



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

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

Stock Code : 6122

# 2021

## Interim Report

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





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# Chapter 1 Definitions and Glossary

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

“Anci District Huimin Village and Township Bank”	Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 6, 2011, in which the Bank holds a 51.00% equity interest. The remaining 56 shareholders hold 49.00% equity interest in Anci District Huimin Village and Township Bank
“Anping Huimin Village and Township Bank”	Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 24, 2013, in which the Bank holds a 28.17% equity interest. The remaining 83 shareholders hold 71.83% equity interest in Anping Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 25.98% equity interest in Anping Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Anping Huimin Village and Township Bank. Anping Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Articles of Association”	the articles of association of the Bank
“Baicheng Taobei Huimin Village and Township Bank”	Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 23, 2015, in which the Bank holds a 49.00% equity interest. The remaining 16 shareholders hold 51.00% equity interest in Baicheng Taobei Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 12.00% equity interest in Baicheng Taobei Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Baicheng Taobei Huimin Village and Township Bank. Baicheng Taobei Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Bank”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, including its predecessors, but excluding its subsidiaries

## Chapter 1 Definitions and Glossary

“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Jilin Bureau”	the China Banking and Insurance Regulatory Commission Jilin Bureau (中國銀行保險監督管理委員會吉林監管局)
“Changbai Mountain Rural Commercial Bank”	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 16 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank
“Changchun Gaoxin Huimin Village and Township Bank”	Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 24, 2013, in which the Bank holds a 50.00% equity interest. The remaining 7 shareholders hold 50.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and another shareholder (holding 10.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Changchun Gaoxin Huimin Village and Township Bank. Changchun Gaoxin Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Changchun Nanguan Huimin Village and Township Bank”	Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 11, 2011, in which the Bank holds a 51.20% equity interest. The remaining 34 shareholders hold 48.80% equity interest in Changchun Nanguan Huimin Village and Township Bank

## Chapter 1 Definitions and Glossary

“Da’an Huimin Village and Township Bank”	Da’an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 26, 2011, in which the Bank holds a 51.46% equity interest. The remaining 12 shareholders hold 48.54% equity interest in Da’an Huimin Village and Township Bank
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Fuyu Huimin Village and Township Bank”	Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2015, in which the Bank holds a 49.00% equity interest. The remaining 15 shareholders hold 51.00% equity interest in Fuyu Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 6.00% equity interest in Fuyu Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Fuyu Huimin Village and Township Bank. Fuyu Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Gaomi Huimin Village and Township Bank”	Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on May 25, 2011, in which the Bank holds a 56.70% equity interest. The remaining 46 shareholders hold 43.30% equity interest in Gaomi Huimin Village and Township Bank
“Group”	the Bank and its consolidated subsidiaries
“Guangzhou Huangpu Huimin Village and Township Bank”	Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司) (formerly known as Guangzhou Luogang Huimin Village Bank Co., Ltd. 廣州蘿崗惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 7, 2014, in which the Bank holds a 51.00% equity interest. The remaining 7 shareholders hold 49.00% equity interest in Guangzhou Huangpu Huimin Village and Township Bank

## Chapter 1 Definitions and Glossary

“H Shares”	the ordinary shares issued by the Bank in Hong Kong with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars
“Hanshan Huimin Village and Township Bank”	Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 30, 2010, in which the Bank holds a 78.51% equity interest. The remaining 33 shareholders hold 21.49% equity interest in Hanshan Huimin Village and Township Bank
“Heyang Huimin Village and Township Bank”	Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 55.09% equity interest. The remaining 14 shareholders hold 44.91% equity interest in Heyang Huimin Village and Township Bank
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Huadian Huimin Village and Township Bank”	Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 29, 2013, in which the Bank holds a 51.00% equity interest. The remaining 17 shareholders hold 49.00% equity interest in Huadian Huimin Village and Township Bank

## Chapter 1 Definitions and Glossary

“Huidong Huimin Village and Township Bank”	Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 21, 2014, in which the Bank holds a 35.00% equity interest. The remaining 11 shareholders hold 65.00% equity interest in Huidong Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 30.00% equity interest in Huidong Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Huidong Huimin Village and Township Bank. Huidong Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“IFRS”	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Jilin Chuanying Huimin Village and Township Bank”	Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 21, 2016, in which the Bank holds a 46.00% equity interest. The remaining 26 shareholders hold 54.00% equity interest in Jilin Chuanying Huimin Village and Township Bank. The Bank and another shareholder (holding 5.00% equity interest in Jilin Chuanying Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Chuanying Huimin Village and Township Bank. Jilin Chuanying Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Jilin Chuncheng Rural Commercial Bank”	Jilin Chuncheng Rural Commercial Bank Co., Ltd. (吉林春城農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 15.23% equity interest. The remaining 15 shareholders hold 84.77% equity interest in Jilin Chuncheng Rural Commercial Bank
“Jilin Dehui Rural Commercial Bank”	Jilin Dehui Rural Commercial Bank Co., Ltd. (吉林德惠農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 30, 2013, in which the Bank holds a 9.90% equity interest. The remaining ten shareholders hold 90.10% equity interest in Jilin Dehui Rural Commercial Bank



## Chapter 1 Definitions and Glossary

“Jilin Fengman Huimin Village and Township Bank”	Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 46.00% equity interest. The remaining 16 shareholders hold 54.00% equity interest in Jilin Fengman Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 5.00% equity interest in Jilin Fengman Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Fengman Huimin Village and Township Bank. Jilin Fengman Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Jilin Gongzhuling Rural Commercial Bank”	Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 20.20% equity interest. The remaining 534 shareholders hold 79.80% equity interest in Jilin Gongzhuling Rural Commercial Bank
“Jilin Jiuyin Financial Leasing”	Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 20, 2017, in which the Bank holds a 60.00% equity interest. The remaining four shareholders hold 40.00% equity interest in Jilin Jiuyin Financial Leasing
“Jingmen Dongbao Huimin Village and Township Bank”	Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 21, 2011, in which the Bank holds a 51.36% equity interest. The remaining 7 shareholders hold 48.64% equity interest in Jingmen Dongbao Huimin Village and Township Bank
“Latest Practicable Date”	September 15, 2021, being the latest practicable date for ascertaining certain information in this interim report before its publication

## Chapter 1 Definitions and Glossary

“Leizhou Huimin Village and Township Bank”	Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on March 25, 2015, in which the Bank holds a 17.87% equity interest. The remaining 28 shareholders hold 82.13% equity interest in Leizhou Huimin Village and Township Bank. The Bank and 7 other shareholders (holding an aggregate of 33.82% equity interest in Leizhou Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Leizhou Huimin Village and Township Bank. Leizhou Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Liaoyuan Rural Commercial Bank”	Liaoyuan Rural Commercial Bank Co., Ltd. (遼源農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 15, 2012, in which the Bank holds a 56.09% equity interest. The remaining 6 shareholders hold 43.91% equity interest in Liaoyuan Rural Commercial Bank
“Lingshui Huimin Village and Township Bank”	Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司) (formerly known as Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20.00% equity interest. The remaining 26 shareholders hold 80.00% equity interest in Lingshui Huimin Village and Township Bank. The Bank and 6 other shareholders (holding an aggregate of 32.60% equity interest in Lingshui Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Lingshui Huimin Village and Township Bank. Lingshui Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Lujiang Huimin Village and Township Bank”	Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 60.00% equity interest. The remaining 49 shareholders hold 40.00% equity interest in Lujiang Huimin Village and Township Bank
“non-performing loans”	non-performing loans, and for the purpose of this interim report, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system the Bank and each subsidiary adopted pursuant to applicable PRC guidelines

## Chapter 1 Definitions and Glossary

“non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Qianan Huimin Village and Township Bank”	Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 45.25% equity interest. The remaining 23 shareholders hold 54.75% equity interest in Qianan Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 6.40% equity interest in Qianan Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Qianan Huimin Village and Township Bank. Qianan Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Qingdao Jimo Huimin Village and Township Bank”	Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司) (formerly known as Qingdao Jimo Jingdu Village and Township Bank Co., Ltd. (青島即墨京都村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on October 14, 2008, in which the Bank holds a 59.00% equity interest. The remaining 5 shareholders hold 41.00% equity interest in Qingdao Jimo Huimin Village and Township Bank
“Qingdao Pingdu Huimin Village and Township Bank”	Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2010, in which the Bank holds a 58.82% equity interest. The remaining 91 shareholders hold 41.18% equity interest in Qingdao Pingdu Huimin Village and Township Bank

## Chapter 1 Definitions and Glossary

“Qingyuan Qingxin Huimin Village and Township Bank”	Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 23, 2014, in which the Bank holds a 53.53% equity interest. The remaining 13 shareholders hold 46.47% equity interest in Qingyuan Qingxin Huimin Village and Township Bank
“Reporting Period”	the six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)
“RMB” or “Renminbi”	the lawful currency of the PRC
“Sanya Huimin Village and Township Bank”	Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司) (formerly known as Sanya Phoenix County Village and Township Bank Co., Ltd. (三亞鳳凰村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20.00% equity interest. The remaining 33 shareholders hold 80.00% equity interest in Sanya Huimin Village and Township Bank. The Bank and 10 other shareholders (holding an aggregate of 30.50% equity interest in Sanya Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Sanya Huimin Village and Township Bank. Sanya Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each

## Chapter 1 Definitions and Glossary

“Shareholder(s)”	holder(s) of the Shares
“Shuangcheng Huimin Village and Township Bank”	Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 25, 2010, in which the Bank holds a 62.26% equity interest. The remaining 28 shareholders hold 37.74% equity interest in Shuangcheng Huimin Village and Township Bank
“Songyuan Ningjiang Huimin Village and Township Bank”	Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 19, 2011, in which the Bank holds a 40.80% equity interest. The remaining 103 shareholders hold 59.20% equity interest in Songyuan Ningjiang Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 9.73% equity interest in Songyuan Ningjiang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Songyuan Ningjiang Huimin Village and Township Bank. Songyuan Ningjiang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Supervisor(s)”	the supervisor(s) of the Bank
“Taonan Huimin Village and Township Bank”	Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 11, 2015, in which the Bank holds a 40.83% equity interest. The remaining 17 shareholders hold 59.17% equity interest in Taonan Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 24.99% equity interest in Taonan Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Taonan Huimin Village and Township Bank. Taonan Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“three rurals”	a short term for the issues related to agriculture, rural areas and rural households

## Chapter 1 Definitions and Glossary

“Tianjin Binhai Huimin Village and Township Bank”	Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 11, 2014, in which the Bank holds a 47.00% equity interest. The remaining 72 shareholders hold 53.00% equity interest in Tianjin Binhai Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 8.21% equity interest in Tianjin Binhai Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Tianjin Binhai Huimin Village and Township Bank. Tianjin Binhai Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Tongcheng Huimin Village and Township Bank”	Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 19, 2012, in which the Bank holds a 75.76% equity interest. The remaining 32 shareholders hold 24.24% equity interest in Tongcheng Huimin Village and Township Bank
“Wenan County Huimin Village and Township Bank”	Huimin Village Bank of Wenan (文安縣惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2011, in which the Bank holds a 36.00% equity interest. The remaining 64 shareholders hold 64.00% equity interest in Wenan County Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 15.99% equity interest in Wenan County Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Wenan County Huimin Village and Township Bank. Wenan County Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Wuchang Huimin Village and Township Bank”	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on November 11, 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank

## Chapter 1 Definitions and Glossary

“Wuhua Huimin Village and Township Bank”

Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 13, 2014, in which the Bank holds a 39.23% equity interest. The remaining 19 shareholders hold 60.77% equity interest in Wuhua Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 17.52% equity interest in Wuhua Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Wuhua Huimin Village and Township Bank. Wuhua Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary

“Yun'an Huimin Village and Township Bank”

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

*In this interim report:*

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

# Chapter 2 Company Profile

## I. BASIC INFORMATION OF THE BANK

### Registered Name in Chinese:

吉林九台農村商業銀行股份有限公司 (abbreviated as “九台農商銀行”)

### Registered Name in English:

Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as “Jiutai Rural Commercial Bank”)

### Legal Representative:

Gao Bing (高兵)

### Authorized Representatives:

Gao Bing (高兵), Lau Kwok Yin (劉國賢)

### Board Secretary:

Yuan Chunyu (袁春雨)

### Joint Company Secretaries:

Yuan Chunyu (袁春雨), Lau Kwok Yin (劉國賢)

### Registered Office Address:

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

### Principal Office Address:

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



## Chapter 2 Company Profile

### Customer Service Hotline:

+86 (431) 96888

### Telephone:

+86 (431) 8925 0628

### Facsimile:

+86 (431) 8925 0628

### Company Website:

[www.jtnsh.com](http://www.jtnsh.com)

