**	**15.7**	5,575.5	16.5
Subtotal	**8,961.8**	**25.3**	9,271.8	27.5
Funds	**–**	**–**	1,003.0	3.0
Subtotal	**–**	**–**	1,003.0	3.0
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	**136.7**	**0.4**	141.3	0.4
Financial assets at fair value through profit or loss	**825.4**	**2.3**	906.1	2.7
Subtotal	**962.1**	**2.7**	1,047.4	3.1
Accrued interest	**1,945.8**	**5.4**	1,797.7	5.3
Total investment securities and other financial assets, net	**35,489.2**	**100.0**	33,726.6	100.0

Investment securities and other financial assets increased by 5.2% from RMB33,726.6 million as of December 31, 2022 to RMB35,489.2 million as of June 30, 2023. The increase in investment securities and other financial assets was primarily due to the Group's timely adjustment of its investment strategy and increase in bond investments in accordance with the liquidity adequacy situation and market changes, taking into account the actual operating conditions, which was partially offset by the decrease in asset management plans, trust plans and funds investments.

(ii) Liabilities

As of June 30, 2023 and December 31, 2022, total liabilities amounted to RMB248,488.0 million and RMB248,381.4 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) deposits from banks; (iv) placements from banks; (v) borrowing from the central bank; and (vi) financial assets sold under repurchase agreements. The table below sets forth the components of total liabilities as of the dates indicated.

	As of June 30, 2023		As of December 31, 2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**238,036.0**	**95.8**	232,291.9	93.5
Debt securities issued	**3,390.1**	**1.4**	5,351.2	2.2
Deposits from banks	**1,905.0**	**0.8**	3,471.6	1.4
Placements from banks	**1,553.9**	**0.6**	2,052.8	0.8
Borrowing from the central bank	**2,129.4**	**0.9**	3,679.8	1.5
Financial assets sold under repurchase agreements	**240.1**	**0.1**	50.0	0.0
Other liabilities[1]	**1,233.5**	**0.4**	1,484.1	0.6
Total liabilities	**248,488.0**	**100.0**	248,381.4	100.0

Note:

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

(A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2023**		As of December 31, 2022	
	Amount	**% of total**	Amount	% of total
Corporate deposits				
Demand deposits	**32,504.6**	**13.7**	42,187.6	18.2
Time deposits	**7,441.3**	**3.1**	8,658.8	3.7
Subtotal	**39,945.9**	**16.8**	50,846.4	21.9
Retail deposits				
Demand deposits	**15,649.9**	**6.6**	15,817.8	6.8
Time deposits	**174,725.7**	**73.4**	157,255.3	67.7
Subtotal	**190,375.6**	**80.0**	173,073.1	74.5
Others[1]	**2,817.0**	**1.2**	3,425.6	1.5
Total deposits from customers	**233,138.5**	**98.0**	227,345.1	97.9
Accrued interest	**4,897.5**	**2.0**	4,946.8	2.1
Total deposits from customers	**238,036.0**	**100.0**	232,291.9	100.0

Note:

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

Total deposits from customers increased by 2.5% from RMB227,345.1 million as of December 31, 2022 to RMB233,138.5 million as of June 30, 2023. This was primarily due to the fact that the Group took community finance construction as the core, actively integrated into industrial chain finance and rural revitalization construction, accelerated the transformation and upgrading of business outlets and digital construction, provided comprehensive services for customers, and continuously enhanced customer acquisition capability which drove steady growth in 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 at par value of RMB2,000.0 million at the rate of 4.80% per annum.

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

From January 1, 2023 to June 30, 2023, the Bank had issued one tranches of zero-coupon interbank certificates, with an aggregate face value of RMB500.0 million. The interbank certificates have a term of one year and bear interest at effective rates of 2.85%.

(iii) Shareholders' equity

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

	As of June 30, 2023		As of December 31, 2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Share capital	**5,074.2**	**27.0**	5,074.2	27.2
Capital reserve	**4,256.8**	**22.7**	4,256.8	22.9
Investment revaluation reserve	**81.6**	**0.4**	56.6	0.3
Surplus reserve	**1,223.8**	**6.5**	1,223.8	6.6
General reserve	**2,636.7**	**14.0**	2,636.7	14.1
Retained earnings	**2,789.1**	**14.9**	2,639.9	14.2
Non-controlling interests	**2,726.5**	**14.5**	2,731.3	14.7
Total equity	**18,788.7**	**100.0**	18,619.3	100.0

(c) Assets Quality Analysis

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

The non-performing loans of the Group are classified as substandard, doubtful and loss. As of June 30, 2023, the Group's non-performing loans amounted to RMB4,080.9 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2023** Amount	% of total	As of December 31, 2022 Amount	% of total
Normal	**163,247.4**	**91.1**	163,090.3	94.8
Special mention	**11,880.0**	**6.6**	5,533.9	3.2
Substandard	**907.7**	**0.5**	246.2	0.1
Doubtful	**3,011.3**	**1.7**	3,080.8	1.9
Loss	**161.9**	**0.1**	78.2	0.0
Gross loans and advances to customers	**179,208.3**	**100.0**	172,029.4	100.0
Non-performing loan and non-performing loan ratio[1]	**4,080.9**	**2.28**	3,405.2	1.98

Note:

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

The non-performing loan ratio of the Group increased by 0.30 percentage point as of June 30, 2023 compared with that as of December 31, 2022, which was primarily due to the fact that the recovery of production and operation of enterprises in the region did not meet expectations, and some corporate loan customers experienced difficulties in operation with insufficient cash flow and reduced debt repayment capacity; the debt-servicing capacity of some personal loan customers was weakened as a result of macroeconomic downturn, industrial structure adjustment and other factors.

(ii) Concentration of loans

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

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

	As of June 30, 2023				As of December 31, 2022			
(Expressed in millions of RMB, unless otherwise stated)	**Loan amount**	**% of total**	**Non-performing loan amount**	**Non-performing loan ratio[(1)] (%)**	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans								
Wholesale and retail	**32,644.5**	**18.2**	**447.6**	**1.37**	31,291.3	18.2	402.7	1.29
Leasing and business services	**26,050.1**	**14.6**	**200.3**	**0.77**	25,772.5	15.0	246.0	0.95
Manufacturing	**18,300.7**	**10.2**	**570.3**	**3.12**	16,332.8	9.5	137.5	0.84
Construction	**17,653.3**	**9.9**	**656.1**	**3.72**	16,518.1	9.6	674.0	4.08
Agriculture, forestry, animal husbandry and fishery	**14,054.1**	**7.9**	**256.8**	**1.83**	12,658.0	7.4	253.2	2.00
Real estate	**9,339.0**	**5.2**	**163.6**	**1.75**	9,550.1	5.6	118.6	1.24
Transportation, storage and postal services	**8,646.4**	**4.8**	**64.9**	**0.75**	8,499.2	4.9	63.5	0.75
Scientific research, technical services and geological prospecting	**7,066.5**	**4.0**	**32.6**	**0.46**	6,098.4	3.5	25.3	0.41
Information transmission, computer services and software	**4,500.7**	**2.5**	**54.4**	**1.21**	4,077.6	2.4	44.3	1.09
Water, environment and public facility management	**3,651.7**	**2.0**	**61.9**	**1.70**	3,583.3	2.1	61.9	1.73
Accommodation and catering	**2,891.3**	**1.6**	**21.0**	**0.73**	3,016.9	1.7	19.0	0.63
Education	**1,929.7**	**1.1**	**–**	**–**	1,848.2	1.1	—	—
Electricity, gas and water production and supply	**1,631.3**	**0.9**	**73.4**	**4.50**	2,763.6	1.6	92.1	3.33
Health and social services	**1,472.6**	**0.8**	**0.5**	**0.03**	1,384.0	0.8	—	—
Other industries [(2)]	**1,861.8**	**1.0**	**109.7**	**5.89**	1,650.6	0.9	90.0	5.45
Retail loans	**27,514.0**	**15.3**	**1,367.8**	**4.97**	26,984.8	15.7	1,177.1	4.36
Discounted bills	**0.6**	**0.0**	**–**	**–**	–	–	–	–
Total	**179,208.3**	**100.0**	**4,080.9**	**2.28**	172,029.4	100.0	3,405.2	1.98

Notes:

(1) Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

(2) Other industries include resident and other services, cultural, sports and entertainment, mining, public administration, social security and social organizations and finance.

Loans to borrowers in wholesale and retail, leasing and business services, construction, manufacturing, agriculture, forestry, animal husbandry and fishery represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 71.7% and 70.7% of total corporate loans as of June 30, 2023 and December 31, 2022, respectively.

As of June 30, 2023, the non-performing loans of the Group's corporate loans were mainly concentrated in manufacturing, construction, wholesale and retail. The non-performing loans amounted to RMB656.1 million, RMB570.3 million and RMB447.6 million, respectively.