### Principal Place of Business in Hong Kong:

Room 15, 11th Floor, Tower 2, Admiralty Centre  
18 Harcourt Road  
Admiralty, Hong Kong

### H Share Disclosure Websites:

The Stock Exchange of Hong Kong Limited's HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk)  
The Bank's website at [www.jtnsh.com](http://www.jtnsh.com)

### Listing Place:

The Stock Exchange of Hong Kong Limited

### Stock Short Name:

JIUTAI RCB

### Stock Code:

06122

### H Share Registrar:

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## Chapter 2 Company Profile

### **PRC Legal Adviser:**

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

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

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

### **Auditors:**

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

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

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

SHINEWING (HK) CPA Limited  
43/F, Lee Garden One  
33 Hysan Avenue, Causeway Bay  
Hong Kong

### II. HISTORY OF THE BANK

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

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

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

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

## Chapter 2 Company Profile

### III. MAJOR AWARDS AND RECOGNITIONS IN THE FIRST HALF OF 2021

The Group has won numerous awards and recognitions in the first half of 2021 attributable to its outstanding business performance and management ability, including the following:

Unit	Awards/Recognitions	Organizer
The Bank	Top 300 Trading Banks in Interbank RMB Market in 2020 (2020年度銀行間本幣市場交易300強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Top 100 Banks in Interbank RMB and Foreign Exchange Market in 2020 (2020年度銀行間人民幣外匯市場100強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	The Most Socially Responsible Listed Company Award (最具社會責任上市公司)	The 5th "Golden Share Listed in Hong Kong" Award by zhitongcaijing.com and 10jqka.com.cn (智通財經和同花順財經第五屆「金港股」評選)
The Bank	2020 Outstanding Unit with Special Contribution for Social Responsibility in Jilin Province (2020年度吉林省社會責任突出貢獻單位)	The 2nd TOP Financial Frontier Award in Jilin, China (中國吉林 • 第二屆金融先鋒TOP展示榜評選)
The Bank	2020 Rural Commercial Bank with Outstanding Contribution (2020年度吉林省傑出貢獻農商銀行)	The 2nd TOP Financial Frontier Award in Jilin, China (中國吉林 • 第二屆金融先鋒TOP展示榜評選)
The Bank	Top 100 Chinese Banks in 2020 (2020年中國銀行業100強)	China Banking Association (中國銀行業協會)
The Bank	The Socially Responsible Bank in 2020 (2020年度社會責任銀行)	The 14th Golden Cicada Award by China Times (華夏時報第十四屆金蟬獎評選)
The three rural financial department of the Bank	Pioneer Labour Union in China (全國工人先鋒號)	All-China Federation of Trade Unions (中華全國總工會)

## Chapter 2 Company Profile

Unit	Awards/Recognitions	Organizer
The Bank	Advanced Group on Poverty Alleviation in Jilin Province (吉林省脫貧攻堅先進集體)	Party Committee and Government of Jilin Province (吉林省委、省政府)
The Bank	Top 1,000 World Banks in 2021 (2021年 全球銀行1,000強)	The Banker, a U.K. magazine (英國《銀行家》雜誌)
Liaoyuan Rural Commercial Bank	Outstanding Employer in China (全國模範 職工之家)	All-China Federation of Trade Unions (中華 全國總工會)
Liaoyuan Rural Commercial Bank	The First "Trustworthy Enterprise" Award of Liaoyuan City (遼源市首屆「誠信企業」)	Social Credit System Promotion Association of Liaoyuan City (遼源市社會 信用體系建設促進會)
Taonan Huimin Village and Township Bank	National Advanced Group on Contribution by Female Employees (全國巾幗建功先進 集體)	All-China Women's Federation (中華全國 婦女聯合會)
Huimin Village Bank Company of Anci	National Advanced Group on Contribution by Female Employees (全國巾幗建功先進 集體)	All-China Women's Federation (中華全國 婦女聯合會)
Huimin Village Bank Company of Anci	The 7th Outstanding Quality Award of the Government (第七屆政府質量獎)	The People's Government of Langfang City (廊坊市人民政府)
Party affair department of Baicheng Taobei Huimin Village and Township Bank	Pioneer Party Organization in Jilin Province (吉林省先進基層黨組織)	Party Committee of Jilin Province (中共吉 林省委)
Jilin Fengman Huimin Village and Township Bank	Outstanding Financial Service Provider in 2020 (2020年度金融服務優秀單位)	The Management Committee of the Economic and Technological Development Zone of Jilin Province (吉林經濟技術開發 區管理委員會)
Lujiang Huimin Village and Township Bank	Pioneer Financial Institution for Supporting the Economic Development in Rural Areas (支持地方經濟發展先進單位)	The People's Government of Lujiang County (廬江縣人民政府)

## Chapter 3 Financial Summary

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021	2020	Change in percentage (%)	Year ended December 31, 2020
<b>Operating results</b>				
Interest income	5,686.7	4,572.8	24.4	10,371.1
Interest expenses	(2,971.4)	(2,476.2)	20.0	(5,272.6)
<b>Net interest income</b>	<b>2,715.3</b>	2,096.6	29.5	5,098.5
Fee and commission income	64.0	53.7	19.2	268.9
Fee and commission expenses	(30.6)	(16.7)	83.2	(38.3)
<b>Net fee and commission income</b>	<b>33.4</b>	37.0	(9.7)	230.6
Net trading (losses) gains	(72.3)	96.4	(175.0)	149.8
Dividend income	32.9	59.4	(44.6)	59.4
Net gains arising from investment securities	22.4	35.2	(36.4)	46.4
Gains on disposals of associated companies	—	—	—	(37.1)
Net exchange gains	7.5	4.1	82.9	10.2
Other operating income (expense), net	12.8	10.9	17.4	(11.0)
<b>Operating income</b>	<b>2,752.0</b>	2,339.6	17.6	5,546.8
Operating expenses	(1,251.6)	(1,141.4)	9.7	(2,743.7)
Impairment losses on assets	(801.1)	(655.0)	22.3	(1,306.6)
<b>Operating profit</b>	<b>699.3</b>	543.2	28.7	1,496.5
Share of results of associates	(8.9)	(2.7)	229.6	44.6
<b>Profit before tax</b>	<b>690.4</b>	540.5	27.7	1,541.1
Income tax expense	(177.9)	(125.5)	41.8	(341.4)
<b>Profit for the period/end of year</b>	<b>512.5</b>	415.0	23.5	1,199.7
<b>Profit for the year attributable to:</b>				
— Owners of the Bank	434.3	343.4	26.5	1,104.5
— Non-controlling interests	78.2	71.6	9.2	95.2
<b>Profit for the period/end of year</b>	<b>512.5</b>	415.0	23.5	1,199.7
Basic earnings per share (RMB)	0.09	(restated) 0.07	28.6	(restated) 0.24
Diluted earnings per share (RMB)	0.09	0.07	28.6	0.24

## Chapter 3 Financial Summary

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As at June 30, 2021</b>	As at December 31, 2020	Change in percentage (%)	
<b>Major indicators of assets/liabilities</b>				
Total assets	<b>213,264.1</b>	200,363.3	6.4	
Of which: loans and advances to customers	<b>137,690.0</b>	126,574.6	8.8	
Total liabilities	<b>197,202.2</b>	184,112.1	7.1	
Of which: deposits from customers	<b>165,633.1</b>	149,763.2	10.6	
Total equity	<b>16,061.9</b>	16,251.2	(1.2)	
	<b>Six months ended June 30, 2021</b>	2020	Change in percentage (%)	
<b>Profitability indicators (%)</b>				
Return on assets <sup>(1)(15)</sup>	<b>0.50%</b>	0.47%	6.4	
Return on capital <sup>(2)(15)</sup>	<b>6.34%</b>	5.37%	18.1	
Net interest spread <sup>(3)(15)</sup>	<b>2.52%</b>	2.37%	6.3	
Net interest margin <sup>(4)(15)</sup>	<b>2.65%</b>	2.46%	7.7	
Net fee and commission income to operating income ratio <sup>(5)</sup>	<b>1.21%</b>	1.58%	(23.4)	
Cost-to-income ratio <sup>(6)</sup>	<b>44.24%</b>	47.63%	(7.1)	
	<b>As at June 30, 2021</b>	As at December 31, 2020	Change in percentage (%)	As at June 30, 2020
<b>Capital adequacy indicators (%)</b>				
Core tier-one capital adequacy ratio <sup>(7)</sup>	<b>8.51%</b>	9.05%	(6.0)	8.72%
Tier-one capital adequacy ratio <sup>(8)</sup>	<b>8.61%</b>	9.15%	(5.9)	8.81%
Capital adequacy ratio <sup>(9)</sup>	<b>10.67%</b>	11.37%	(6.2)	10.99%
Shareholders' equity to total assets ratio	<b>7.53%</b>	8.11%	(7.2)	8.50%
<b>Assets quality indicators (%)</b>				
Non-performing loan ratio <sup>(10)</sup>	<b>1.89%</b>	1.63%	16.0	1.85%
Provision coverage ratio <sup>(11)</sup>	<b>157.21%</b>	164.82%	(4.6)	156.55%
Provision to total loan ratio <sup>(12)</sup>	<b>2.96%</b>	2.69%	10.0	2.90%
<b>Other indicators<sup>(13)</sup> (%)</b>				
Loan to deposit ratio <sup>(14)</sup>	<b>85.67%</b>	86.85%	(1.4)	85.04%

## Chapter 3 Financial Summary

### Notes:

- (1) Calculated by dividing the net profit for the period/year by the average balance of total assets at the beginning and the end of that period/year.
- (2) Calculated by dividing the net profit for the period/year by the average balance of total equity at the beginning and at the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets\*100%.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets\*100%.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets\*100%.
- (10) Non-performing loan ratio = non-performing loans and advances to customers/gross loans and advances to customers\*100%.
- (11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers\*100%.
- (12) Provision to total loan ratio = provision for impairment losses on loans/gross loans and advances to customers\*100%.
- (13) These indicators refer to the ratios we report to the CBIRC and calculated in accordance with PRC GAAP and relative requirements of the CBIRC regarding the financial data.
- (14) According to the revised PRC Commercial Banking Law which became effective on October 1, 2015, loan to deposit ratio is no longer applicable to the PRC Commercial Banks as a regulatory ratio.
- (15) Ratios for the six months ended June 30, 2020 and 2021 are calculated on an annualized basis.



# Chapter 4 Management Discussion and Analysis

## 1 Environment and Outlook

During the first half of 2021, benefitted from the acceleration of vaccination, continuous policy support and enhanced epidemic resilience of economic growth, the economy of China recovered steadily. Driven by the recovery of major economies in China and the United States, the outlook of global economic growth has further improved, but the imbalance and differentiation remained obvious.

In the second half of 2021, the global political and economic conditions will continue to undergo significant changes, and there are still numerous uncertainties that may affect the development. Nonetheless, capitalizing on its solid foundation, the economy of China is expected to maintain steady and sound growth through the implementation of effective monetary and fiscal policies. From the perspective of financial institutions in the banking industry, despite the challenges arising from structural transformation and risk management, the accelerated promotion of new development pattern, continuous financial reforms and introduction of various policies including reduction of required reserve ratio have created a more favourable environment for the development of the banking industry. In addition, attributable to the coordinated development of regional economies and rural revitalization strategy, the development potential for rural commercial banks will be expanded with more solid foundation of high quality development.

Looking forward, the Bank will strictly adhere to the national policy and focus on regional development by establishing the “Four in One Mechanism” which integrates the finance for three rurals, community finance, cooperation platform and charity works. The Bank will exert more efforts in realizing steady growth, adjusting structure, strengthening management and improving quality and efficiency in order to maintain stable sound growth momentum and accomplish various objectives and missions well in the first year of the Fourteenth Five-Year plan.

## 2 Development Strategies

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

## Chapter 4 Management Discussion and Analysis

### 3 Overall Business Review

In the first half of 2021, in the face of complex economic and financial conditions and the pandemic prevention and control measures, the Group strived to maintain high quality development by solidifying its development foundation and improving its shortcomings in strict accordance with the decisions and arrangements of the Party Central Committee, the State Council, government and regulatory authorities at all levels. All of our major works were under steady progress and our business operation achieved sound results.

The Group recorded a total operating income of RMB2,752.0 million for the six months ended June 30, 2021, representing an increase of 17.6% as compared to RMB2,339.6 million for the six months ended June 30, 2020. The Group's net profit increased by 23.5% from RMB415.0 million for the six months ended June 30, 2020 to RMB512.5 million for the six months ended June 30, 2021. The net interest income of the Group increased by 29.5% from RMB2,096.6 million for the six months ended June 30, 2020 to RMB2,715.3 million for the six months ended June 30, 2021.

As of June 30, 2021, the Group's total assets amounted to RMB213,264.1 million, representing an increase of 6.4% as compared with the beginning of the year; net loans and advances to customers amounted to RMB137,690.0 million, representing an increase of 8.8% as compared with the beginning of the year; the non-performing loan ratio was 1.89%, representing an increase of 0.26 percentage point as compared with the beginning of the year; total deposits from customers amounted to RMB165,633.1 million, representing an increase of 10.6% as compared with the beginning of the year.

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2021	2020	Change in amount	
Interest income	5,686.7	4,572.8	1,113.9	24.4
Interest expense	(2,971.4)	(2,476.2)	(495.2)	20.0
<b>Net interest income</b>	<b>2,715.3</b>	<b>2,096.6</b>	<b>618.7</b>	<b>29.5</b>
Fee and commission income	64.0	53.7	10.3	19.2
Fee and commission expenses	(30.6)	(16.7)	(13.9)	83.2
<b>Net fee and commission income</b>	<b>33.4</b>	<b>37.0</b>	<b>(3.6)</b>	<b>(9.7)</b>
Net trading (losses) gains	(72.3)	96.4	(168.7)	(175.0)
Dividend income	32.9	59.4	(26.5)	(44.6)
Net gains arising from investment securities	22.4	35.2	(12.8)	(36.4)
Net exchange gains	7.5	4.1	3.4	82.9
Other operating (expense) income, net	12.8	10.9	1.9	17.4
<b>Operating income</b>	<b>2,752.0</b>	<b>2,339.6</b>	<b>412.4</b>	<b>17.6</b>
Operating expenses	(1,251.6)	(1,141.4)	(110.2)	9.7
Impairment losses on assets	(801.1)	(655.0)	(146.1)	22.3
<b>Operating profit</b>	<b>699.3</b>	<b>543.2</b>	<b>156.1</b>	<b>28.7</b>
Share of results of associates	(8.9)	(2.7)	(6.2)	229.6
<b>Profit before tax</b>	<b>690.4</b>	<b>540.5</b>	<b>149.9</b>	<b>27.7</b>
Income tax expense	(177.9)	(125.5)	(52.4)	41.8
<b>Profit for the period</b>	<b>512.5</b>	<b>415.0</b>	<b>97.5</b>	<b>23.5</b>
<b>Profit for the period attributable to:</b>				
— Owners of the Bank	434.3	343.4	90.9	26.5
— Non-controlling interests	78.2	71.6	6.6	9.2
<b>Profit for the period</b>	<b>512.5</b>	<b>415.0</b>	<b>97.5</b>	<b>23.5</b>

In the first six months of 2021, the Group's operating income was RMB2,752.0 million, representing a year-on-year increase of 17.6%; profit before tax was RMB690.4 million, representing a year-on-year increase of 27.7%; profit for the period was RMB512.5 million, representing a year-on-year increase of 23.5%. It was mainly due to the increase in the interest-earning assets as a result of focusing on the three-rural market by increasing loans and advances to customers in order to provide further credit support to the real economy, and the increase in net interest income by refining our management and improving the structure of assets and liabilities which led to an increase in net interest spread, which was partially offset by the decrease of net trading (losses) gains, dividend income and net gains arising from investment securities, and the increase of operating expenses and impairment losses on assets.

## Chapter 4 Management Discussion and Analysis

### (i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 89.6% and 98.7% of operating income for the six months ended June 30, 2020 and 2021, respectively. The table below sets forth the interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2021	2020	Change in amount	
Interest income	5,686.7	4,572.8	1,113.9	24.4
Interest expense	(2,971.4)	(2,476.2)	(495.2)	20.0
<b>Net interest income</b>	<b>2,715.3</b>	<b>2,096.6</b>	<b>618.7</b>	<b>29.5</b>

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	144,393.4	4,575.3	6.34	105,875.3	3,571.4	6.75
Investment securities and other financial assets <sup>(1)</sup>	28,253.7	841.9	5.96	27,619.9	687.2	4.98
Deposits with banks and other financial institutions	11,854.1	96.1	1.62	12,798.2	82.3	1.29
Financial assets held under resale agreements	3,225.1	51.0	3.16	8,192.7	93.3	2.28
Deposits with the central bank <sup>(2)</sup>	16,162.3	105.3	1.30	13,628.5	92.9	1.36
Placements with banks and other financial institutions	810.1	17.1	4.22	1,996.0	45.7	4.58
<b>Total interest-earning assets</b>	<b>204,698.7</b>	<b>5,686.7</b>	<b>5.56</b>	<b>170,110.6</b>	<b>4,572.8</b>	<b>5.38</b>

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021			Six months ended June 30, 2020		
	Average balance	Interest income	Average cost (%)	Average balance	Interest income	Average cost (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	163,093.3	2,453.5	3.01	127,003.3	1,819.0	2.86
Financial assets sold under repurchase agreements	6,282.3	64.7	2.06	4,982.3	42.5	1.71
Deposits from banks and other financial institutions	9,478.5	155.4	3.28	12,200.2	200.9	3.29
Debt securities issued <sup>(3)</sup>	6,091.8	124.3	4.08	12,515.4	253.6	4.05
Placements from banks and other financial institutions	7,860.3	135.1	3.44	5,935.2	125.8	4.24
Borrowing from the central bank	2,123.9	25.4	2.39	1,406.4	18.9	2.69
Lease liabilities	549.3	13.0	4.73	683.5	15.5	4.54
<b>Total interest-bearing liabilities</b>	<b>195,479.4</b>	<b>2,971.4</b>	<b>3.04</b>	<b>164,726.3</b>	<b>2,476.2</b>	<b>3.01</b>
<b>Net interest income</b>		<b>2,715.3</b>			<b>2,096.6</b>	
<b>Net interest spread<sup>(4)</sup></b>			<b>2.52</b>			<b>2.37</b>
<b>Net interest margin<sup>(5)</sup></b>			<b>2.65</b>			<b>2.46</b>

Notes:

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

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

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021 vs 2020		Net increase/ (decrease) <sup>(3)</sup>
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	
<b>Interest-earning Assets</b>			
Loans and advances to customers	1,220.5	(216.6)	1,003.9
Investment securities and other financial assets	18.9	135.8	154.7
Deposits with banks and other financial institutions	(7.7)	21.5	13.8
Financial assets held under resale agreements	(78.6)	36.3	(42.3)
Deposits with the central bank	16.5	(4.1)	12.4
Placements with banks and other financial institutions	(25.0)	(3.6)	(28.6)
<b>Changes in interest income</b>	<b>1,144.6</b>	<b>(30.7)</b>	<b>1,113.9</b>
<b>Interest-bearing Liabilities</b>			
Deposits from customers	542.9	91.6	634.5
Financial assets sold under repurchase agreements	13.4	8.8	22.2
Deposits from banks and other financial institutions	(44.6)	(0.9)	(45.5)
Debt securities issued	(131.1)	1.8	(129.3)
Placements from banks and other financial institutions	33.1	(23.8)	9.3
Borrowing from the central bank	8.6	(2.1)	6.5
Lease liabilities	(3.2)	0.7	(2.5)
<b>Changes in interest expense</b>	<b>419.1</b>	<b>76.1</b>	<b>495.2</b>
<b>Changes in net interest income</b>	<b>725.5</b>	<b>(106.8)</b>	<b>618.7</b>

Notes:

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

## Chapter 4 Management Discussion and Analysis

### (ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2021		2020	
	Amount	% of total	Amount	% of total
Loans and advances to customers	4,575.3	80.5	3,571.4	78.1
Investment securities and other financial assets	841.9	14.8	687.2	15.1
Deposits with banks and other financial institutions	96.1	1.7	82.3	1.8
Financial assets held under resale agreements	51.0	0.9	93.3	2.0
Deposits with the central bank	105.3	1.8	92.9	2.0
Placements with banks and other financial institutions	17.1	0.3	45.7	1.0
<b>Total</b>	<b>5,686.7</b>	<b>100.0</b>	4,572.8	100.0

The Group's interest income increased by 24.4% from RMB4,572.8 million for the six months ended June 30, 2020 to RMB5,686.7 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of interest-earning assets from RMB170,110.6 million for the six months ended June 30, 2020 to RMB204,698.7 million for the six months ended June 30, 2021, and an increase in the average yield on interest-earning assets from 5.38% for the six months ended June 30, 2020 to 5.56% for the six months ended June 30, 2021. The increase in the average balance of interest-earning assets was primarily due to the increases in the average balances of loans and advances to customers, investment securities and other financial assets and deposits with the central bank as a result of the steady development of the Group's business, which was partially offset by the decrease in the average balance of deposits with banks and other financial institutions, financial assets held under resale agreements and placements with banks and other financial institutions. The growth in the average yield on interest-earning assets was primarily due to the increase in the average yield on investment securities and other financial assets, deposits with banks and other financial institutions and financial assets held under resale agreements as a result of the Group's effort on optimizing the structure of assets and liabilities, which was partially offset by the decrease in the average yield on loans and advances to customers, deposits with the central bank and placements with banks and other financial institutions.

## Chapter 4 Management Discussion and Analysis

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

Interest income from loans and advances to customers represented 78.1% and 80.5% of the Group's total interest income for the six months ended June 30, 2020 and 2021, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			2020		
	2021					
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	114,509.1	3,539.6	6.18	81,493.5	2,757.3	6.77
Retail loans	27,882.0	1,001.4	7.18	22,792.1	792.7	6.96
Discounted bills	2,002.3	34.3	3.43	1,589.7	21.4	2.69
<b>Gross loans and advances to customers</b>	<b>144,393.4</b>	<b>4,575.3</b>	<b>6.34</b>	105,875.3	3,571.4	6.75

Interest income from loans and advances to customers constitutes the largest portion of the interest income of the Group, which increased by 28.1% from RMB3,571.4 million for the six months ended June 30, 2020 to RMB4,575.3 million for the six months ended June 30, 2021. The increase was primarily due to the increase in the average balance of loans and advances to customers from RMB105,875.3 million for the six months ended June 30, 2020 to RMB144,393.4 million for the six months ended June 30, 2021, which was partially offset by the decrease in the average yield of these assets from 6.75% for the six months ended June 30, 2020 to 6.34% for the six months ended June 30, 2021. The increase in the average balance of these assets was mainly due to the (1) the increase in the amount of loans for enterprises affected by the pandemic, (2) providing more loans for SMEs progressively to support the development of real economy and rural areas, (3) enriching our retail loans products, improving our service quality and expanding our customer base, resulting in steady growth in retail loans. The decrease in the average yield on such assets was primarily due to the fulfilment of the Group's social responsibility by reducing fees and interest rate of loans with an aim to reduce the financing cost of enterprises and the impact of the year-on-year decrease in loan prime rate (LPR).



## Chapter 4 Management Discussion and Analysis

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

Interest income from investment securities and other financial assets increased by 22.5% from RMB687.2 million for the six months ended June 30, 2020 to RMB841.9 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of investment securities and other financial assets from RMB27,619.9 million for the six months ended June 30, 2020 to RMB28,253.7 million for the six months ended June 30, 2021, and an increase in the average yield on these assets from 4.98% for the six months ended June 30, 2020 to 5.96% for the six months ended June 30, 2021. The increase in average balance of such assets was mainly due to the reasonable increase in the investment in debt securities by the Group in accordance with the changes in market trend, business needs and the balance between revenue and risks, which was partially offset by the decrease in the investment in assets management and trust investment plans. The growth in average yield of such assets was mainly due to the changes in types of investment assets and maturity profile and the increase in market interest rate.

### **(C) Interest income from deposits with banks and other financial institutions**

Interest income from deposits with banks and other financial institutions increased by 16.8% from RMB82.3 million for the six months ended June 30, 2020 to RMB96.1 million for the six months ended June 30, 2021, primarily due to an increase in the average yield on deposits with banks and other financial institutions from 1.29% for the six months ended June 30, 2020 to 1.62% for the six months ended June 30, 2021, which was partially offset by a decrease in the average balance of such assets from RMB12,798.2 million for the six months ended June 30, 2020 to RMB11,854.1 million for the six months ended June 30, 2021. The decrease in average balance of such assets was mainly due to the proactive adjustment of assets structure according to the business needs of the Group by decreasing the amount of deposits with banks and other financial institutions. The increase in average yield of such assets was mainly due to the increase in market interest rate.