(B) Borrower concentration

Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of June 30, 2023, and such loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		**As of June 30, 2023**	
Customer	**Industry**	**Amount**	**% of total**
Borrower A	Leasing and business services	**1,100.0**	**0.61**
Borrower B	Real estate	**1,059.8**	**0.59**
Borrower C	Accommodation and catering	**1,000.0**	**0.56**
Borrower D	Leasing and business services	**996.0**	**0.56**
Borrower E	Transportation, storage and postal services	**965.0**	**0.54**
Borrower F	Water, environment and public facility management	**942.6**	**0.53**
Borrower G	Transportation, storage and postal services	**879.1**	**0.49**
Borrower H	Manufacturing	**852.7**	**0.48**
Borrower I	Leasing and business services	**850.0**	**0.47**
Borrower J	Leasing and business services	**844.2**	**0.47**
Total		**9,489.4**	**5.30**

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

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2023**			As of December 31, 2022		
	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)	**109,240.5**	**1,864.4**	**1.71**	105,398.1	1,864.8	1.77
Medium enterprises(1)	**28,023.0**	**757.8**	**2.70**	26,431.8	288.5	1.09
Large enterprises(1)	**14,427.5**	**88.2**	**0.61**	13,172.0	74.8	0.57
Others(2)	**2.7**	**2.7**	**100.0**	42.7	–	–
Subtotal	**151,693.7**	**2,713.1**	**1.79**	145,044.6	2,228.1	1.54
Retail loans						
Personal business loans	**20,764.5**	**1,185.8**	**5.71**	20,432.9	1,022.6	5.00
Personal consumption loans	**3,425.8**	**149.6**	**4.37**	3,114.8	125.2	4.02
Residential and commercial mortgage loans	**3,308.5**	**31.5**	**0.95**	3,419.5	28.3	0.83
Credit card overdrafts	**15.2**	**0.9**	**5.92**	17.6	1.0	5.68
Subtotal	**27,514.0**	**1,367.8**	**4.97**	26,984.8	1,177.1	4.36
Discounted bills	**0.6**	**–**	**–**	–	–	–
Total loans	**179,208.3**	**4,080.9**	**2.28**	172,029.4	3,405.2	1.98

Notes:

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

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

The non-performing loan ratio of corporate loans increased from 1.54% as of December 31, 2022 to 1.79% as of June 30, 2023, primarily due to the fact that the recovery of production and operation of enterprises in the region did not meet expectations, and some corporate loan customers experienced difficulties in operation with insufficient cash flow and reduced debt repayment capacity as a result of macroeconomic downturn, industrial structure adjustment and other factors.

The non-performing loan ratio of retail loans increased from 4.36% as of December 31, 2022 to 4.97% as of June 30, 2023, primarily due to the fact that the debt-servicing capacity of some personal loan customers was weakened as a result of macroeconomic downturn and other factors.

(D) Loan aging schedule

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

	As of June 30, 2023		As of December 31, 2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Loans not overdue	**152,375.5**	**85.0**	166,632.0	96.8
Loans past due for:				
1 to 90 days	**19,553.5**	**10.9**	1,852.6	1.1
91 days to 1 year	**3,981.4**	**2.2**	696.4	0.4
1 to 3 years	**2,124.5**	**1.2**	1,847.5	1.1
3 years or more	**1,173.4**	**0.7**	1,000.9	0.6
Subtotal	**26,832.8**	**15.0**	5,397.4	3.2
Gross loans and advances to customers	**179,208.3**	**100.0**	172,029.4	100.0

(d) Segment Information

(i) Summary of geographical segment information

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

	Six months ended June 30,			
	2023		2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Jilin Province	**2,093.9**	**83.2**	2,705.2	85.8
Other regions[(1)]	**423.6**	**16.8**	446.6	14.2
Total operating income	**2,517.5**	**100.0**	3,151.8	100.0

Note:

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

(ii) Summary of business segments

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

	Six months ended June 30,			
	2023		2022	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Corporate banking	**1,664.3**	**66.1**	2,051.8	65.1
Retail banking	**1,308.0**	**52.0**	1,444.3	45.8
Treasury operations	**(424.3)**	**(16.9)**	(420.4)	(13.3)
Others[(1)]	**(30.5)**	**(1.2)**	76.1	2.4
Total	**2,517.5**	**100.0**	3,151.8	100.0

Note:

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

(e) Off-balance Sheet Commitments

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2023**	As of December 31, 2022
Credit commitments		
Bank acceptances[1]	**1,889.7**	2,410.5
Letters of credit[2]	**4.0**	3.7
Letters of guarantee[2]	**3,782.5**	4,411.5
Unused credit card limits	**164.2**	162.1
Subtotal	**5,840.4**	6,987.8
Capital commitments	**5.3**	7.2
Total	**5,845.7**	6,995.0

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 decreased by 16.4% from RMB6,995.0 million as of December 31, 2022 to RMB5,845.7 million as of June 30, 2023. The decrease in off-balance sheet commitments was mainly due to the Group's moderate reduction in off-balance sheet business based on operational needs.

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 June 30, 2023, the Group had approximately 4,634 corporate borrowers with loans totalling RMB151,694.3 million. For the six months ended June 30, 2022 and 2023, operating income from the Group's corporate banking business accounted for 65.1% and 66.1% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of June 30, 2023, the Group had 3,414 SME customers with loans totalling RMB117,556.9 million. The Group also collaborates with 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.

	Six months ended June 30,		
(Expressed in millions of RMB, unless otherwise stated)	**2023**	2022	Change in percentage (%)
External interest income, net[1]	**3,895.3**	4,175.0	(6.7)
Inter-segment interest expenses, net[2]	**(2,233.5)**	(2,129.3)	4.9
Net interest income	**1,661.8**	2,045.7	(18.8)
Net fee and commission income	**2.5**	6.1	(59.0)
Operating income	**1,664.3**	2,051.8	(18.9)
Operating expenses	**(714.8)**	(888.3)	(19.5)
Impairment losses on assets	**(715.6)**	(603.9)	18.5
Profit before tax	**233.9**	559.6	(58.2)

Notes:

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

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

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 2023 and December 31, 2022, the Group's corporate loans totalled RMB151,693.7 million and RMB145,044.6 million, respectively, accounting for 84.7% and 84.3% 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 six months. The Group may re-discount these bills to the People's Bank of China ("**PBOC**") or other financial institutions. As of June 30, 2023, the Group had a balance of RMB0.6 million in discounted bills.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of June 30, 2023 and December 31, 2022, the Group's corporate deposits totalled RMB39,945.9 million and RMB50,846.4 million, respectively, accounting for 17.1% and 22.4% of total deposits from customers, respectively.

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

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

(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. For the six months ended June 30, 2023 and 2022, the Group's income from consulting and financial advisory services was RMB13.2 million and RMB16.5 million, respectively.

(B) Syndicated loans services

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their larger financing needs. For the six months ended June 30, 2023 and 2022, the Group earned service fees for syndicated loans of RMB nil and RMB7.8 million, respectively.

(C) Settlement and clearing services

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

(D) Entrusted loans

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

(E) Agency services

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

(F) Wealth management services

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

(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of June 30, 2023, the Group had 73,154 retail borrowers with gross loans and advances to customers of RMB27,514.0 million. For the six months ended June 30, 2023 and 2022, the operating income from the Group's retail banking business amounted to RMB1,308.0 million and RMB1,444.3 million, respectively, accounting for 52.0% and 45.8% 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.

	Six months ended June 30,		
(Expressed in millions of RMB, unless otherwise stated)	**2023**	2022	Change in percentage (%)
External interest expenses, net[(1)]	**(2,274.5)**	(1,874.7)	21.3
Inter-segment interest income, net[(2)]	**3,578.7**	3,315.1	8.0
Net interest income	**1,304.2**	1,440.4	(9.5)
Net fee and commission income	**3.8**	3.9	(2.6)
Operating income	**1,308.0**	1,444.3	(9.4)
Operating expenses	**(654.1)**	(371.0)	76.3
Impairment losses on assets	**(89.7)**	(343.7)	(73.9)
Profit before tax	**564.2**	729.6	(22.7)

Notes:

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

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

(i) Retail loans

Net interest income of the Group's retail bank business as of June 30, 2023 decreased by 9.5% when compared with that of June 30, 2022, which was mainly due to the higher growth rate of retail deposits compared to retail loans.

Retail loans consist primarily of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. As of June 30, 2023 and December 31, 2022, the Group's retail loans totalled RMB27,514.0 million and RMB26,984.8 million, respectively, accounting for 15.3% and 15.7% of gross loans and advances to customers, respectively.

(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of June 30, 2023 and December 31, 2022, the Group's retail deposits totalled RMB190,375.6 million and RMB173,073.1 million, respectively, accounting for 81.7% and 76.1% of total deposits from customers, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features, and timely launches theme cards for different market segments and co-branded cards offering preferential value-added services. For example, the Bank cooperates with Changchun Federation of Trade Unions (長春市總工會) to issue service cards for trade union members and offer cardholders comprehensive financial services, including membership management, subsidies and allowances. As of June 30, 2023, the Group had issued approximately 4.8 million debit cards.

(B) Credit cards

The general China UnionPay credit cards of the Bank have been issued to high-quality customers. We continued to pay attention to customers' needs and our service quality has been continuously improved. In the first half of 2023, the Bank upgraded and renovated the customer's card application channel by adding a scanning code application method and equipping them with three-level approval for mobile credit card applications, so as to improve the card application experience of customers. The Bank continued to upgrade the interface and functions of the "Jiushang Credit Card (九商信用卡)" mobile APP, so as 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. All business indicators have improved steadily.

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

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

(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including net worth wealth management products and non-net worth wealth management products. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and other fixed-income products. For the six months ended June 30, 2023 and 2022, the Bank's sales of wealth management products to retail customers totalled RMB2,892.5 million and RMB4,719.7 million, respectively.

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

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

(c) Treasury Operations

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In response to the complicated and ever-changing economic and financial environment as well as changes in policies and market, the Bank placed an emphasis on optimization of the assets and liabilities structure and improvement in the yield of our treasury operations. The Bank capitalized on investment opportunities through timely adjustment of its investment strategies and compliant and prudent development of the treasury operations. For the six months ended June 30, 2023 and 2022, operating income from the Group's treasury operations was RMB(424.3) million and RMB(420.4) million, accounting for (16.9)% and (13.3)% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2023	2022	Change in percentage (%)
External interest income, net[1]	**796.3**	647.3	23.0
Inter-segment interest expenses, net[2]	**(1,345.2)**	(1,185.8)	13.4
Net interest income	**(548.9)**	(538.5)	1.9
Net fee and commission income	**1.4**	20.4	(93.1)
Net income from other businesses[3]	**123.2**	97.7	26.1
Operating income	**(424.3)**	(420.4)	0.9
Operating expenses	**(10.6)**	(60.1)	(82.4)
Impairment losses on assets	**(228.9)**	(92.3)	148.0
Profit before tax	**(663.8)**	(572.8)	15.9

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 deposit funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2023 and December 31, 2022, the balance of Group's deposits from banks totalled RMB1,905.0 million and RMB3,471.6 million, respectively, and the balance of Group's deposits at banks and other financial institutions totalled RMB13,299.3 million and RMB11,092.3 million, respectively.