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

Interest income from financial assets held under resale agreements decreased by 45.3% from RMB93.3 million for the six months ended June 30, 2020 to RMB51.0 million for the six months ended June 30, 2021, primarily due to a decrease in the average balance of financial assets held under resale agreements from RMB8,192.7 million for the six months ended June 30, 2020 to RMB3,225.1 million for the six months ended June 30, 2021, which was partially offset by an increase in the average yield on those assets from 2.28% for the six months ended June 30, 2020 to 3.16% for the six months ended June 30, 2021. The decrease in the average balance of such assets was mainly due to the Group's effort in improving market research and strategy formulation, and adjustment of the scale of such assets in a timely manner in order to balance the yield and liquidity requirement. The increase in the average yield of such assets was mainly due to the increase in market interest rate.

## Chapter 4 Management Discussion and Analysis

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

Interest income from deposits with the central bank increased by 13.3% from RMB92.9 million for the six months ended June 30, 2020 to RMB105.3 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of deposits with the central bank from RMB13,628.5 million for the six months ended June 30, 2020 to RMB16,162.3 million for the six months ended June 30, 2021, which was partially offset by a decrease in the average yield on those assets from 1.36% for the six months ended June 30, 2020 to 1.30% for the six months ended June 30, 2021. The increase in the average balance of deposits with the central bank was primarily due to the increase in statutory deposit reserves as a result of the increase in the deposits from customers of the Group. The decrease in the average yield of such assets was mainly due to the change in the structure of statutory deposit reserves and surplus deposit reserves.

### (iii) Interest expenses

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021		2020	
	Amount	% of total	Amount	% of total
Deposits from customers	2,453.5	82.6	1,819.0	73.5
Financial assets sold under repurchase agreements	64.7	2.2	42.5	1.7
Deposits from banks and other financial institutions	155.4	5.2	200.9	8.1
Debt securities issued	124.3	4.2	253.6	10.2
Placements from banks and other financial institutions	135.1	4.5	125.8	5.1
Borrowings from the central bank	25.4	0.9	18.9	0.8
Lease liabilities	13.0	0.4	15.5	0.6
<b>Total</b>	<b>2,971.4</b>	<b>100.0</b>	<b>2,476.2</b>	<b>100.0</b>

## Chapter 4 Management Discussion and Analysis

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

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			2020		
	2021 Average balance	2021 Interest expense	2021 Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Time	7,536.0	127.2	3.38	9,073.0	148.2	3.27
Demand	36,399.5	430.6	2.37	30,322.7	282.5	1.86
<b>Subtotal</b>	<b>43,935.5</b>	<b>557.8</b>	<b>2.54</b>	<b>39,395.7</b>	<b>430.7</b>	<b>2.19</b>
<b>Retail deposits</b>						
Time	100,912.4	1,732.8	3.43	66,026.2	1,196.6	3.62
Demand	18,245.4	162.9	1.79	21,581.4	191.7	1.78
<b>Subtotal</b>	<b>119,157.8</b>	<b>1,895.7</b>	<b>3.18</b>	<b>87,607.6</b>	<b>1,388.3</b>	<b>3.17</b>
<b>Total deposits from customers</b>	<b>163,093.3</b>	<b>2,453.5</b>	<b>3.01</b>	<b>127,003.3</b>	<b>1,819.0</b>	<b>2.86</b>

Interest expenses on deposits from customers increased by 34.9% from RMB1,819.0 million for the six months ended June 30, 2020 to RMB2,453.5 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of deposits from customers from RMB127,003.3 million for the six months ended June 30, 2020 to RMB163,093.3 million for the six months ended June 30, 2021, and an increase in the average cost of such liabilities from 2.86% for the six months ended June 30, 2020 to 3.01% for the six months ended June 30, 2021. The increase in average balance of deposits from customers was mainly due to the Group's efforts in improving quality services, enhancing its service standards, strengthening the channel development, expanding the customer base and the coverage of targeted marketing, resulting in steady increase in deposits. The increase in average cost of deposits from customers was mainly due to the liberalization of interest rate and the changes in types and maturity structure of deposits.

## Chapter 4 Management Discussion and Analysis

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

Interest expenses on financial assets sold under repurchase agreements increase by 52.2% from RMB42.5 million for the six months ended June 30, 2020 to RMB64.7 million for the six months ended June 30, 2021, primarily due to an increase in the average balance of financial assets sold under repurchase agreements from RMB4,982.3 million for the six months ended June 30, 2020 to RMB6,282.3 million for the six months ended June 30, 2021 and an increase of average cost from 1.71% for the six months ended June 30, 2020 to 2.06% for the six months ended June 30, 2021. The increase of average balance in such debts was mainly the result of the adjustment of liabilities structure of the Group to balance capital cost and stability. The increase in average cost of those liabilities was mainly due to the increase in market interest rate.

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

Interest expenses on deposits from banks and other financial institutions decreased by 22.6% from RMB200.9 million for the six months ended June 30, 2020 to RMB155.4 million for the six months ended June 30, 2021, mainly due to a decrease in the average balance of those liabilities from RMB12,200.2 million for the six months ended June 30, 2020 to RMB9,478.5 million for the six months ended June 30, 2021, and a decrease in the average cost of those liabilities from 3.29% for the six months ended June 30, 2020 to 3.28% for the six months ended June 30, 2021. The decrease in average balance in such debts was mainly the result of the timely adjustment of liabilities structure and reduction of the amount of such liabilities by the Group in response to market changes to lower the liability cost.

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

Interest expenses on debt securities issued decreased by 51.0% from RMB253.6 million for the six months ended June 30, 2020 to RMB124.3 million for the six months ended June 30, 2021, mainly due to a decrease in the average balance of such liabilities from RMB12,515.4 million for the six months ended June 30, 2020 to RMB6,091.8 million for the six months ended June 30, 2021, which was partially offset by an increase in the average cost of such liabilities from 4.05% for the six months ended June 30, 2020 to 4.08% for the six months ended June 30, 2021. The decrease in the average balance of such liabilities was mainly due to the repayment of certain interbank certificates which were due.

### **(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.

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Net interest spread increased by 0.15 percentage point from 2.37% for the six months ended June 30, 2020 to 2.52% for the six months ended June 30, 2021, primarily due to an increase in the average yield on interest-earning assets by 0.18 percentage point from 5.38% for the six months ended June 30, 2020 to 5.56% for the six months ended June 30, 2021, which was partially offset by an increase in the average cost of interest-bearing liabilities by 0.03 percentage point from 3.01% for the six months ended June 30, 2020 to 3.04% for the six months ended June 30, 2021. Net interest margin increased by 0.19 percentage point from 2.46% for the six months ended June 30, 2020 to 2.65% for the six months ended June 30, 2021, which was primarily due to the Group's support for the real economy, extension of more loans and the continuous increase in the proportion of loans and advances to customers in interest-earning assets. We also recorded an increase in interest income, and continuously refined the structure of assets and liabilities in accordance with the changes in macro economy and the market resulting in an increase in average yield of interest-earning assets as compared with the same period in the previous year. Average cost of interest-bearing liabilities remained stable as compared with the same period in the previous year, resulting in an increase in both net interest spread and net interest margin.

### (v) Non-interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30			
	2021	2020	Change in amount	Change in percentage (%)
<b>Fee and commission income</b>				
Advisory fees	16.4	14.6	1.8	12.3
Syndicated loan service fees	22.6	16.5	6.1	37.0
Settlement and clearing fees	12.9	11.9	1.0	8.4
Agency services fees	7.4	4.6	2.8	60.9
Wealth management service fees	0.3	0.8	(0.5)	(62.5)
Bank card service fees	1.8	1.9	(0.1)	(5.3)
Others <sup>(1)</sup>	2.6	3.4	(0.8)	(23.5)
<b>Subtotal</b>	<b>64.0</b>	53.7	10.3	19.2
<b>Fee and commission expense</b>	<b>(30.6)</b>	(16.7)	(13.9)	83.2
<b>Net fee and commission income</b>	<b>33.4</b>	37.0	(3.6)	(9.7)

Note:

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

## Chapter 4 Management Discussion and Analysis

Net fee and commission income decreased by 9.7% from RMB37.0 million for the six months ended June 30, 2020 to RMB33.4 million for the six months ended June 30, 2021, primarily due to the decreases in wealth management service fees and bank card service fees income, which was partially offset by the increase in advisory fees income, syndicated loan service fees income, settlement and clearing fees income and agency services fees income.

Advisory fees income increased by 12.3% from RMB14.6 million for the six months ended June 30, 2020 to RMB16.4 million for the six months ended June 30, 2021, which was primarily due to the increase in advisory services of the Group as affected by the increased market demand.

Syndicated loan service fees income increased by 37.0% from RMB16.5 million for the six months ended June 30, 2020 to RMB22.6 million for the six months ended June 30, 2021, mainly due to the increase in the transaction volume of syndicated loan business.

Settlement and clearing fees income increased by 8.4% from RMB11.9 million for the six months ended June 30, 2020 to RMB12.9 million for the six months ended June 30, 2021, mainly due to the increase in the transaction volume of settlement business.

Agency service fees income increased by 60.9% from RMB4.6 million for the six months ended June 30, 2020 to RMB7.4 million for the six months ended June 30, 2021, mainly due to the increase in the transaction volume of agency business.

Wealth management service fees income decreased by 62.5% from RMB0.8 million for the six months ended June 30, 2020 to RMB0.3 million for the six months ended June 30, 2021, mainly due to the decrease in the issue size of wealth management products.

Bank card service fees income decreased by 5.3% from RMB1.9 million for the six months ended June 30, 2020 to RMB1.8 million for the six months ended June 30, 2021, mainly due to the decrease in the transaction volume of bank cards.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses increased by 83.2% from RMB16.7 million for the six months ended June 30, 2020 to RMB30.6 million for the six months ended June 30, 2021, which was mainly due to the increase in the transaction volume of settlement business.

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### **(B) Net gains arising from investment securities**

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

Net gains arising from investment securities decreased by 36.4% from RMB35.2 million for the six months ended June 30, 2020 to RMB22.4 million for the six months ended June 30, 2021. The decrease was mainly due to the fluctuation in market prices.

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

Dividend income decreased by 44.6% from RMB59.4 million for the six months ended June 30, 2020 to RMB32.9 million for the six months ended June 30, 2021. The decrease was mainly due to the decrease in dividend income as a result of the disposal of equity interest in some non-controlling rural commercial banks by the Group.

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

Net trading (losses) gains decreased by 175.0% from RMB96.4 million for the six months ended June 30, 2020 to RMB(72.3) million for the six months ended June 30, 2021, mainly due to the decrease in interest income from the financial assets at fair value through profit or loss held by the Group as a result of the decrease in the scale of securities assets, and the decrease in fair value of some financial assets as a result of the market fluctuation.

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

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains increased by 82.9% from RMB4.1 million for the six months ended June 30, 2020 to RMB7.5 million for the six months ended June 30, 2021, primarily due to the increase in the trading gains from foreign exchange and the fluctuation in foreign currency exchange rate.

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

Other operating (expense) 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 (expense) income, net increased by 17.4% from RMB10.9 million for the six months ended June 30, 2020 to RMB12.8 million for the six months ended June 30, 2021, which was mainly due to the decrease in charitable donation expenses of the Group.

## Chapter 4 Management Discussion and Analysis

### (vi) Operating expenses

Operating expenses increased by 9.7% from RMB1,141.4 million for the six months ended June 30, 2020 to RMB1,251.6 million for the six months ended June 30, 2021. The increase was primarily due to the increase in staff costs, property and equipment expenses and taxes and surcharges, which was partially offset by the decrease in general management and administrative expenses.

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2021	2020	Change in amount	
Staff costs	774.2	672.8	101.4	15.1
Property and equipment expenses	296.3	288.0	8.3	2.9
General management and administrative expenses	146.9	153.5	(6.6)	(4.3)
Taxes and surcharges	34.2	27.1	7.1	26.2
<b>Total</b>	<b>1,251.6</b>	<b>1,141.4</b>	<b>110.2</b>	<b>9.7</b>

### (A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2021	2020	Change in amount	
Salaries and bonuses	525.8	469.9	55.9	11.9
Social insurance	131.3	100.1	31.2	31.2
Staff welfares	52.4	46.5	5.9	12.7
Housing allowances	53.8	47.4	6.4	13.5
Labor union and staff education expenses	10.9	8.9	2.0	22.5
<b>Total staff costs</b>	<b>774.2</b>	<b>672.8</b>	<b>101.4</b>	<b>15.1</b>



## Chapter 4 Management Discussion and Analysis

Staff costs increased by 15.1% from RMB672.8 million for the six months ended June 30, 2020 to RMB774.2 million for the six months ended June 30, 2021. The increase in staff costs was primarily due to the fact that the Group was no longer entitled to the pandemic-related concession and concession of social insurance under the preferential policies and the increase in the headcount of staff.

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

Property and equipment expenses increased by 2.9% from RMB288.0 million for the six months ended June 30, 2020 to RMB296.3 million for the six months ended June 30, 2021. The increase in property and equipment expenses was mainly due to the increase in the depreciation on long-term assets and leasing expenses incurred for newly established outlets of the Group.

### **(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 decreased by 4.3% from RMB153.5 million for the six months ended June 30, 2020 to RMB146.9 million for the six months ended June 30, 2021. The decrease in general management and administrative expenses was mainly due to the Group's efforts in further improving budget management and control and strengthening refined management of expenses in order to reduce general management and administrative expenses.

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

Taxes and surcharges increased by 26.2% from RMB27.1 million for the six months ended June 30, 2020 to RMB34.2 million for the six months ended June 30, 2021. The increase in taxes and surcharges was primarily due to the increase in tax surcharge as a result of the increase in value-added tax paid during the year over the previous year by the Group.

## Chapter 4 Management Discussion and Analysis

### (vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2021	2020	Change in amount	Change in percentage (%)
Loans and advances to customers	731.5	513.4	218.1	42.5
Financial assets at fair value through other comprehensive income	0.0	0.3	(0.3)	(100.0)
Financial assets at amortized cost	67.7	140.4	(72.7)	(51.8)
Deposits with banks and other financial institutions	0.2	(0.8)	1.0	(125.0)
Placements with banks and other financial institutions	(0.7)	0.0	(0.7)	—
Other receivables and repossessed assets	(1.9)	1.7	(3.6)	(211.8)
Property and equipment	0.2	—	0.2	—
Provision for credit commitments and financial guarantees	4.1	0.0	4.1	—
<b>Total</b>	<b>801.1</b>	<b>655.0</b>	<b>146.1</b>	<b>22.3</b>

Impairment losses on assets increased by 22.3% from RMB655.0 million for the six months ended June 30, 2020 to RMB801.1 million for the six months ended June 30, 2021, mainly due to the increase in the provision for impairment loss of loans and advances to customers under the principle of prudence after taking account into the growth in loans and advances to customers as well as factors including the pandemic impact, which was partially offset by the decrease in the provision for impairment loss of investment securities and other financial assets due to the decrease in scale of investment securities and other financial assets.

### (viii) Income tax expense

Income tax expense increased by 41.8% from RMB125.5 million for the six months ended June 30, 2020 to RMB177.9 million for the six months ended June 30, 2021. The increase in income tax expense was primarily due to the increase in profit before tax.

## Chapter 4 Management Discussion and Analysis

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

#### (i) Assets

As of June 30, 2021 and December 31, 2020, the Group's total assets amounted to RMB213,264.1 million and RMB200,363.3 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 other financial institutions; and (v) placements with banks and other financial institutions. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
<b>Assets</b>				
Gross loans and advances to customers	141,896.9	66.5	130,076.5	64.9
Provision for impairment losses	(4,206.9)	(1.9)	(3,501.9)	(1.7)
Loans and advances to customers, net	137,690.0	64.6	126,574.6	63.2
Investment securities and other financial assets <sup>(1)</sup>	29,406.0	13.8	30,499.0	15.2
Cash and deposits with the central bank	29,721.9	13.9	25,155.0	12.6
Deposits with banks and other financial institutions	7,663.8	3.6	8,396.7	4.2
Placements with banks and other financial institutions	24.9	0.0	729.3	0.4
Financial assets held under resale agreements	—	—	1,102.0	0.6
Other assets <sup>(2)</sup>	8,757.5	4.1	7,906.7	3.8
<b>Total assets</b>	<b>213,264.1</b>	<b>100.0</b>	<b>200,363.3</b>	<b>100.0</b>

Notes:

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

## Chapter 4 Management Discussion and Analysis

### (A) Loans and advances to customers

As of June 30, 2021, the Group's gross loans and advances to customers was RMB141,896.9 million, representing an increase of 9.1% as compared to December 31, 2020. Net loans and advances to customers accounted for 64.6% of the Group's total assets, representing an increase of approximately 1.4 percentage points as compared to December 31, 2020.

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Corporate loan and advances				
— Loan	113,413.1	79.9	103,553.4	79.6
— Finance leases loan	2,802.5	2.0	2,077.8	1.6
Retail loans	25,681.3	18.1	24,445.3	18.8
Discounted bills	—	—	—	—
<b>Gross loans and advances to customers</b>	<b>141,896.9</b>	<b>100.0</b>	130,076.5	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 64.6% and 63.2% of total assets as of June 30, 2021 and December 31, 2020, respectively.

The Group's corporate loans increased by 10.0% from RMB105,631.2 million as of December 31, 2020 to RMB116,215.6 million as of June 30, 2021, primarily due to the increase in loans in order to fully support the development of real economy and fulfill the capital needs of corporate borrowers as the Group strictly followed the national policies and focused on regional development and further expanded the coverage of its services while effectively preventing risk exposures.

## Chapter 4 Management Discussion and Analysis

The Group's retail loans mainly comprise of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. The Group's retail loans increased by 5.1% from RMB24,445.3 million as of December 31, 2020 to RMB25,681.3 million as of June 30, 2021, primarily due to the increase in loans as a result of the Group's enhanced credit support for the three rurals and individual industrial and commercial households and fulfillment of increasing reasonable demands from individual customers.

### Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 98.2% and 98.0% of gross loans and advances to customers as of June 30, 2021 and December 31, 2020, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Collateralized loans	61,243.9	43.2	54,773.1	42.1
Pledged loans	13,140.5	9.3	11,452.7	8.8
Guaranteed loans	64,897.3	45.7	61,203.7	47.1
Unsecured loans	2,615.2	1.8	2,647.0	2.0
<b>Gross loans and advances to customers</b>	<b>141,896.9</b>	<b>100.0</b>	130,076.5	100.0

Collateralized loans and pledged loans are the largest component of gross loans and advances to customers. Collateralized loans and pledged loans as a percentage of gross loans and advances to customers were 50.9% as of December 31, 2020 and 52.5% as of June 30, 2021, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of gross loans and advances to customers was 47.1% as of December 31, 2020 and 45.7% as of June 30, 2021.

## Chapter 4 Management Discussion and Analysis

The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2020 and June 30, 2021, unsecured loans represented 2.0% and 1.8% of gross loans and advances to customers respectively.

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>June 30, 2021</b>	December 31, 2020
<b>As at the beginning of the period/year</b>	<b>3,501.9</b>	2,709.8
Charge for the period/year	<b>701.0</b>	805.3
Reverse for the period/year	<b>30.5</b>	58.2
Amounts written off as uncollectible	<b>(30.5)</b>	(93.6)
Recoveries of loans and advances previously written off	<b>4.0</b>	22.2
<b>As of June 30/December 31</b>	<b>4,206.9</b>	3,501.9

Provision for impairment losses on loans and advances to customers increased by 20.1% from RMB3,501.9 million as of December 31, 2020 to RMB4,206.9 million as of June 30, 2021, primarily due to the increase in provisions for impairment losses on loans and advances to customers by the Group under the principle of prudence after taking account into the growth in loans and advances to customers as well as factors including the pandemic impact.

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

As of June 30, 2021 and December 31, 2020, the Group had investment securities and other financial assets of RMB29,406.0 million and RMB30,499.0 million, respectively, representing 13.8% and 15.2% of its total assets, respectively.

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

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
<b>Debt securities investments</b>				
Financial assets at fair value through other comprehensive income	5,041.6	17.2	2,372.7	7.8
Financial assets at amortized cost	7,476.2	25.4	8,566.5	28.1
<b>Subtotal</b>	<b>12,517.8</b>	<b>42.6</b>	10,939.2	35.9
<b>Asset management plans and trust plans</b>				
Asset management plans	7,759.3	26.4	8,480.4	27.8
Trust plans	7,302.9	24.8	9,038.8	29.6
<b>Subtotal</b>	<b>15,062.2</b>	<b>51.2</b>	17,519.2	57.4
<b>Funds</b>	<b>627.2</b>	<b>2.1</b>	708.7	2.3
<b>Subtotal</b>	<b>627.2</b>	<b>2.1</b>	708.7	2.3
<b>T+0 clearing and advances</b>	<b>0.0</b>	<b>0.0</b>	0.0	0.0
<b>Subtotal</b>	<b>0.0</b>	<b>0.0</b>	0.0	0.0
<b>Equity investments</b>				
Financial assets at fair value through other comprehensive income	149.8	0.5	153.4	0.5
Financial assets at fair value through profit or loss	1,049.0	3.6	1,178.5	3.9
<b>Subtotal</b>	<b>1,198.8</b>	<b>4.1</b>	1,331.9	4.4
<b>Total investment securities and other financial assets, net</b>	<b>29,406.0</b>	<b>100.0</b>	30,499.0	100.0

Investment securities and other financial assets decreased by 3.6% from RMB30,499.0 million as of December 31, 2020 to RMB29,406.0 million as of June 30, 2021. The decrease in investment securities and other financial assets was primarily due to timely adjustment of investment strategy of the Group by decreasing the investments in asset management plans and trust plans and equity investments taking into account the regulatory policy and market changes and its business needs, which was partially offset by the increase in the investments in debt securities.

## Chapter 4 Management Discussion and Analysis

### (ii) Liabilities

As of June 30, 2021 and December 31, 2020, total liabilities amounted to RMB197,202.2 million and RMB184,112.1 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) deposits from banks and other financial institutions; (iv) placements from banks and other financial institutions; (v) borrowing from the central bank; and (vi) financial assets sold under repurchase agreements. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Deposits from customers	165,633.1	84.0	149,763.2	81.3
Debt securities issued	6,091.8	3.1	7,504.5	4.1
Deposits from banks and other financial institutions	7,475.8	3.8	8,335.9	4.5
Placements from banks and other financial institutions	7,732.5	3.9	7,101.5	3.9
Borrowing from the central bank	2,182.3	1.1	4,011.0	2.2
Financial assets sold under repurchase agreements	2,730.5	1.4	2,654.9	1.4
Other liabilities <sup>(1)</sup>	5,356.2	2.7	4,741.1	2.6
<b>Total liabilities</b>	<b>197,202.2</b>	<b>100.0</b>	<b>184,112.1</b>	<b>100.0</b>

Note:

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



## Chapter 4 Management Discussion and Analysis

### (A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>				
Demand deposits	30,374.7	18.4	32,649.0	21.8
Time deposits	7,337.9	4.4	7,492.0	5.0
<b>Subtotal</b>	<b>37,712.6</b>	<b>22.8</b>	40,141.0	26.8
<b>Retail deposits</b>				
Demand deposits	16,115.7	9.7	22,559.0	15.1
Time deposits	108,387.4	65.4	82,997.6	55.4
<b>Subtotal</b>	<b>124,503.1</b>	<b>75.1</b>	105,556.6	70.5
<b>Others<sup>(1)</sup></b>	<b>3,417.4</b>	<b>2.1</b>	4,065.6	2.7
<b>Total deposits from customers</b>	<b>165,633.1</b>	<b>100.0</b>	149,763.2	100.0

Note:

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

Total deposits from customers increased by 10.6% from RMB149,763.2 million as of December 31, 2020 to RMB165,633.1 million as of June 30, 2021. The increase was primarily due to the ongoing improvement in service quality, transformation and upgrade of outlets, enhancement of customers experience, expansion of customer base and implementation of targeted marketing by the Group.

## Chapter 4 Management Discussion and Analysis

### (B) Debts securities issued

In December 2012, the Bank issued an aggregate principal amount of RMB700.0 million subordinated fixed rate bonds. The bonds have a term of 10 years and bear interest at the rate of 7.00% per annum.

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

In October 2016, the Bank issued 10-year tier-two capital bonds at par value of RMB900.0 million at fixed rate of 4.20%. The Bank has an option to redeem the bonds on October 20, 2021 at par.

From January 1, 2020 to December 31, 2020, the Bank issued 77 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB7,630.0 million. The interbank certificates have a term of one month to one year and bear interest at effective rates between 3.06% and 4.20%.

From January 1, 2021 to June 30, 2021, the Bank had issued 19 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB3,400.0 million. The interbank certificates have a term of three months to one year and bear interest at effective rates between 3.25% and 3.82%.