(B) Interbank placement

As of June 30, 2023 and December 31, 2022, the balance of Group's placements with banks and other financial institutions totalled RMB nil and RMB425.2 million, respectively, and the balance of Group's placements from banks and other financial institutions totalled RMB1,553.9 million and RMB2,052.8 million, respectively.

(C) Interbank repurchase and reverse repurchase transactions

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-denominated treasury bonds and policy-oriented financial bonds. As of June 30, 2023 and December 31, 2022, the Group's financial assets held under resale agreements totalled RMB10,286.5 million and RMB9,570.5 million, respectively, and the Group's financial assets sold under repurchase agreements totalled RMB240.1 million and RMB50.0 million, respectively.

(ii) Investments in securities and other financial assets

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

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

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2023**		As of December 31, 2022	
	Amount	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**825.4**	**2.3**	1,909.1	5.7
Financial assets at fair value through other comprehensive income	**10,366.9**	**29.2**	4,019.8	11.9
Financial assets at amortized cost	**24,296.9**	**68.5**	27,797.7	82.4
Total investment securities and other financial assets	**35,489.2**	**100.0**	33,726.6	100.0

Total investment securities and other financial assets increased by 5.2% from RMB33,726.6 million as of December 31, 2022 to RMB35,489.2 million as of June 30, 2023.

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

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

(Expressed in millions of RMB, unless otherwise stated)	**As of June 30, 2023**		As of December 31, 2022	
	Amount	**% of total**	Amount	% of total
Immediately due	**6,405.9**	**18.1**	6,160.8	18.3
Due in 3 months	**1,801.2**	**5.1**	2,090.6	6.2
Due between 3 and 12 months	**6,666.1**	**18.8**	7,214.7	21.4
Due between 1 and 5 years	**10,263.3**	**28.9**	8,480.4	25.1
Due over 5 years	**9,390.6**	**26.5**	8,732.7	25.9
Undefined	**962.1**	**2.6**	1,047.4	3.1
Total	**35,489.2**	**100.0**	33,726.6	100.0

The Bank's securities investment with a remaining maturity ranging from one to five years represented the largest portion.

(C) Holding of government bonds

As of June 30, 2023, the balance of face value of the government bonds held by the Bank amounted to RMB20,789.1 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of June 30, 2023.

Name of the bond	Face value (RMB in millions)	Coupon rate (%)	Maturity date
22 Interest-bearing treasury bond 23	3,400.0	1.67	October 25, 2023
23 Interest-bearing treasury bond 09	2,460.0	3.19	April 15, 2053
22 Interest-bearing treasury bond 20	1,450.0	1.99	September 15, 2024
21 Interest-bearing treasury bond 09	1,130.0	3.02	May 27, 2031
23 Interest-bearing treasury bond 10	960.0	2.05	April 25, 2024
22 Interest-bearing treasury bond 24	920.0	3.12	October 25, 2052
23 Interest-bearing treasury bond 13	900.0	2.00	June 15, 2025
20 Interest-bearing treasury bond 09	900.0	2.36	July 2, 2023
22 Interest-bearing treasury bond 08	850.0	3.32	April 15, 2052
23 Interest-bearing treasury bond 01	530.0	2.01	January 15, 2024
Total	13,500.0		

(D) Holding of financial bonds

As of June 30, 2023, the balance of face value of the financial bonds (mainly the financial bonds and interbank certificates issued by policy-oriented banks, banks and other financial institutions in China) held by the Group amounted to RMB1,990.0 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2023.

Name of the bond	Face value (RMB in millions)	Coupon rate (%)	Maturity date
21 Guo Kai 03	550.0	3.30	March 3, 2026
19 Guo Kai 05	370.0	3.48	January 8, 2029
21 Guo Kai 07	200.0	3.00	June 17, 2024
14 Guo Kai 11	130.0	5.67	April 8, 2024
23 Guo Kai 05	120.0	3.02	March 6, 2033
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
23 Jinzhou Bank CD018	50.0	2.85	October 31, 2023
23 Harbin Bank CD015	50.0	2.85	November 1, 2023
Total	1,730.0		

(iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. For the six months ended June 30, 2023 and 2022, the Bank sold wealth management products totalling RMB2,892.5 million and RMB4,719.7 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of June 30, 2023, the Group had an aggregate of 365 outlets, of which 175 outlets, including three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiaries under their own names.

In addition to the traditional banking business, the Group proactively seeks outlet transformation. The Group strengthened the deployment of intelligent devices, applied mobile Internet, artificial intelligence, big data and other financial technology means, continued to improve the functions of mobile phone banking, Internet banking and WeChat banking, developed various APPs in a timely manner, strengthened online service support, accelerated the pace of digital transformation and improved the financial supply capacity. The Group introduced online TV banking, and built unmanned banking, created a "new demonstration" 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 service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of June 30, 2023, the Group had 346 self-service outlets, 54 self-service zones and 896 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, live customer service, and SMS interaction. As of June 30, 2023, the Group had 3,081,845 phone and SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of June 30, 2023, the Group had 496,028 internet banking customers.

(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and mobile phone payment services. As of June 30, 2023, the Group had 1,103,380 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of June 30, 2023, the Group had 253,775 WeChat banking customers.

(F) Remote video banking

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

(e) Information on the Subsidiaries

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

The Bank, as the main promoter, established Jilin Jiuyin Financial Leasing Co., Ltd. ("**Jilin Jiuyin**") after obtaining approval from the Former CBIRC. The registered address of Jilin Jiuyin is in Changchun, Jilin Province, and its total share capital is RMB525.0 million, RMB315.0 million 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 June 30, 2023, total assets of Jilin Jiuyin amounted to RMB3,813.5 million. For the six months ended June 30, 2023, the operating income from Jilin Jiuyin amounted to RMB63.1 million, accounting for 2.5% of total operating income of the Group.

(ii) Village and township banks

As of June 30, 2023, the Bank controlled and consolidated a total of 34 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of June 30, 2023, these village and township banks had total assets of RMB63,499.8 million, total deposits of RMB54,926.2 million and total loans of RMB38,084.1 million. For the six months ended June 30, 2023, the operating income of these village and township banks was RMB773.1 million, accounting for 30.7% of the Group's total operating income.

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

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

(f) Operation and Safety of IT Systems

In the first half of 2023, the Bank carried out IT work through four focuses, including improving the financial technology governance system, accelerating the intelligent reinvention 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.

(i) Improved the financial technology governance system

The Bank prepared, revised and updated 20 information technology policies, including the Data Quality Management Measures, the Data Backup Management Provisions and the Cybersecurity Management Provision, perfected the information technology control system, and improved the ability to prevent information technology risks and supply chain risks. The Bank organized and carried out publicity activities for the sixth anniversary of the implementation of the Cybersecurity Law, publicized financial security knowledge to the outlet customers and the public focusing on the publicity theme and through a variety of publicity methods, to perform its social responsibility. Through carrying out skills training for scientific and technological personnel and on-site inspection of outlets, the Bank strengthened the cybersecurity management and guarantee ability, implemented the cybersecurity management policies, adopted the combination of online and offline methods, strengthened the cybersecurity awareness of all staff and the information security skills of scientific and technological personnel of the Bank.

(ii) Accelerated the intelligent reinvention of financial services

The Bank always adhered to use financial technology means to actively support business development and management improvement, explored the development trend and scenario application of financial technology, and accelerated the transformation of digital innovation. In the first half of 2023, the Bank launched a series of financial products in line with actual condition and promoting the industrial developments on the online financial integrated services platform, and linked to the "Three Clouds (三朵雲)" of the market supervision office, introduced the "Growth Loan (成長貸)" "Business Loan (興業貸)", innovated loan products, improved the risk control system, further promoted business development towards multi-channel, green and convenient, security and compliance. Taking community finance as the entry point, the Bank launched micro-payment projects, linked to the intermediary business platform to realize education, convenience and other related payment functions, and organically combined financial services with life services. The Bank continued to carry out the data platform structural optimization and data governance, built a mobile management platform, to better create a convenient, efficient and safe office experience and support the accuracy, efficiency and comprehensiveness of business decisions. In particular, the "comprehensive data display platform" project was awarded as the "Excellent Application Case of Data Management of Jilin Province in 2023". The Bank attached importance to the protection of intellectual property rights and actively carried out the summarization of scientific and technological achievements. In the first half of 2023, the Bank was granted 6 computer software copyrights issued by the National Copyright Administration, and as of the end of June 2023, 33 software copyrights have been approved.

(iii) Created a new digital infrastructure

In the first half of 2023, the server rooms of the information center of the Bank maintained satisfactory operation overall. In response to a more complicated network structure and rapidly growing network traffic, the Bank applied software-defined networking (SDN) structure, realized the unified management, integration and virtualization of network resources, provided on-demand allocation of network resources and services, macro controlled network traffic, rationally allocated network resources and improved the utilization rate of network resources in overall. The Bank renovated the storage structure, adopted SVC storage virtualization technology to integrate the original multiple heterogeneous storage units, and improved the high availability, utilization and business continuity of the storage structure. Under the guidance of ISO 22301 system, the Bank continuously optimized the automatic operation and maintenance platform, utilized the automatic technology to transform the manual execution into automatic operation, improved the work efficiency of network operation and maintenance, host operation and maintenance, monitoring system, ITSM process, etc., and realized the standardized and systematic management of IT operation and maintenance and business continuity. Meanwhile, the Bank conducted the cybersecurity optimization, terminal security protection, system security reinforcement, backup management optimization and other work to guarantee the safe and reliable operation of the business system.