### (iii) Shareholders' equity

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Share capital	4,393.2	27.4	4,393.2	27.0
Capital reserve	4,923.7	30.7	4,921.3	30.3
Investment revaluation reserve	4.3	0.0	10.4	0.1
Surplus reserve	915.5	5.7	915.5	5.6
General reserve	2,079.2	12.9	2,077.9	12.8
Retained earnings	1,127.2	7.0	1,353.2	8.3
Non-controlling interests	2,618.8	16.3	2,579.7	15.9
<b>Total equity</b>	<b>16,061.9</b>	<b>100.0</b>	<b>16,251.2</b>	<b>100.0</b>

## Chapter 4 Management Discussion and Analysis

### (c) Assets Quality Analysis

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

The non-performing loans of the Group are classified as substandard, doubtful and loss. As of June 30, 2021, the Group's non-performing loans amounted to RMB2,676.0 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, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Normal	133,217.9	93.9	123,911.7	95.3
Special mention	6,003.0	4.2	4,040.1	3.1
Substandard	755.7	0.5	577.1	0.4
Doubtful	1,869.0	1.3	1,463.5	1.1
Loss	51.3	0.1	84.1	0.1
<b>Gross loans and advances to customers</b>	<b>141,896.9</b>	<b>100.0</b>	130,076.5	100.0
<b>Non-performing loan and non-performing loan ratio<sup>(1)</sup></b>	<b>2,676.0</b>	<b>1.89</b>	2,124.7	1.63

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 0.26 percentage point as of June 30, 2021 as compared to that as of December 31, 2020, which was primarily due to the decreased repayment ability of certain borrowers as they had difficulties in operation as affected by economic downturn and the outbreak of pandemic.

## Chapter 4 Management Discussion and Analysis

### (ii) Concentration of loans

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021				As of December 31, 2020			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio <sup>(1)</sup> (%)	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)
<b>Corporate loans</b>								
Wholesale and retail	24,645.5	17.4	231.6	0.94	21,766.0	16.7	177.2	0.81
Leasing and business services	19,399.6	13.7	249.6	1.29	16,998.4	13.1	247.2	1.45
Manufacturing	17,763.5	12.5	713.0	4.01	17,354.5	13.3	461.9	2.66
Construction	14,329.5	10.1	218.0	1.52	13,855.6	10.7	123.8	0.89
Agriculture, forestry, animal husbandry and fishery	8,116.2	5.7	131.8	1.62	6,646.7	5.1	137.7	2.07
Transportation, storage and postal services	6,066.3	4.3	55.5	0.91	5,396.5	4.1	53.0	0.98
Real estate	5,672.5	4.0	140.6	2.48	5,440.0	4.2	140.6	2.58
Scientific research, technical services and geological prospecting	5,389.9	3.8	12.4	0.23	5,273.0	4.1	17.0	0.32
Information transmission, computer services and software	3,239.1	2.3	50.3	1.55	2,411.0	1.9	50.3	2.09
Accommodation and catering	2,904.9	2.0	3.5	0.12	3,110.4	2.4	1.5	0.05
Education	2,282.3	1.6	—	—	2,146.4	1.7	—	—
Electricity, gas and water production and supply	2,030.6	1.4	31.0	1.53	1,738.7	1.3	11.2	0.64
Water, environment and public facility management	1,762.5	1.3	—	—	957.9	0.7	—	—
Health and social services	893.8	0.6	—	—	1,045.1	0.8	—	—
Other industries <sup>(2)</sup>	1,719.4	1.2	40.2	2.34	1,491.0	1.1	4.5	0.30
<b>Retail loans</b>	<b>25,681.3</b>	<b>18.1</b>	<b>798.5</b>	<b>3.11</b>	<b>24,445.3</b>	<b>18.8</b>	<b>698.8</b>	<b>2.86</b>
<b>Discounted bills</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>141,896.9</b>	<b>100.0</b>	<b>2,676.0</b>	<b>1.89</b>	<b>130,076.5</b>	<b>100.0</b>	<b>2,124.7</b>	<b>1.63</b>

Note:

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

## Chapter 4 Management Discussion and Analysis

Loans to borrowers in the wholesale and retail, leasing and business services, manufacturing, construction, agriculture, forestry, animal husbandry and fishery, transportation, storage and postal services, real estate, scientific research, technical services and geological prospecting represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 87.2% and 87.8% of total corporate loans as of June 30, 2021 and December 31, 2020, respectively.

As of June 30, 2021, the non-performing loans of the Group's corporate loans were mainly concentrated in manufacturing and real estate industries, with the ratio of non-performing loans of 4.01% and 2.48%, 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, 2021, and such loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2021	
		Amount	% of total loan
Customer	Industry		
Borrower A	Leasing and business services	1,145.0	0.81%
Borrower B	Manufacturing	1,100.0	0.78%
Borrower C	Transportation, storage and postal services	1,100.0	0.78%
Borrower D	Scientific research, technical services and geological prospecting	1,099.0	0.77%
Borrower E	Manufacturing	1,047.6	0.74%
Borrower F	Scientific research, technical services and geological prospecting	1,045.0	0.74%
Borrower G	Accommodation and catering	1,000.0	0.70%
Borrower H	Leasing and business services	1,000.0	0.70%
Borrower I	Leasing and business services	996.0	0.70%
Borrower J	Transportation, storage and postal services	902.9	0.63%
<b>Total</b>		<b>10,435.5</b>	<b>7.35%</b>

## Chapter 4 Management Discussion and Analysis

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021			As of December 31, 2020		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
<b>Corporate loans</b>						
Small and micro enterprises <sup>(1)</sup>	83,527.2	1,639.4	1.96	78,100.3	1,324.4	1.70
Medium enterprises <sup>(1)</sup>	23,969.4	163.4	0.68	18,968.0	98.3	0.52
Large enterprises <sup>(1)</sup>	8,272.4	74.7	0.90	8,051.4	3.2	0.04
Others <sup>(2)</sup>	446.6	—	—	511.5	—	—
<b>Subtotal</b>	<b>116,215.6</b>	<b>1,877.5</b>	<b>1.62</b>	<b>105,631.2</b>	<b>1,425.9</b>	<b>1.35</b>
<b>Retail loans</b>						
Personal business loans	19,110.0	663.3	3.47	17,954.3	621.7	3.46
Personal consumption loans	2,738.7	117.8	4.30	2,656.0	60.3	2.27
Residential and commercial mortgage loans	3,811.7	17.1	0.45	3,813.5	16.5	0.43
Credit card overdrafts	20.9	0.3	1.44	21.5	0.3	1.40
<b>Subtotal</b>	<b>25,681.3</b>	<b>798.5</b>	<b>3.11</b>	<b>24,445.3</b>	<b>698.8</b>	<b>2.86</b>
<b>Discounted bills</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total loans</b>	<b>141,896.9</b>	<b>2,676.0</b>	<b>1.89</b>	<b>130,076.5</b>	<b>2,124.7</b>	<b>1.63</b>

Notes:

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

## Chapter 4 Management Discussion and Analysis

The non-performing loan ratio of corporate loans increased from 1.35% as of December 31, 2020 to 1.62% as of June 30, 2021, primarily due to the decreased repayment ability of certain borrowers as they had difficulties in operation as affected by economic downturn, adjustment of industrial structure and the pandemic.

The non-performing loan ratio of retail loans increased from 2.86% as of December 31, 2020 to 3.11% as of June 30, 2021, primarily due to the decreased repayment ability of certain retail borrowers as affected by the pandemic and economic downturn.

### (D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
<b>Loans not overdue</b>	<b>135,779.3</b>	<b>95.7</b>	124,899.3	96.0
<b>Loans past due for:</b>				
1 to 90 days	2,792.1	2.0	2,649.7	2.0
91 days to 1 year	1,274.4	0.9	819.5	0.7
1 to 3 years	1,419.4	1.0	1,170.0	0.9
3 years or more	631.7	0.4	538.0	0.4
<b>Subtotal</b>	<b>6,117.6</b>	<b>4.3</b>	5,177.2	4.0
<b>Gross loans and advances to customers</b>	<b>141,896.9</b>	<b>100.0</b>	130,076.5	100.0

## Chapter 4 Management Discussion and Analysis

### (d) Segment Information

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

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2020	
	2021 Amount	% of total	Amount	% of total
Jilin Province	2,397.2	87.1	2,023.8	86.5
Other Regions <sup>(1)</sup>	354.8	12.9	315.8	13.5
<b>Total operating income</b>	<b>2,752.0</b>	<b>100.0</b>	2,339.6	100.0

Note:

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

#### (ii) Summary of business segments

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2020	
	2021 Amount	% of total	Amount	% of total
Corporate banking	1,413.7	51.4	1,380.2	59.0
Retail banking	1,272.1	46.2	952.1	40.7
Treasury operations	13.5	0.5	(66.1)	(2.8)
Others <sup>(1)</sup>	52.7	1.9	73.4	3.1
<b>Total</b>	<b>2,752.0</b>	<b>100.0</b>	2,339.6	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.



## Chapter 4 Management Discussion and Analysis

### (e) Off-balance Sheet Commitments

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As of June 30, 2021</b>	As of December 31, 2020
<b>Credit commitments</b>		
Bank acceptances <sup>(1)</sup>	1,937.0	1,524.6
Letters of credit <sup>(2)</sup>	73.7	13.1
Letters of guarantee <sup>(2)</sup>	2,919.1	2,991.2
Unused credit card limits	161.3	161.3
<b>Subtotal</b>	<b>5,091.1</b>	4,690.2
<b>Capital commitments</b>	<b>0.4</b>	1.4
<b>Total</b>	<b>5,091.5</b>	4,691.6

Notes:

- (1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on its customers.
- (2) The Group issues letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments increased by 8.5% from RMB4,691.6 million as of December 31, 2020 to RMB5,091.5 million as of June 30, 2021. The increase in off-balance sheet commitments was mainly due to the increase in bank acceptance and letter of credit business, which was partially offset by the decrease in letters of guarantee business.

## Chapter 4 Management Discussion and Analysis

### 4 Business Review

#### (a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of June 30, 2021, the Group had approximately 3,474 corporate borrowers with loans totalling RMB116,215.6 million. For the six months ended June 30, 2021 and 2020, operating income from the Group's corporate banking business accounted for 51.4% and 59.0% 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, 2021, the Group had 2,672 SME customers with loans totalling RMB91,177.7 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2021	2020	
External interest income, net <sup>(1)</sup>	3,009.2	2,301.1	30.8
Inter-segment interest expenses, net <sup>(2)</sup>	(1,624.7)	(952.1)	70.6
Net interest income	1,384.5	1,349.0	2.6
Net fee and commission income	29.2	31.2	(6.4)
<b>Operating income</b>	<b>1,413.7</b>	<b>1,380.2</b>	<b>2.4</b>
Operating expenses	(842.0)	(585.8)	43.7
Impairment losses on assets	(664.6)	(360.7)	84.3
<b>Profit before tax</b>	<b>(92.9)</b>	<b>433.7</b>	<b>(121.4)</b>

Notes:

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

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

## Chapter 4 Management Discussion and Analysis

### (i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 2021 and December 31, 2020, the Group's corporate loans totalled RMB116,215.6 million and RMB105,631.2 million, respectively, accounting for 81.9% and 81.2% of the Group's gross loans and advances to customers, respectively.

### (ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than one year. The Group may re-discount these bills to the People's Bank of China ("PBOC") or other financial institutions. As of June 30, 2021, the Group had a balance of RMB nil 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, 2021 and December 31, 2020, the Group's corporate deposits totalled RMB37,712.6 million and RMB40,141.0 million, respectively, accounting for 22.8% and 26.8% of total deposits from customers, respectively.

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

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

## Chapter 4 Management Discussion and Analysis

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

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. For the six months ended June 30, 2021 and 2020, the Group's income from consulting and financial advisory services was RMB16.4 million and RMB14.6 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, 2021 and 2020, the Group earned service fees for syndicated loans of RMB22.6 million and RMB16.5 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 principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. Such wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. For the six months ended June 30, 2021 and 2020, the Bank's sales of wealth management products to corporate customers totalled RMB nil and RMB40.0 million, respectively.

## Chapter 4 Management Discussion and Analysis

### (b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of June 30, 2021, the Group had 63,157 retail borrowers with gross loans and advances to customers of RMB25,681.3 million. For the six months ended June 30, 2021 and 2020, the operating income from the Group's retail banking business amounted to RMB1,272.1 million and RMB952.1 million, respectively, accounting for 46.2% and 40.7% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking business for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2021	2020	
External interest expenses, net <sup>(1)</sup>	(891.7)	(612.2)	45.7
Inter-segment interest income, net <sup>(2)</sup>	2,159.5	1,559.4	38.5
Net interest income	1,267.8	947.2	33.8
Net fee and commission income	4.3	4.9	(12.2)
<b>Operating income</b>	<b>1,272.1</b>	<b>952.1</b>	<b>33.6</b>
Operating expenses	(348.8)	(506.6)	(31.1)
Impairment losses on assets	(71.0)	(152.7)	(53.5)
<b>Profit before tax</b>	<b>852.3</b>	<b>292.8</b>	<b>191.1</b>

Notes:

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

### (i) Retail loans

Net interest income of the Group's retail bank business as of June 30, 2021 increased by 33.8% when compared with that of June 30, 2020, which was mainly due to the growth of retail banking business of the Group.