(iv) Strengthened the foundation of sustainable development

In order to guarantee and guide the digital transformation of the Bank, the Bank focused on strengthening the construction of financial technology talents. On the one hand, the Bank organized the communication with peers, attended the digital transformation conference of the industry, continuously improved the skills of employees in the fields of project management, system research and development, quality control and cybersecurity; on the other hand, the Bank cultivated the digital thinking and execution ability integration with financial scenarios of employees, to follow the development trend of the era and the demand of talent development. In the first half of 2023, personnel of the Bank have obtained the reviewer of ISO Quality Management System (QMS), Information Security Management System (ISMS), Certified Data Governance Professional (CDGP), PCI Security Engineer certification, OpenGauss and MogDB database certification, Certified Data Center Professional (CDCP) and Certified Data Center Facility Operations Manager (CDFOM) certification. As of the end of June 2023, the Bank had one person who is a senior engineer and 17 people with 8 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 risk management, the Board is responsible for establishing and maintaining an effective comprehensive risk management system. The Bank has established a sound risk management system. Risk management procedures are adopted at all managerial levels and good risk management culture is cultivated to achieve the overall objectives of risk management. The comprehensive risk management of the Bank covers all major risks, including the credit, market, operating, liquidity, reputational, legal and compliance, IT, anti-money laundering and anti-terrorist financing management.

(i) Credit risk management

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

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

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

The Bank uses the following mechanisms to manage credit risks:

- Customer screening mechanism – The Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.

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

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

- Non-performing asset disposal mechanism – The Bank has established an accountability mechanism for the disposal of non-performing assets.

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

In the first half of 2023, 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 earnestly promoted the implementation of Risk Classification Measures of Financial Assets of Commercial Banks within 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. The Bank performed credit assets quality management in the post pandemic period and implemented its policies precisely, effectively prevent and control credit risks. 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. The Bank strictly conducted due and diligent investigation, unified the credit and credit review and other credit risk control system and mechanism. The Bank approved the credit limit scientifically and provided credit in reasonable forms. Potential risk of new credit products was assessed scientifically in order to determine the access criteria in a rational manner. Fourthly, the Bank reinforced the rating management and implemented stringent approval procedures for industry access and customer access, enhanced loan risk mitigation measures to ensure the quality of new loans. Fifthly, the Bank continued to monitor and analyze significant risk and strictly complied with the prevention and control requirement of significant risks for various businesses. Through effective identification, measurement and monitoring, significant risks were prevented and controlled.

(ii) Market risk management

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

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

In the first half of 2023, the Bank closely monitored market changes and further refined the market risk management system. Market risks were fully measured based on sensitive analysis, duration, value at risk (VaR) and other tools. Abilities of Identification, evaluation and prevention of market risks were further strengthened. The Bank strictly managed market risk limits and continued to monitor transaction limits, stop-loss limits and risk limits. The Bank also provided early warning and took effective measures for potential risks. Based on the results of its regular stress tests, market risk management strategies and methods were adjusted in a timely manner to further enhance the market risk management level.

(A) Interest rate risk management

Interest rate risk is the risk of revenue or value loss in investment portfolio due to adverse changes in interest rates, maturity mix and other factors. Based on a variety of sources, interest rate risk can be categorized into repricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) or the re-pricing period (for floating interest rate). The Bank has established a banking book interest rate risk management system in line with the risk profile and business complexity, which was consistent with the Bank's overall development strategy and overall risk management system. The goal of banking book interest rate risk management is to achieve an effective balance of income, risk and capital within the tolerable interest rate risk limit according to the risk management level and risk preference of the Bank.

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

In the first half of 2023, the Bank formulated banking book interest rate risk management strategies based on factors such as risk preference, risk profile, macroeconomic and market changes, and defined management objectives and management modes. Firstly, the Bank perfected the interest rate risk management strategy. The Bank formulated and implemented corresponding management policies based on the forecast of interest rate trend and measurement results of changes in overall return and economic value to ensure that the interest rate risk level actually borne by the Bank is consistent with the risk tolerance. Secondly, the Bank optimized the maturity structure of assets and liabilities. The Bank strengthened the gap risk management, appropriately adjusted the business contract term and repricing term, to reduce the impact of interest rate changes on the banking book interest rate risk. Thirdly, the Bank established and improved the pricing management system. The Bank established the scientific internal funds transfer pricing system (FTP) and loan rate pricing mechanism (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, played 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. Fourthly, the Bank improved the level of interest rate risk management. The Bank strengthened the identification, measurement, monitoring and control and regularly conducted stress test of banking book interest rate. Based on statistics of the maturity mix of repricing of its rate-sensitive assets and liabilities, the Bank designed different interest rate shock scenarios and pressure scenarios to measure the impact of interest rate fluctuation on its economic value under specific interest rate shock scenarios and analyze the potential interest rate risk level of banking books of the Bank based on the changes in economic values. The Bank reduced the impact of banking book interest rate risk on businesses of the Bank without prejudicing its revenue and comprehensively enhanced the risk management level of the Bank's banking book interest rate. Fifthly, the Bank unified and balanced the stabilizing of growth and risk prevention and control. The Bank adhered to the sound and prudent interest rate risk appetite, smoothly coped with complex domestic and foreign economic and financial situation and risk challenges, improved the forward looking, scientific, initiative control mechanism of interest rate risk management strategies accurately controlled the balance sheet layout and interest rate risk exposure, continued to optimize the interest rate risk management pattern, maintained regulatory indicators and interest rate risk controllable, and realized the balanced growth of the Bank's revenue for the period and long-term value.

(B) Exchange rate risk management

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

In the first half of 2023, 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 and studied the effect of changes in the main factors of market risk on revenue and economic value to proactively regulate potential systematic risks. The exchange rate risk management level of the Bank can be extensively improved.

(iii) Operational risk management

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

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

In the first half of 2023, the Bank implemented various measures to continuously optimize the operational risk management and enhance its risk management and control capability. Firstly, the Bank conducted investigation on abnormal behavior of employees. Quarterly inspections were carried out in respect of labor discipline, leave taking, shift duty, mandatory leave, avoidance of duty performance and abnormal behavior of employees, which have effectively forestalled and solved existing abnormal behavior of all employees of the Bank. Secondly, the Bank implemented self-inspection and monitoring of accounting works. Quarterly inspections were carried out in nine aspects including duty performance of account management officers, basic accounting work, cashier management, negotiable certificates and important blank vouchers management. Separate records with clear guidelines on rectifications and designated person-in-charge were issued for each of the inspections. Thirdly, systems related to consumer right protection were refined. The Bank strengthened its product and service management and proactively held various promotional activities to spread financial knowledge and basic legal knowledge to the public to enhance their awareness of legal system and capability of self-protection, which have effectively fulfilled the responsibility in protecting consumer rights. Fourthly, the information management system was enhanced. In accordance with the requirements of the business development strategies of the Bank and combined with the actual condition of information technology, the Bank focused on the following six aspects: improving the governance system of financial technology, fully releasing the potential of data elements, building a new digital infrastructure, deepening the application of core and key technologies, activating new kinetic energy of digital operation and accelerating the intelligent reengineering of financial services.

(iv) Liquidity risk management

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

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

In the first half of 2023, adhering to the four operating principles of unified management, security and prudence, forward-looking management and full coverage, the Bank strengthened the prospective and proactive management of liquidity. The Bank's operations and liquidity management were effectively integrated, and overall liquidity remained stable. Firstly, the Bank improved the liquidity risk management system. Amendments were made to the Provisional Rules of Liquidity Risk Management (流動性風險管理暫行辦法), Management Measures of Liquidity Risk Limit (流動性風險限額管理辦法), Provisional Measures for Capital Position Management (資金頭寸管理暫行辦法), and Emergency Response Plan for Liquidity Risks (流動性風險應急處置預案). Secondly, the Bank strengthened liquidity risk monitoring and management as well as early warning analysis. In addition to the implementation of the regulatory requirements, and based on our actual practice, the Bank has closely monitored various indicators and limits, identified, assessed and measured the risks in a timely manner, and deployed risk prevention, control and mitigation efforts in advance. The Bank strengthened its day-to-day liquidity management by accurately calculating and monitoring liquidity risk in a timely manner, and reasonably adjusted the over-provision and clearing funds to ensure that the provision was reasonably adequate. Thirdly, the Bank strictly enforced its liquidity risk management policies and preferences. In the first half of the year, the central bank lowered the RMB statutory reserve requirement ratio by 0.25 percentage point, which made the Bank's liquidity more abundant. Meanwhile, in response to changes in internal and external circumstances, such as monetary policy adjustments and operational structural adjustments, the Bank coordinated the relationship between safety, liquidity and efficiency, and played its role in supporting the development of the real economy. Fourthly, the Bank conducted liquidity risk stress tests. The Bank conducted regular liquidity stress tests on a quarterly basis to timely assess the Bank's ability to withstand the pressure of liquidity risk and its risk mitigation capacity, and added a specialized stress test at important and sensitive times to strengthen the monitoring and prevention of liquidity risk in a timely manner. The Bank has formulated contingency plans based on the liquidity gap situation to ensure that the liquidity risk is safe and controllable.

(v) Reputational risk management

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

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

In the first half of 2023, the Bank continuously adapted to the development requirements of the new situation, implemented whole-process and regularized management of reputational risk, and continued to promote more standardized and efficient reputational risk management. Firstly, the Bank improved the reputational risk emergency response mechanism, formulated the Emergency Response Plan for Reputational Risk (聲譽風險應急處置工作預案), standardized the emergency response for reputational risk events, and further improved the reputational risk management system and mechanism. Secondly, the Bank strengthened early warning assessment of reputational risk, proactively identified and prevented reputational risk, analyzed the reasons for the occurrence of potential reputational risk events and the extent of their impact, predicted their development and changes, and made timely responses. Thirdly, the Bank adhered to the people-oriented approach and took the protection of customers' rights and interests as the starting and ending point, continued to improve the protection of consumers' rights and interests and the management of complaints, and continuously upgraded the quality and standard of its services in order to build up the trust of its customers. Fourthly, the Bank strengthened the conceptual guidance of reputational risk management, cultivated the awareness of reputational risk among all employees, and raised the importance and sense of urgency of reputational risk management. Fifthly, the Bank standardized information disclosure and publicity work, continuously strengthened the quality control of information disclosure, accepted public supervision, actively fulfilled its social responsibility, launched various voluntary service activities, and contributed to the development of various public welfare undertakings, established a good brand image.

(vi) Legal and compliance risk management

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

The Bank incorporates legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In the first half of 2023, 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, in order to implement the spirit of the 2023 working meeting of the provincial federation and the working meeting of the legal compliance line, the Bank has implemented the "Ten Major Projects", firmly established the compliance concept of "Internal Control Priority, Compliance Oriented", and launched a compliance culture and construction year activities throughout the Bank. The activities include five aspects: speaking about compliance, learning about compliance, talking about compliance, doing compliance, and evaluating compliance. Secondly, in order to further publicize the concept of the rule of law throughout the Bank, the Bank promoted the spirit of the rule of law and the continuous development of 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 on May 2023. Thirdly, the Bank strengthened case risk investigation on major entities, major business sectors and employees in major positions to achieve comprehensive prevention. The Bank paid high attention to case prevention and eliminated potential problems in a timely manner to effectively mitigate risks. In the first half of the year, case risk investigations for the first and second quarters and rectification of unlawful fundraising related to pension were carried out. Fourthly, the Bank consolidated its foundation to strengthen compliant operation of grassroots institutions. The Bank instructed grassroots institutions to enhance the study of rules and regulations and conduct warning education, which further raised the compliance awareness of all employees.

(vii) IT risk management

IT risk refers to the operational, reputational, legal and other risks arising from the use of information technologies due to natural factors, human factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT 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, improve the use of information technology to enhance core competitiveness and sustainable development.

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

In the first half of 2023, through measures such as perfecting the IT risk management system, building up the security and protection capability of FinTech, and consolidating the management capability of business continuity, the Bank strengthened identification, measurement, monitoring and control of IT risks and realized a round-the-clock and all-round IT risk management mechanism. Firstly, the Bank improved IT risk management system. The Bank revised and improved 20 IT systems, including the Data Quality Management Regulations (數據質量管理辦法), Data Backup Management Regulations (數據備份管理規定), Network Security Management Regulations (網絡安全管理規定), to further strengthen the risk management, effectively prevent IT risks, and ensure the safe and stable operation of the information system. The Bank launched quarterly IT risk assessment to comprehensively analyze and evaluate IT risks and their management from the dimensions of IT management, IT critical infrastructure management, information security management, outlet security management, network security management, host security management, system development and testing management, business continuity management, and IT outsourcing management. The Bank enhanced the level of risk identification and risk control, and established a good IT risk assessment mechanism. The Bank organized and launched 5 IT project inspections and reviews covering IT organization structure, system development, system changes, data backup, business continuity and outsourcing management. Through launching skills training for technical staff and on-site inspections of outlets, the Bank strengthened network security management and protection capabilities, implemented the security management system for outlets. Through a combination of online and offline approaches, the Bank strengthened the cyber security awareness of all staff and the information security skills of technology personnel. Secondly, the Bank strengthened its financial technology security protection capability. By strengthening security protection, improving systems and standards, enhancing security awareness, and establishing and improving information security protection mechanisms, the Bank continued to intensify its efforts in fintech security management, constructed an all-round, full-process cybersecurity technology protection system, and enhanced its ability to respond to major cyberthreats, major disasters, and unforeseen events. Guided by the ISO 27001 system, the Bank has formulated information security work plan for 2023, implemented key tasks such as network architecture optimization and data management, and continuously optimized its technology internal control management strategies and processes. The Bank carried out network security optimization, terminal security protection, system security reinforcement, storage architecture modification, backup management optimization, and monitoring system optimization to ensure the safe and reliable operation of the business systems, and to provide adequate protection for the rapid uploading of the rapidly growing business systems. The Bank implemented network security optimization, upgraded the versions of security equipment such as IPS, WAF, IDS, log audit, anti-virus wall, and improved the security principles. The Bank continued to optimize the network big data analysis platform, realized proactive and intelligent analysis of massive security alarms, and realized intelligent, automated and integrated management. Thirdly, the Bank strengthened its business continuity management capabilities. Guided by the ISO 22301 system, the Bank further improved the construction of information security and operation and maintenance system, realized the standardization and systematic management of IT operation and maintenance and business continuity, and formed an emergency response mechanism with prevention as the mainstay and continuous improvement, so as to better provide high-efficiency IT services and business continuity protection. On the basis of business impact analysis, the Bank improved various contingency plans and formulated contingency drill plans. In the first half of 2023, the Bank organized and launched 11 contingency drills for the data center's electrical system, air-conditioning system, outbound leased line switching, data platform database, and data backup. The Bank improved its emergency response capability, verified the effectiveness of emergency plans and the completeness of emergency resources, enhanced the risk awareness of the emergency response team and its emergency response capability in handling unexpected events, and ensured the safe and reliable operation of the data center and business systems.

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

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

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

In the first half of 2023, the Bank duly performed its responsibilities in anti-money laundering and anti-terrorism financing, and continued to enhance the anti-money laundering risk management. Firstly, the Bank improved its systems and policies. In strict compliance with the regulatory requirement, the Bank further improved its anti-money laundering system and enhanced the effectiveness and comprehensiveness of the anti-money laundering management system. The Bank further consolidated the internal mechanism for anti-money laundering and coordinated the work of different departments and organizations to ensure the performance of anti-money laundering tasks in high quality. Secondly, the Bank further strengthened its building of teams. The Bank conducted regular special training on anti-money laundering to promote employees' awareness of compliance with anti-money laundering requirements and strengthen their professional skills, so as to enhance their duty performance. Thirdly, the Bank implemented more effective monitoring and management. In order to prevent money laundering risk, the Bank further improved the internal control level, strengthened the risk prevention and control ability of anti-money laundering and ensured the order and stability of the economy and financial market through regular internal self-investigation of anti-money laundering and comprehensive customer management covering the whole process from pre-loan management and loan extension to post-loan management. The Bank conducted comprehensive anti-money laundering investigation and data monitoring and analysis and further refined the management of customer identification information in order to prevent and eliminate money-laundering crimes. Fourthly, the Bank developed the culture of anti-money laundering. The Bank proactively carried out anti-money laundering promotion with innovative methods, expanded coverage and extended promotion period to further strengthen the public knowledge and participation in anti-money laundering, thereby creating a good social atmosphere valuing anti-money laundering.

(ix) Internal audit

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

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

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

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

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

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

(b) Risk Management of the Subsidiaries

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

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

(i) Credit risk management

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

(ii) Market risk management

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

(iii) Operational risk management

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

(iv) Liquidity risk management

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

(v) Reputational risk management

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

(vi) Legal and compliance risk management

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

(vii) IT risk management

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

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

Each subsidiary has established comprehensive anti-money laundering and 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 former 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%, 10.5% and 10.5%, respectively, as of June 30, 2018, 2019, 2020, 2021, 2022 and 2023, (ii) minimum tier-one capital adequacy ratios of 8.5%, 8.5%, 8.5%, 8.5%, 8.5% and 8.5%, respectively, as of June 30, 2018, 2019, 2020, 2021, 2022 and 2023, and (iii) minimum core tier-one capital adequacy ratios of 7.5%, 7.5%, 7.5%, 7.5%, 7.5% and 7.5%, respectively, as of June 30, 2018, 2019, 2020, 2021, 2022 and 2023.

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)	As at June 30, 2023	As at December 31, 2022
Core capital		
Paid-up capital	**5,074.2**	5,074.2
Qualifying portion of capital reserve	**4,256.8**	4,256.8
Surplus reserve	**1,223.8**	1,223.8
General risk reserve	**2,636.7**	2,636.7
Investment revaluation reserve	**81.6**	56.6
Retained earnings	**2,789.1**	2,639.9
Qualifying portions of non-controlling interests	**1,482.4**	1,502.7
Core tier-one capital deductions[(1)]	**(321.6)**	(150.5)
Net core tier-one capital	**17,223.0**	17,240.2
Other tier-one capital[(2)]	**170.8**	194.2
Net tier-one capital	**17,393.8**	17,434.4
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	**2,320.0**	2,480.0
Surplus reserve for loan impairment	**2,048.1**	1,954.3
Qualifying portion of non-controlling interests	**449.5**	384.6
Net capital	**22,211.4**	22,253.3
Total risk-weighted assets	**202,332.2**	193,589.1
Core tier-one capital adequacy ratio (%)	**8.51%**	8.91%
Tier-one capital adequacy ratio (%)	**8.60%**	9.01%
Capital adequacy ratio (%)	**10.98%**	11.50%

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. ISSUE OF SECURITIES

4.1 Issuance of Equity Securities

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

4.2 Issuance of Bonds

For the six months ended June 30, 2023, the information of the issued bonds of the Bank is as follows:

From January 1, 2023 to June 30, 2023, the Bank issued one tranch of zero-coupon interbank certificates, with an aggregate face value of RMB500.0 million. The interbank certificates have a term of one year and bear effective interest rates of 2.85%.

5. OTHER INFORMATION

5.1 Corporate Governance

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

The Bank has established a modern corporate governance structure in line with the requirements of the articles of association of the Bank (the "**Articles of Association**"), PRC laws and regulations and the Hong Kong Listing Rules. The Board is accountable to the Bank's shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as the establishment of internal management structure. The Board has established committees to perform specified functions consisting of the Strategy and Development Committee, the Related-party Transactions Control Committee, the Remuneration Committee, the Nomination Committee, the Risk Management Committee, the Audit Committee, Consumer Rights Protection Committee and the Three Rurals Financial Services Committee. The Board of Supervisors is accountable to the Bank's shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the 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 Part II of Appendix 14 to the Hong Kong Listing Rules and the Corporate Governance Guidelines for Banking and Insurance Institutions (the "**Guidelines**") issued by the former CBIRC into the Bank's governance structure and polices. The Code of Corporate Governance and the Guidelines are well reflected in the Articles of Association and the 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 provisions set out in the Code of Corporate Governance. The Directors are not aware of any information revealing the non-compliance of the Code of Corporate Governance by the Bank. The Bank has also strictly complied with the applicable laws and regulations and the Hong Kong Listing Rules regarding the management of inside information.