Retail loans consist primarily of personal business loans, personal consumption loans, residential and commercial mortgage loans and credit card overdrafts. As of June 30, 2021 and December 31, 2020, the Group's retail loans totalled RMB25,681.3 million and RMB24,445.3 million, respectively, accounting for 18.1% and 18.8% of gross loans and advances to customers, respectively.

## Chapter 4 Management Discussion and Analysis

### (ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of June 30, 2021 and December 31, 2020, the Group's retail deposits totalled RMB124,503.1 million and RMB105,556.6 million, respectively, accounting for 75.1% and 70.5% of total deposits from customers, respectively.

### (iii) Bank cards services

#### (A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (“長春市總工會”) to issue service cards for trade union members and offer cardholders comprehensive financial services, including membership management, subsidies and allowances. As of June 30, 2021, the Group had issued approximately 4.4 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 2021, in order to improve the customers' experience, the Bank enhanced the functions of the “Instal-Card (分唄卡)”, and launched updates for the “Jiutai Rural Commercial Bank Credit Card” WeChat official account and “Jiushang Credit Card” mobile APP. In order to provide more convenient and comprehensive online credit card services, the Bank actively responded to the customers' needs for consumer finance and improved the online approval efficiency of “Fortune Borrowing (財神借款)”. While improving credit card services, the Bank also closely monitored and effectively prevented and controlled risks relating to credit card business. Various business indicators showed steady improvement.

## Chapter 4 Management Discussion and Analysis

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

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

#### **(A) Wealth management services**

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. The Bank also sells insurance products and has obtained the license to engage in fund sales business in February 2017. 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, 2021 and 2020, the Bank's sales of wealth management products to retail customers totalled RMB3,198.1 million and RMB6,796.8 million, respectively.

The Bank's private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. For the six months ended June 30, 2021 and 2020, the Bank's sales of wealth management products to private banking customers totalled RMB331.5 million and RMB298.8 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts and health consultancy services offered in cooperation with third parties.

#### **(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, 2021 and 2020, operating income from the Group's treasury operations was RMB13.5 million and RMB(66.1) million, accounting for 0.5% and (2.8)% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2021	2020	
External interest income, net <sup>(1)</sup>	597.9	408.7	46.3
Inter-segment interest expenses, net <sup>(2)</sup>	(534.8)	(607.3)	(11.9)
Net interest income	63.1	(198.6)	(131.8)
Net fee and commission income	0.3	0.9	(66.7)
Net income from other businesses <sup>(3)</sup>	(49.9)	131.6	(137.9)
<b>Operating income</b>	<b>13.5</b>	<b>(66.1)</b>	<b>(120.4)</b>
Operating expenses	(50.2)	(23.5)	113.6
Impairment losses on assets	(67.2)	(139.9)	(52.0)
<b>Profit before tax</b>	<b>(103.9)</b>	<b>(229.5)</b>	<b>(54.7)</b>

Notes:

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

### (i) Money market transactions

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

#### (A) Interbank deposits

In 2021, the Bank was selected as one of the “Top 300 Trading Banks in the Interbank RMB Market in 2020” and one of the “Top 100 Banks in the Interbank RMB and Foreign Exchange Market in 2020” in each case by the China Foreign Exchange Trade System and National Interbank Funding Center.



## Chapter 4 Management Discussion and Analysis

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2021 and December 31, 2020, the balance of Group's deposits from banks and other financial institutions totalled RMB7,475.8 million and RMB8,335.9 million, respectively, and the balance of Group's deposits at banks and other financial institutions totalled RMB7,663.8 million and RMB8,396.7 million, respectively.

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

As of June 30, 2021 and December 31, 2020, the balance of Group's placements with banks and other financial institutions totalled RMB24.9 million and RMB729.3 million, respectively, and the balance of Group's placements from banks and other financial institutions totalled RMB7,732.5 million and RMB7,101.5 million, respectively.

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

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-denominated treasury bonds and policy-oriented financial bonds. As of June 30, 2021 and December 31, 2020, the Group's financial assets held under resale agreements totalled RMB nil and RMB1,102.0 million, respectively, and the Group's financial assets sold under repurchase agreements totalled RMB2,730.5 million and RMB2,654.9 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.

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	3,021.9	10.3	3,200.2	10.5
Financial assets at fair value through other comprehensive income	5,191.4	17.7	2,526.1	8.3
Financial assets at amortized cost	21,192.7	72.0	24,772.7	81.2
<b>Total investment securities and other financial assets</b>	<b>29,406.0</b>	<b>100.0</b>	<b>30,499.0</b>	<b>100.0</b>

Total investment securities and other financial assets decreased by 3.6% from RMB30,499.0 million as of December 31, 2020 to RMB29,406.0 million as of June 30, 2021.

### (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, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Immediately due	6,174.2	21.0	7,771.6	25.4
Due in 3 months	2,394.3	8.1	1,432.6	4.7
Due between 3 and 12 months	7,943.9	27.0	9,055.7	29.7
Due between 1 and 5 years	5,728.3	19.5	7,280.4	23.9
Due over 5 years	5,966.5	20.3	3,626.8	11.9
Undefined	1,198.8	4.1	1,331.9	4.4
<b>Total</b>	<b>29,406.0</b>	<b>100.0</b>	<b>30,499.0</b>	<b>100.0</b>

The Bank's securities investment with a remaining maturity of between 3 months and 12 months represented the largest portion.

## Chapter 4 Management Discussion and Analysis

### (C) Holding of government bonds

As of June 30, 2021, the balance of face value of the government bonds held by the Bank amounted to RMB9,769.6 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of June 30, 2021.

Name of the bond	Face value (RMB in millions)	Coupon rate (%)	Maturity date
20 Interest-bearing treasury bond 11 (20付息國債11)	1,850.0	2.64	August 13, 2022
21 Interest-bearing treasury bond 05 (21付息國債05)	1,840.0	3.72	April 12, 2051
20 Interest-bearing treasury bond 12 (20付息國債12)	940.0	3.81	September 14, 2050
20 Interest-bearing treasury bond 04 (20付息國債04)	610.0	3.39	March 16, 2050
20 Interest-bearing treasury bond 06 (20付息國債06)	370.0	2.68	May 21, 2030
15 Interest-bearing treasury bond 16 (15付息國債16)	360.0	3.51	July 16, 2025
20 Interest-bearing treasury bond 17 (20付息國債17)	340.0	3.28	December 3, 2027
20 Interest-bearing treasury bond 15 (20付息國債15)	340.0	2.89	November 19, 2021
15 Interest-bearing treasury bond 26 (15付息國債26)	230.0	3.05	October 22, 2022
21 Interest-bearing treasury bond 06 (21付息國債06)	230.0	2.36	April 22, 2022
<b>Total</b>	<b>7,110.0</b>		

## Chapter 4 Management Discussion and Analysis

### (D) Holding of financial bonds

As of June 30, 2021, 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 RMB1,770.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2021.

Name of the bond	Face value (RMB in millions)	Coupon rate (%)	Maturity date
19 Guo Kai 05 (19國開05)	370.00	3.48	January 8, 2029
16 Nong Fa 05 (Additional Issuance) (16農發05 (增發))	200.00	3.33	January 6, 2026
15 Guo Kai 09 (Additional Issuance) (15國開09 (增發))	200.00	4.25	April 13, 2022
14 Guo Kai 11 (14國開11)	130.00	5.67	April 8, 2024
14 Guo Kai 28 (14國開28)	100.00	4.18	November 20, 2021
16 Nong Fa 21 (16農發21)	100.00	2.96	July 27, 2021
19 Guo Kai 15 (19國開15)	100.00	3.45	September 20, 2029
14 Nong Fa 23 (14農發23)	100.00	5.48	March 21, 2024
16 Nong Fa 05 (16農發05)	100.00	3.33	January 6, 2026
18 Guo Kai 10 (18國開10)	80.00	4.04	July 6, 2028
<b>Total</b>	<b>1,480.00</b>		

### (iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. For the six months ended June 30, 2021 and 2020, the Bank sold wealth management products totalling RMB3,198.1 million and RMB6,836.8 million, respectively.

## Chapter 4 Management Discussion and Analysis

### (d) Distribution Network

#### (i) Physical outlets

As of June 30, 2021, the Group had an aggregate of 358 outlets, of which 164 outlets, including three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiaries under their own names.

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

#### (ii) Electronic banking

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

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of June 30, 2021, the Group had 379 self-service outlets, 81 self-service zones and 1,068 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, 2021, the Group had 2,278,748 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, 2021, the Group had 441,719 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, 2021, the Group had 984,175 mobile phone banking customers.

## Chapter 4 Management Discussion and Analysis

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

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of June 30, 2021, the Group had 175,751 WeChat banking customers.

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

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

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

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

The Bank, as the main promoter, established Jilin Jiuyin Financial Leasing Co., Ltd. ("**Jilin Jiuyin**") after obtaining approval from the CBIRC. The registered address of Jilin Jiuyin is in Changchun of Jilin Province, and its registered capital amounts to RMB500.0 million, RMB300.0 million of which is contributed by the Bank, accounting for 60%. 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, 2021, total assets of Jilin Jiuyin amounted to RMB2,965.5 million. For the six months ended June 30, 2021, the operating income from Jilin Jiuyin amounted to RMB53.7 million, accounting for 2.0% of total operating income of the Group.

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

As of June 30, 2021, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired. The rural commercial bank offers a broad range of financial products and services to corporate and retail customers, including commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services, and is also involved in money market transactions and investment in

## Chapter 4 Management Discussion and Analysis

debt securities. As at June 30, 2021, the total assets, total deposits and total loans of such rural commercial bank amounted to RMB8,815.9 million, RMB7,725.6 million and RMB6,692.2 million. For the six months ended June 30, 2021, operating income of such rural commercial bank amounted to RMB91.6 million, accounting for 3.3% of the total operating income of the Group.

### (iii) Village and township banks

As of June 30, 2021, the Bank controlled and consolidated a total of 33 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of June 30, 2021, these village and township banks had total assets of RMB56,872.7 million, total deposits of RMB47,146.6 million and total loans of RMB32,334.9 million. For the six months ended June 30, 2021, the operating income of these village and township banks was RMB811.4 million, accounting for 29.5% of the Group's total operating income.

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

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

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

In the first half of 2021, by enhancing technological governance, supporting system development, consolidation of infrastructure, protecting information security and strengthening talent development, the Bank promoted digital transformation of and provided comprehensive and effective support for the innovative development of various businesses.

## Chapter 4 Management Discussion and Analysis

### (i) Continuous enhancement of technological governance

The Bank further enhanced its technological governance through continuous deepening reforms and improvement of systems. The Bank formulated the 2021 Information Security Work Plan (《2021年信息安全工作規劃》), analyzed the industrial development trend and stated the principles, major tasks and procurement budget in respect of information security in 2021. 11 sets of rules in respect of IT system, including project initiation, demand analysis, system design and classification of data assets, were revised to improve the IT management and control system. The Bank has attached high importance to the protection of intellectual property rights and actively consolidated its technological achievements. In the first half of 2021, the Bank obtained 8 computer software copyrights issued by the National Copyright Administration. As of the end of June 2021, the Bank had 26 software copyrights in total. The Bank ranked first among the rural credit financial institutions in the Assessment of Technological Achievements by Jilin Rural Credit Cooperative Association in 2020 (2020年度吉林省聯社科技條線工作考核評價), and ranked first among all participating rural commercial banks in Jilin province in terms of the IT regulatory rating in 2020 (2020年度信息科技監管評級).

### (ii) Accelerated system development

In the first half of 2021, the Bank launched the fund sales agencies data reporting system, management cockpit system, credit concentration and connected transaction management system (phase II) and offline acquiring system, reformed the credit card system and FTP and RPM systems, and established connections with 5 cooperative enterprises with enterprise resources planning system or intermediary business such as Jilin University of Finance and Economics and Jilin Vocational and Technical College. The Bank fulfilled all regulatory compliance requirements, which provided strong support for our business development. As part of the transformation and development strategy of digitalization, the Bank commenced the establishment of online financial business platform. In compliance with the policy and regulatory requirements, the Bank further promoted the development of online financial business featuring multi-channel, green and convenient services in a safe and compliant way, and accelerated the transformation of retail business. The Bank also developed services to facilitate rural development. In active response to the policy requirements for rural revitalization and accelerated modernization of agriculture and villages, the Bank expanded its development in villages to better serve the three rurals and promoted the development of inclusive finance.