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

5.2 Securities Transaction of Directors, Supervisors and Senior Management

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

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

5.3 Profit and Dividend

The revenues of the Bank during the Reporting Period and the financial position of the Bank as of June 30, 2023 are set out in the financial report of this announcement.

The Board does not recommend the distribution of interim dividend for 2023.

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

The share capital of the Bank as at June 30, 2023 is set out below:

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

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

5.5 Amendment to the Articles of Association

To continuously improve the Bank's corporate governance, in accordance with the Company Law of the People's Republic of China, the Corporate Governance Standards for Banking and Insurance Institutions and other relevant laws and regulations, and taking into account the actual situation of the Bank, the Bank amended the Articles of Association. Such amendments were approved by the Shareholders at the annual general meeting of 2022 held on June 16, 2023.

The above amendments to the Articles of Association will become effective from the date of approval by regulatory authorities. For details of the amendments, investors may refer to the circular of the Bank dated April 27, 2023 on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

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

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

(1) Private Placement of Domestic Shares

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

(2) Non-public Issuance of H Shares

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

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 held on September 5, 2018. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2019, the second domestic share class meeting of 2019 and the second H share class meeting of 2019 of the Bank held on October 24, 2019. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2020, the second domestic share class meeting of 2020 and the second H share class meeting of 2020 of the Bank held on October 22, 2020. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the annual general meeting of 2020, the first domestic share class meeting of 2021 and the first H share class meeting of 2021 held on June 18, 2021. The resolutions regarding the adjustment on 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 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, resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Nonpublic Issuance of H Shares were considered and approved at the Board meeting of the Bank held on March 30, 2022 as well as the annual general meeting of 2021, the first domestic share class meeting of 2022 and the first H share class meeting of 2022 of the Bank held on June 17, 2022. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcements dated July 12, 2018, August 23, 2019, August 28, 2020, March 30, 2021, August 30, 2021, September 30, 2021 and March 30, 2022, and the circulars dated August 15, 2018, September 13, 2019, September 30, 2020, May 7, 2021 and April 27, 2022 of the Bank, respectively.

The validity period of the issue plans for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares and the relevant authorizations resolutions expired on June 18, 2023. As of the date of this announcement, the Bank has not issued any new domestic shares or H shares.

5.7 Changes in Directors and Members of the Committees of the Board

(1) Changes in Directors

Due to the relevant regulation regarding expiration of the term of office as a key personnel, on March 17, 2023. 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., effective immediately.

On March 30, 2023, the Board considered and approved the resolution in relation to the nomination of Mr. Guo Ce as the candidate for executive Director of the Bank. 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. On June 16, 2023, the annual general meeting of 2022 of the Bank resolved to elect Mr. Guo Ce as an executive Director of the Bank, with a term of office commencing from the date on which his qualification was approved by regulatory authorities until the expiry of the term of the fifth session of the Board. After the annual general meeting, the Board elected Mr. Guo Ce as the Chairman of the fifth session of the Board of the Bank, with a term of office commencing from the date on which his qualification as the Chairman of the Board was approved by regulatory authorities until the expiry of the term of the fifth session of the Board.

(2) Changes in members of the Committees of the Board

On March 30, 2023, the Board approved Mr. Zhang Lixin to serve as a member of the Audit Committee of the Board and cease to be a member of the Related-party Transactions Control Committee of the Board; approved Ms. Wang Ying to serve as a member of the Related-party Transactions Control Committee of the Board, and cease to be a member of the Audit Committee of the Board. Their terms of office shall commence from the date of passing of the Board resolution, and shall end on the expiry of the term of the fifth session of the Board.

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

5.8 Review by Audit Committee

The Audit Committee of the Bank is composed of one non-executive Director, namely Mr. Zhang Lixin, and two independent non-executive Directors, namely Ms. Han Lirong and Ms. Jin Xiaotong. Ms. Han Lirong serves as the chairman of the committee. The Audit Committee of the Bank has reviewed the unaudited consolidated interim financial data for the six months ended June 30, 2023 of the Group.

5.9 Event after the Reporting Period

Save as disclosed in this announcement, there was no material event occurring after the Reporting Period.

6. FINANCIAL REPORT

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Period Ended 30 June 2023

	Notes	Six months ended 30 June 2023	2022
		(Unaudited) ***RMB'000***	*(Unaudited)* *RMB'000*
Interest income		**6,533,555**	6,759,518
Interest expenses		**(4,116,446)**	(3,811,888)
Net interest income	4	**2,417,109**	2,947,630
Fee and commission income		**39,414**	63,092
Fee and commission expenses		**(31,745)**	(32,676)
Net fee and commission income	5	**7,669**	30,416
Net trading gains	6	**43,142**	65,433
Dividend income		**854**	21,398
Net gains arising from investment securities	7	**80,138**	32,296
Net exchange gains		**2,368**	4,843
Other operating (expenses) income, net	8	**(33,811)**	49,834
Operating income		**2,517,469**	3,151,850
Operating expenses	9	**(1,380,141)**	(1,322,185)
Impairment losses on assets	10	**(1,043,898)**	(1,048,406)
Operating profit		**93,430**	781,259
Share of results of associates		**2,337**	(6,340)
Profit before tax		**95,767**	774,919
Income tax credit (expenses)	11	**32,304**	(121,347)
Profit for the period		**128,071**	653,572

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Other comprehensive income (expense) for the period:		
Items that may be reclassified subsequently to profit or loss:		
– Financial assets at fair value through other comprehensive income		
– Fair value gain (losses) on debt investments measured at fair value through other comprehensive income	**65,032**	(44,423)
– Income tax relating to item that may be reclassified subsequently to profit or loss	**(16,243)**	11,066
– Changes in allowance for expected credit loss	**(61)**	158
– Share of other comprehensive income (expense) of associates	**498**	(34)
	49,226	(33,233)
Items that will not be reclassified subsequently to profit or loss:		
– Financial assets at fair value through other comprehensive income		
– Fair value losses on investments in equity investments	**(4,558)**	(23,572)
– Income tax relating to item that will not be reclassified subsequently to profit or loss	**1,139**	5,893
	(3,419)	(17,679)
Other comprehensive income (expenses) for the period, net of tax	**45,807**	(50,912)
Total comprehensive income for the period	**173,878**	602,660

	Notes	Six months ended 30 June **2023** *(Unaudited)* ***RMB'000***	2022 *(Unaudited)* *RMB'000*
Profit (loss) for the period attributable to:			
– Owners of the Bank		**149,235**	732,111
– Non-controlling interests		**(21,164)**	(78,539)
		128,071	653,572
Total comprehensive income (expense) for the period attributable to:			
– Owners of the Bank		**174,268**	693,520
– Non-controlling interests		**(390)**	(90,860)
		173,878	602,660
			(Restated)
Earnings per share			
– Basic and diluted (RMB cents)	*12*	**2.94**	14.43

Condensed Consolidated Statement of Financial Position
At 30 June 2023

	Notes	**At 30 June 2023**	At 31 December 2022
		(Unaudited) ***RMB'000***	*(Audited)* *RMB'000*
Assets			
Cash and deposits with the central bank		**25,535,926**	34,642,750
Deposits with banks		**13,299,311**	11,092,260
Placements with banks and other financial institutions		**–**	425,218
Financial assets held under resale agreements	13	**10,286,490**	9,570,521
Financial assets at fair value through profit or loss	14	**825,409**	1,909,099
Loans and advances to customers	15	**175,234,736**	170,597,441
Financial assets at fair value through other comprehensive income	16	**10,366,887**	4,019,840
Financial assets measured at amortised cost	17	**24,296,907**	27,797,726
Interests in associates		**1,300,090**	1,297,272
Property and equipment		**2,677,016**	2,773,837
Right-of-use assets		**506,040**	519,577
Goodwill		**15,133**	15,133
Deferred tax assets		**1,405,300**	1,218,909
Tax recoverable		**110,934**	–
Other assets		**1,416,518**	1,121,166
Total assets		**267,276,697**	267,000,749
Liabilities and equity			
Liabilities			
Borrowings from the central bank		**2,129,352**	3,679,787
Deposits from banks		**1,905,017**	3,471,600
Placements from banks		**1,553,857**	2,052,823
Financial assets sold under repurchase agreements		**240,052**	50,021
Deposits from customers		**238,036,027**	232,291,863
Accrued staff costs		**91,965**	193,286
Tax payable		**42,301**	59,653
Debts securities issued	18	**3,390,102**	5,351,209
Lease liabilities		**415,100**	429,046
Other liabilities		**684,212**	802,115
Total liabilities		**248,487,985**	248,381,403

	Notes	At **30 June 2023**	At 31 December 2022
		(Unaudited) ***RMB'000***	*(Audited)* *RMB'000*
Equity			
Share capital		**5,074,192**	5,074,192
Capital reserve		**4,256,757**	4,256,757
Investment revaluation reserve		**81,599**	56,566
Surplus reserve		**1,223,755**	1,223,755
General reserve		**2,636,746**	2,636,746
Retained earnings		**2,789,134**	2,639,899
Total equity attributable to owners of the Bank		**16,062,183**	15,887,915
Non-controlling interests		**2,726,529**	2,731,431
Total equity		**18,788,712**	18,619,346
Total liabilities and equity		**267,276,697**	267,000,749

Condensed Consolidated Statement of Changes In Equity

For the Period Ended 30 June 2023

	Attributable to owners of the Bank								
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023 (Audited)	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
Profit (loss) for the period	–	–	–	–	–	149,235	149,235	(21,164)	128,071
Other comprehensive income for the period	–	–	25,033	–	–	–	25,033	20,774	45,807
Total comprehensive income (expenses) for the period	–	–	25,033	–	–	149,235	174,268	(390)	173,878
Appropriation of profits									
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(4,512)	(4,512)
At 30 June 2023 (Unaudited)	5,074,192	4,256,757	81,599	1,223,755	2,636,746	2,789,134	16,062,183	2,726,529	18,788,712

	Attributable to owners of the Bank								
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022 (Audited)	4,612,901	5,050,510	94,661	1,058,252	2,321,962	1,436,812	14,575,098	3,199,914	17,775,012
Profit (loss) for the period	–	–	–	–	–	732,111	732,111	(78,539)	653,572
Other comprehensive expense for the period	–	–	(38,591)	–	–	–	(38,591)	(12,321)	(50,912)
Total comprehensive (expense) income for the period	–	–	(38,591)	–	–	732,111	693,520	(90,860)	602,660
Acquisition of subsidiary	–	–	–	–	–	–	–	93,118	93,118
Appropriation of profits									
– Appropriation to general reserve	–	–	–	–	2,310	(2,310)	–	–	–
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(15,710)	(15,710)
At 30 June 2022 (Unaudited)	4,612,901	5,050,510	56,070	1,058,252	2,324,272	2,166,613	15,268,618	3,186,462	18,455,080

Condensed Consolidated Statement of Cash Flows
For the Period Ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**95,767**	774,919
Adjustments for:		
Depreciation of property and equipment	**136,144**	150,831
Depreciation of right-of-use assets	**81,995**	90,350
Amortisation of long-term deferred expenses	**7,788**	14,633
Impairment losses on assets	**1,043,898**	1,048,406
Interest income from impaired loans and advances to customers	**(20,920)**	(23,339)
Interest expense on debts securities issued	**102,940**	141,997
Dividend income	**(854)**	(21,398)
Gains on disposal of property and equipment	**(471)**	(52,960)
Gain on early termination of lease agreements	**(164)**	(1,278)
Net unrealised trading losses	**83,691**	181,954
Net gains arising from investment securities	**(80,138)**	(32,296)
Interest expenses on lease liabilities	**8,896**	11,589
Government grants	**(9,758)**	(26,896)
Interest income from financial investments	**(646,002)**	(664,308)
Share of results of associates	**(2,337)**	6,340
	800,475	1,598,544
Changes in operating assets		
Net increase in deposits with the central bank	**(22,949)**	(1,085,533)
Net increase in financial assets held under resale agreement	**(49,875)**	–
Net (increase) decrease in deposits and placements with the banks	**(2,358,992)**	539,321
Net decrease in financial assets at fair value through profit or loss	**999,999**	860,000
Net increase in loans and advances to customers	**(7,194,395)**	(14,698,264)
Net decrease (increase) in interests receivables	**1,557,855**	(1,649,619)
Net increase in other assets	**(99,786)**	(387,257)
	(7,168,143)	(16,421,352)

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Changes in operating liabilities		
Net (decrease) increase in borrowing from central bank	**(1,551,000)**	223,846
Net decrease in deposits from banks	**(1,519,740)**	(1,678,473)
Net (decrease) increase in placements from banks	**(500,000)**	500,000
Net increase in financial assets sold under repurchase agreements	**190,000**	1,286,500
Net increase in deposits from customers	**5,793,362**	24,033,558
Net decrease in accrued staff costs	**(101,321)**	(108,405)
Net (decrease) increase in interests payable	**(94,411)**	546,660
Net decrease in other liabilities	**(117,044)**	(176,505)
	2,099,846	24,627,181
Cash (used in) from operations	**(4,267,822)**	9,804,373
Income tax paid	**(297,477)**	(564,834)
NET CASH (USED IN)FROM OPERATING ACTIVITIES	**(4,565,299)**	9,239,539
INVESTING ACTIVITIES		
Payments on acquisition of financial investments	**(33,354,625)**	(29,523,590)
Payments on acquisition of property and equipment	**(40,024)**	(43,100)
Proceeds from disposal of financial investments and interest income received from financial investments	**31,064,805**	26,583,513
Dividend income received	**854**	21,398
Acquisition of a subsidiary	**–**	(16,433)
Proceeds from disposal of property and equipment	**595**	114,659
Proceeds from disposal of land use rights	**8**	–
NET CASH USED IN INVESTING ACTIVITIES	**(2,328,387)**	(2,863,553)

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
FINANCING ACTIVITIES		
Net proceeds from issue of new debt securities	**486,352**	2,428,138
Government grants received	**9,758**	26,896
Repayment of debt securities issued	**(2,500,000)**	(2,700,000)
Repayment of lease liabilities	**(81,671)**	(93,857)
Interest paid on debts securities issued	**(50,399)**	(50,399)
Dividend paid	**(344)**	–
Dividends paid to non-controlling interests	**(4,512)**	(15,710)
Interest paid on lease liabilities	**(8,896)**	(11,589)
NET CASH USED IN FINANCING ACTIVITIES	**(2,149,712)**	(416,521)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(9,043,398)**	5,959,465
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**41,039,454**	29,622,412
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**31,996,056**	35,581,877

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 JUNE 2023

1. GENERAL

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

The Bank obtained its finance permit from the former 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, the People's Republic of China (the "PRC").

As at 30 June 2023, the Bank has 3 branches and 90 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (hereinafter collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by former the CBIRC. The Group operates in Mainland China.

On 12 January 2017, the Bank's H shares were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock code: 6122).

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", issued by the International Accounting Standards Board ("IASB").

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

(1) The Board of the Bank received a resignation report from Gao Bingon 17 March 2023. 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.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

Changes in Accounting Policies

In the current interim period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group's financial year beginning on 1 January 2023:

IFRS 17 and related amendments	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two Model Rules

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

Impact on application of Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to IAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

The amendments had no impact on the interim condensed consolidated financial statements of the Group.

4. NET INTEREST INCOME

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Interest income arising from		
– Deposits with the central bank	**112,193**	110,263
– Deposits with banks	**127,756**	95,081
– Placements with banks and other financial institutions	**17,778**	17,751
– Financial assets at fair value through other comprehensive income ("FVTOCI")	**131,391**	219,681
– Financial assets measured at amortised costs	**514,611**	444,627
– Loans and advances to customers:		
– Corporate loans and advances	**4,502,952**	4,809,307
– Finance lease loans	**81,265**	93,472
– Personal loans and advances	**873,628**	854,277
– Discounted bills	**747**	69
– Financial assets held under resale agreements	**171,234**	114,990
	6,533,555	6,759,518
Less: Interest expenses arising from		
– Borrowings from the central bank	**(32,763)**	(31,877)
– Deposits from banks	**(38,364)**	(113,815)
– Placements from banks	**(28,906)**	(22,273)
– Deposits from customers:		
– Corporate customers	**(686,305)**	(715,541)
– Individual customers	**(3,142,688)**	(2,730,126)
– Financial assets sold under repurchase agreements	**(75,584)**	(44,670)
– Debts securities issued	**(102,940)**	(141,997)
– Lease liabilities	**(8,896)**	(11,589)
	(4,116,446)	(3,811,888)
	2,417,109	2,947,630

5. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Fee and commission income		
– Advisory fees	**13,230**	16,454
– Settlement and clearing fees	**11,404**	10,628
– Wealth management service fees	**5,132**	20,393
– Agency service fees	**6,056**	5,136
– Syndicated loan service fees	**–**	7,816
– Bank card service fees	**955**	1,209
– Others	**2,637**	1,456
	39,414	63,092
Fee and commission expenses		
– Settlement and clearing fees	**(19,374)**	(26,515)
– Others	**(12,371)**	(6,161)
	(31,745)	(32,676)
	7,669	30,416

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

6. NET TRADING GAINS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")		
– Unlisted equity investments	**(80,729)**	(84,188)
– Listed equity investments	**–**	(15,365)
– Other debt instruments	**(2,962)**	(82,401)
Investment income from financial assets at FVTPL (Note)	**121,033**	230,574
Net gain on disposal of financial assets at FVTPL		
– Other debt instruments	**5,800**	16,813
	43,142	65,433

Note: The investment income from financial assets at FVTPL represents interest income from financial assets at FVTPL of approximately RMB121,033,000 (six months ended 30 June 2022 approximately RMB230,574,000) for the period ended 30 June 2023.

7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Net gains on disposal of financial assets measured at amortised cost	**22,343**	7,629
Net gains on disposal of financial assets at FVTOCI	**57,795**	24,667
	80,138	32,296

8. OTHER OPERATING (EXPENSES) INCOME, NET

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Government grants (Note)	**9,758**	26,896
Loss on disposal of repossessed assets	**(666)**	(6,484)
Gain on disposal of property and equipment	**471**	52,960
Gain on early termination of lease agreement	**164**	1,278
Others operating expenses	**(43,538)**	(24,816)
	(33,811)	49,834

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

9. OPERATING EXPENSES

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	**640,269**	589,091
– Staff welfares	**51,649**	49,942
– Social insurance	**151,307**	137,852
– Housing allowances	**65,434**	59,647
– Labour union and staff education expenses	**12,906**	10,631
	921,565	847,163
Premises and equipment expenses		
– Depreciation of property and equipment	**136,144**	150,831
– Amortisation of long-term deferred expenses	**7,788**	14,633
– Rental and property management expenses	**27,541**	27,624
– Depreciation of right-of-use assets	**81,995**	90,350
	253,468	283,438
Other tax and surcharges	**41,529**	41,209
Other general and administrative expenses (Note)	**163,579**	150,375
	1,380,141	1,332,185

Note: Auditor's remuneration for the period ended 30 June 2023 was RMB1,330,000 (six months ended 30 June 2022: RMB1,330,000).

10. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Impairment losses (reversal of impairment losses) on:		
Loans and advances to customers	**805,788**	938,807
Financial assets measured at amortised costs	**230,206**	92,773
Financial assets at FVTOCI	**(61)**	158
Placements with banks and other financial institutions	**(70)**	347
Other receivables, prepayment and repossessed assets	**8,424**	5,207
Deposits with banks	**(1,138)**	(1,002)
Credit commitments and financial guarantees	**(514)**	8,813
Interest receivables	**1,263**	3,303
	1,043,898	1,048,406

11. INCOME TAX (CREDIT) EXPENSES

Income tax:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Current tax:		
– Mainland China Enterprise Income Tax	**146,686**	379,205
Under provision in prior period:		
– Mainland China Enterprise Income Tax	**22,505**	1,278
Deferred taxation		
– Current period	**(201,495)**	(259,136)
	(32,304)	121,347

Pursuant to the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China incorporated companies is 25%. According to Notice on the Hainan Free Trade Port's Preferential Policies on Corporate Income Tax, certain branches with operations in subsidiaries obtained approvals from tax authorities and qualify for reduced income tax rate of 15% till 31 December 2024.

12. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Profit for the period attributable to owners of the Bank	**149,235**	732,111
		(Restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	**5,074,192**	5,074,192

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

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period ended 30 June 2023 and 2022.

13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	At 30 June 2023	At 31 December 2022
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
In Mainland China		
– Banks	**10,184,300**	9,464,880
– Other financial institutions	**99,475**	99,475
	10,283,775	9,564,355
Accrued interest	**2,715**	6,166
	10,286,490	9,570,521

(b) Analysed by type of security held

	At 30 June 2023	At 31 December 2022
	(Unaudited) *RMB'000*	*(Audited)* *RMB'000*
Debt securities		
– Corporations	**99,475**	99,475
– Government	**2,179,600**	5,386,500
– Other financial institutions	**8,004,700**	4,078,380
	10,283,775	9,564,355
Accrued interest	**2,715**	6,166
	10,286,490	9,570,521

At 30 June 2023 and 31 December 2022, the Group classifies all financial assets held under resale agreements in Stage 1, and measures the loss allowance in accordance with 12-month ECL basis.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2023	At 31 December 2022
	(Unaudited) *RMB'000*	*(Audited)* *RMB'000*
Unlisted equity investments measured at FVTPL (Note)	**825,409**	906,138
Investment funds	**–**	1,002,961
	825,409	1,909,099

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

	At 30 June 2023	At 31 December 2022
	(Unaudited) *RMB'000*	*(Audited)* *RMB'000*
Gross loans and advances to customers		
Corporate loans and advances		
– Loans	**149,045,124**	142,112,472
– Finance lease loans	**2,648,548**	2,932,147
	151,693,672	145,044,619
Personal loans and advances		
– Personal business loans	**20,764,552**	20,432,868
– Personal consumption loans	**3,425,838**	3,114,847
– Credit card overdrafts	**15,191**	17,535
– Residential and commercial mortgage loans	**3,308,468**	3,419,546
	27,514,049	26,984,796
Discounted bills	**597**	–
	179,208,318	172,029,415
Accrued interest	**2,155,348**	3,927,580
Less: Provision for impairment losses	**(6,128,930)**	(5,359,554)
	175,234,736	170,597,441

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2023	At 31 December 2022
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Debt securities issued by the following institutions in Mainland China		
– Government	**9,308,353**	3,330,746
– Banks and other financial institutions	**834,501**	401,498
– Corporations	**150**	107,673
	10,143,004	3,839,917
Unlisted equity investments measured at FVTOCI	**136,709**	141,267
	10,279,713	3,981,184
Accrued interest	**87,174**	38,656
	10,366,887	4,019,840
Analysed as:		
Listed outside Hong Kong	**10,230,178**	3,878,573
Unlisted outside Hong Kong	**136,709**	141,267
	10,366,887	4,019,840

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

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

At 30 June 2023 and 31 December 2022, certain of the Group's financial assets at FVTOCI were pledged as security for repurchase agreement.

17. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 30 June 2023	At 31 December 2022
	(Unaudited) *RMB'000*	*(Audited)* *RMB'000*
Debt securities issued by the following institutions in Mainland China		
– Government	**11,752,998**	15,525,055
– Banks and other financial institutions	**900,184**	903,234
– Corporations	**540,000**	300,000
– Interbank certificates	**283,671**	38,779
	13,476,853	16,767,068
Trust plans	**6,143,744**	6,148,234
Asset management plans	**3,869,973**	4,167,655
	10,013,717	10,315,889
	23,490,570	27,082,957
Accrued interest	**1,858,595**	1,759,115
Less: Provision for impairment losses	**(1,052,258)**	(1,044,346)
	24,296,907	27,797,726
Analysed as:		
Listed outside Hong Kong	**13,625,850**	16,897,330
Unlisted outside Hong Kong	**10,671,057**	10,900,396
	24,296,907	27,797,726

Notes:

(i) The Group holds these investments with the objective in collecting contractual cash flows and had measured them at their amortised cost.

(ii) The Group's debt securities which are listed outside Hong Kong are traded on the China Interbank Bond Market.

(iii) At 30 June 2023 and 31 December 2022, certain of the Group's financial assets at amortised cost were pledged as security for repurchase agreement.

18. DEBTS SECURITIES ISSUED

	30 June 2023	31 December 2022
	(Unaudited)	*(Audited)*
	RMB'000	*RMB'000*
Tier-two capital bonds issued (Note (i))	**2,796,239**	2,796,031
Interbank certificates issued (Note (ii))	**492,478**	2,475,991
	3,288,717	5,272,022
Accrued interest	**101,385**	79,187
	3,390,102	5,351,209

Notes:

(i) Tier-two capital bonds issued

(a) Tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 30 June 2023, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB799,572,000 (31 December 2022: approximately RMB799,453,000).

(b) Tier-two capital bonds at a face value of RMB2,000,000,000 with a term of ten years were issued on 20 July 2021. The coupon rate is 4.80%. The Group has an option to redeem the debts on 20 October 2026 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.82%. As at 30 June 2023, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB1,996,667,000 (31 December 2022: approximately RMB1,996,579,000).

(ii) Interbank certificates issued

(a) During the period ended 30 June 2023, the Bank issued a zero coupon interbank certificate, with total nominal amount of RMB500,000,000 and duration within 1 year. As at 30 June 2023, the outstanding balance of interbank certificate issued is approximately RMB492,478,000. The effective interest rates per annum on the Group's interbank certificates issued is 2.85% per annum.

(b) The Bank issued a number of zero coupon interbank certificates, with total nominal amount of RMB2,500,000,000 and duration within 1 year in 2022. The zero coupon interbank certificates were fully redeemed during the period ended 30 June 2023.The ranges of effective interest rates per annum on the Group's interbank certificates issued are 2.85% to 3.50% per annum.

19. DIVIDENDS

Pursuant to the resolution of the shareholders meeting of 2022 on 16 June 2023, the board of the Bank does not recommend any distribution of final dividend for the year ended 31 December 2022.

Pursuant to the resolution of the shareholders meeting of 2021 on 17 June 2022, the board of the Bank does not recommend any distribution of final dividend for the year ended 31 December 2021.

No interim dividend was paid, declared or proposed during the period ended 30 June 2023 (2022: nil).

20. SEGMENT REPORTING

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

Corporate banking

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

Retail banking

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

Treasury operations

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

Others

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

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

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

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

(a) Segment results, assets and liabilities

	Six months ended 30 June 2023				
	Corporate banking (Unaudited)	Retail banking (Unaudited)	Treasury operations (Unaudited)	Others (Unaudited)	Total (Unaudited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Operating income					
External net interest income/(expense)	3,895,288	(2,274,461)	796,302	(20)	2,417,109
Internal net interest (expense)/income	(2,233,464)	3,578,646	(1,345,182)	–	–
Net interest income/(expense)	1,661,824	1,304,185	(548,880)	(20)	2,417,109
Net fee and commission income	2,486	3,840	1,343	–	7,669
Net trading gains	–	–	43,142	–	43,142
Dividend income	–	–	–	854	854
Net gains arising from investment securities	–	–	80,138	–	80,138
Net exchange gains	–	–	–	2,368	2,368
Other operating income, net	–	–	–	(33,811)	(33,811)
Operating income/(losses)	1,664,310	1,308,025	(424,257)	(30,609)	2,517,469
Operating expenses	(714,818)	(654,138)	(10,596)	(589)	(1,380,141)
Impairment losses on assets	(715,617)	(89,655)	(228,938)	(9,688)	(1,043,898)
Operating profit/(loss)	233,875	564,232	(663,791)	(40,886)	93,430
Share of results of associates	–	–	–	2,337	2,337
Profit/(loss) before tax	233,875	564,232	(663,791)	(38,549)	95,767
Other segment information					
– Depreciation and amortisation	115,444	107,461	2,630	392	225,927
– Capital expenditure	21,480	17,107	1,308	129	40,024

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

	At 30 June 2023				
	Corporate banking (Unaudited)	**Retail banking (Unaudited)**	**Treasury operations (Unaudited)**	**Others (Unaudited)**	**Total (Unaudited)**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment assets	**156,067,198**	**23,526,357**	**83,672,834**	**2,605,008**	**265,871,397**
Deferred tax assets	**–**	**–**	**–**	**1,405,300**	**1,405,300**
Total assets	**156,067,198**	**23,526,357**	**83,672,834**	**4,010,308**	**267,276,697**
Segment liabilities	**(45,489,261)**	**(193,123,092)**	**(9,387,869)**	**(487,629)**	**(248,487,851)**
Dividend payable	**–**	**–**	**–**	**(134)**	**(134)**
Total liabilities	**(45,489,261)**	**(193,123,092)**	**(9,387,869)**	**(487,763)**	**(248,487,985)**

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

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

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

	At 31 December 2022				
	Corporate banking (Audited)	Retail banking (Audited)	Treasury operations (Audited)	Others (Audited)	Total (Audited)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	152,650,278	22,120,672	88,446,324	3,783,475	267,000,749
Segment liabilities	(55,727,425)	(177,447,680)	(14,650,805)	(555,015)	(248,380,925)
Dividend payable	–	–	–	(478)	(478)
Total liabilities	(55,727,425)	(177,447,680)	(14,650,805)	(555,493)	(248,381,403)

7. PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2023 INTERIM REPORT

This interim results announcement is published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jtnsh.com). The 2023 Interim Report of the Bank prepared in accordance with the Hong Kong Listing Rules and the IFRSs will be published on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jtnsh.com) and will be despatched to the holders of H shares of the Bank in due course.

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

Changchun, China
August 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.

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