## Chapter 4 Management Discussion and Analysis

### (iii) Consolidation of infrastructure

In the first half of 2021, the server rooms of the information center of the Bank maintained satisfactory operation. The usability of basic environment of server rooms reached 100%. Through strategically using well-developed commercial products and customizing scenarios, the Bank adopted automated operation and maintenance, realizing automated configuration library audit and virtualized filing system inspection as well as automated software deployment. The operational efficiency was significantly enhanced. In addition, the Bank refined the access to financial metropolitan area network, migrated to encryption platform and optimized and upgraded the data center, which guaranteed the safe and reliable operation of business systems. The Bank passed the annual certification of ISO22301 system, and further refined its operation and maintenance system development by establishing an integrated operation and maintenance platform to achieve more standardized and systematic management of IT operation and maintenance and business continuity. A risk management system with focus on prevention and continuous improvement was set up to facilitate more efficient IT services and business continuity.

### (iv) Strong information security

The Bank established and refined its security protection mechanism through strengthening the security protection, improving the rules of systems and enhancing the safety awareness. Under the guidance of the network safety management authorities of the PBOC, Jilin province and Changchun, the Bank made substantial preparation and active prevention works, and completed 3 network security hacking and defense drills. The Bank passed the annual certification of ISO27001 system and further refined its internal control management and procedures for science and technology. In the first half of 2021, the Bank conducted 4 inspection and audit tasks on various aspects including the IT organization and structure, system development, system changes, logical access, data backup, business continuity and outsourcing management, and organized 8 emergency drills in respect of 6 categories including TSM backup system, power system of server room, firewall, air-conditioning system of server room and switching of external connection lines. The capabilities to cope with contingency was enhanced. The Bank actively organized science and technology week and publicity campaign for the fourth anniversary of the implementation of network safety law so as to effectively raise awareness on information security through publicizing laws, regulations and policies regarding network safety and spreading relevant knowledge.

## Chapter 4 Management Discussion and Analysis

### (v) Strengthening technological talents development

As a member of the Financial Technology Committee of the Asian Financial Cooperation Association, the Bank has put great efforts in developing fintech and promoting digital transformation of small-and-medium sized banks during post-pandemic period and established an exchange and cooperation platform for fintech. With an aim to analyze the development trend and scenario application of fintech, the Bank and Changchun Branch of the PBOC jointly carried out the Research on the Application of AI Technology in Financial Field in Jilin Province Amid the Fintech Development (《金融科技發展背景下人工智能技術在吉林省金融領域的應用研究》), which won the research project third prize of Jilin Provincial Finance Association. The Bank enriched the courses of online “internet college” and organized safety skills training programs and IT security verification knowledge system courses and participated in similar programs organized by well-known companies and research organizations of the industry. The Bank participated in “2021 National Internet Security Competition of Rural Financial Institutions”, cultivating “skills” by “competitions” and enhanced its information security skills. In the first half of 2021, one person passed the certification of senior project manager.

## 5 Risk Management

### (a) Risk Management of the Bank

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

### (i) Credit risk management

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

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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 advice to deal with the issue.
- Non-performing asset disposal mechanism — The Bank has established an accountability mechanism for the disposal of non-performing assets.

## Chapter 4 Management Discussion and Analysis

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

In the first half of 2021, 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, fundamental work of credit risk management was enhanced. The Bank revised 9 sets of systems including the credit management system and management measures of the risk alert system of credit assets in response to the risk management requirements in the new era. Secondly, categorized management and monitoring and early alerts of asset quality risks were adopted in order to proactively identify and promptly mitigate credit risks. In addition, the Bank implemented sound quality management of credit assets in the post-pandemic period, and issued the Implementation Opinions on the Collection and Reduction of Non-performing Loans in 2021 (《2021年不良貸款清收壓降實施意見》) which provided guidance on accurate implementation of policy in order to achieve satisfactory results in the control and reduction of non-performing assets. Thirdly, 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. Fourthly, the Bank reinforced the rating management and implemented stringent approval procedures for customers to ensure the quality of new loans. Fifthly, the Bank continued to monitor and analyze significant risk and strictly complied with the prevention and control requirement of significant risks for various businesses. Through effective identification, measurement and monitoring, significant risks were prevented and controlled.

### (ii) Market risk management

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

## Chapter 4 Management Discussion and Analysis

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

In the first half of 2021, 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 economic loss to commercial banks due to adverse changes in interest rates. 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 overall goal of the interest rate risk management of the Bank is to follow the principles of sound risk preference and to ensure the adverse impacts of changes in interest rates on revenue and value of the Bank are controllable.

The Bank has established a governance structure compatible with its interest rate risk management, which comprised 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.

## Chapter 4 Management Discussion and Analysis

In the first half of 2021, the Bank further improved the management of internal funds transfer pricing (FTP) system and the loan rate pricing model (RPM), formulated scientific pricing strategy and established comprehensive pricing mechanism to improve its performance. Allocation of resources and structure was optimized and risk management of interest rate was further enhanced. 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 in order to strengthen its capability to cope with banking book interest rate risk. In the future, the Bank will expand the analysis of macro policies and interest rate trend, adjust the maturity profile of assets and liabilities reasonably, formulate the interest rate risk preference and strategy scientifically and optimize the interest rate risk monitoring system in order to further enhance the banking book interest rate management level of the Bank.

### **(B) Exchange rate risk management**

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

The Bank regulates transactions that have high exchange rate risks and controls exchange rate risk through on- and off-balance-sheet hedging. The Bank chooses transaction currency reasonably to reduce exchange rate risks and obtain stable income. The Bank revalues monetary balance sheet items and non-monetary items at fair value daily to enhance the management level of foreign exchange assets and liabilities. The Bank monitors foreign exchange positions on a real-time basis and promptly closes positions from major transactions. The Bank has continued to strengthen its exchange rate risk management, ensured the reasonable use of foreign exchange funds and duly considered the effect of exchange rate changes on revenue for the current period to further improve its risk management capability of foreign exchange exposure. The Bank studies 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.

## Chapter 4 Management Discussion and Analysis

### (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 2021, the Bank implemented various measures to continuously optimize the operational risk management and enhance its risk management and control capability. Firstly, the Bank standardized its systems. The operational risk management measures and the template contract for credit approval were revised according to relevant laws and regulations including the Civil Code in order to continuously improve the operational risk management system based on the needs of business development. In addition, the Bank further strengthened the management of its policies by developing and introducing the policy management system to facilitate regular modification and inspection, laying a solid foundation for standardized operation. Secondly, the Bank strengthened its efforts in education. The Bank enhanced the training to all employees, developed the concept of compliance operation and reinforced the implementation of systems in order to strengthen the awareness and proactiveness of all employees in the execution of policies and systems, improve the duty performance of management and enhance the ability of frontline staff in identifying and responding to operational risk. Thirdly, the Bank strengthened its management. The Bank continued to promote its three-year "compliance task" and launched the campaign of "internal control and compliance development year" to enhance its risk prevention and control capabilities. 8 drills were carried out in six areas including TSM backup system, firewall and switching of external links, which effectively improved our emergency handling ability.

## Chapter 4 Management Discussion and Analysis

### (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.

The Bank has established comprehensive liquidity risk management system and continued to improve its liquidity risk management measures, tools and approaches based on the four principles of centralized management, safety and soundness, prospective management and full coverage. The ability to measure, identify and forecast liquidity risks was further enhanced through asset and liability management, liquidity risk indicative limits and maturity management to strengthen the liquidity risk management system development. In addition, the Bank further improved the management of cash flow and reserve of assets with high quality and explored more supplementary sources of funding. The Bank scientifically optimized the assets and liabilities structure and managed its business growth in a reasonable pace based on the liquidity gap, liquidity ratio requirement, capital strength and market changes to further strengthen its liquidity risk prevention and control capability.



## Chapter 4 Management Discussion and Analysis

In the first half of 2021, the Bank highly emphasized the liquidity risk management. The Bank insisted on prudent operation, strengthened risk alert and enhanced the comprehensive analysis on liquidity risk. The liquidity of the Bank remained stable in general. Firstly, the Bank formulated specific management strategies. Adhering to the strategy of prudent and sound management of liquidity risk and based on its actual condition and development plans, the Bank continued to optimize its asset and liability structure, adjusted the maturity profile of assets and liabilities reasonably and arranged the utilization and structure of funds in an orderly manner so to maintain the flexibility and balance among security, liquidity and efficiency while ensuring the compliance with regulatory requirement. Secondly, the Bank strengthened the management of assets and liabilities. The Bank duly adjusted the maturity structure of assets and liabilities to ensure sufficient liquidity, and enhance the proactive management of liabilities to ensure safe and stable liquidity. Limit management was reinforced by setting up the overall limits and limits for different units based on the business features and risk appetite. The Bank also improved the credit approval procedures for transaction counterparties. Internal pricing management and daily position management were enhanced to maintain the balance of security and yield. Thirdly, the emergency handling system was refined. The Bank conducted liquidity stress test on a regular basis, formulated and improved the emergency plans and organized drills to strengthen its ability to cope with emergency.

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

## Chapter 4 Management Discussion and Analysis

In the first half of 2021, the Bank strictly fulfilled various regulatory requirements and set clear division of duties based on the rules and policies of reputational risk management in order to establish a well-coordinated, effective and rapid-response operational mechanism. The Bank continued to strengthen the assessment for early warning, formulated emergency plans and enhanced monitoring and investigation to improve the ability of early warning. The Bank strengthened its staff management, maintained strict compliance, enhanced the protection of interests of financial consumers and improved service quality. The Bank organized regular drills for various contingent events and specified the solutions for different issues in order to enhance the capability to cope with reputational risk.

### (vi) Legal and compliance risk management

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

The Bank 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 2021, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. Firstly, the Bank improved its system and mechanism, and regulated its internal control processes, in order to strengthen the implementation of systems and smooth the system of compliance risk prevention. Secondly, the Bank commenced various campaigns in accordance with regulatory requirements to further consolidate and extend the results of market chaos rectification, enhance internal compliance management, establish a sound and prudent operation philosophy and create a positive compliance culture. Thirdly, the Bank strengthened the supervision and inspection mechanism and carried out special inspection and rectification in respect of non-compliance activities, shortcomings and case prevention. 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.

## Chapter 4 Management Discussion and Analysis

### (vii) IT risk management

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

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 risk management policies, plans and programs.

In the first half of 2021, the Bank strengthened the real-time monitoring and control of IT risks through optimizing its IT system and network prevention and control system and strengthening business continuity management. The Bank also established a comprehensive IT risk management mechanism covering all periods and aspects. Firstly, the Bank improved the IT governance system. The Information Security Work Plan of 2021 (《2021年信息安全工作规划》) was formulated. The Bank further enhanced its management of network security and established a prevention and control system network security technology covering all aspects and procedures. 11 sets of IT rules, such as project initiation, demand analysis, system design and data assets classification, were revised and modified in order to further improve the internal control management and procedures of science and technology. The Bank conducted 4 inspection and audit tasks on various aspects including the IT organization and structure, system development, system changes, logical access, data backup, business continuity and outsourcing management. Capitalizing on internet college, a learning platform, the Bank organized network safety knowledge training to gradually raise the awareness on network safety and risk prevention and control capability of employees. Secondly, the Bank refined its network prevention and control system. Through strategically using well-developed commercial products and customizing scenarios, the Bank adopted automated operation and maintenance, realizing automated configuration library audit and virtualized filing system inspection as well as automated software deployment. The operational efficiency was significantly enhanced. In addition, the Bank refined the access to financial metropolitan area network, migrated to encryption platform and optimized and upgraded the data center, which guaranteed the safe and reliable operation of business systems. Under the guidance of the network safety management

## Chapter 4 Management Discussion and Analysis

authorities of the PBOC, Jilin province and Changchun, the Bank made substantial preparation and prevention works, and completed 3 network security hacking and defense drills. The Bank participated in “2021 National Internet Security Competition of Rural Financial Institutions”, cultivated “skills” by means of “competitions” and enhanced its information security skills through studying the theories and practical operations. Thirdly, the Bank improved its business continuity management. The Bank passed the annual certification of ISO27001 and ISO22301 systems, and further refined its information security and operation and maintenance system development to achieve more standardized and systematic management of IT operation and maintenance and business continuity. A risk management system with focus on prevention and continuous improvement was set up to facilitate more efficient IT services and business continuity. The Bank organized 8 emergency drills in respect of 6 categories including TSM backup system, power system of server room, firewall, air-conditioning system of server room and switching of external connection lines, in order to improve capabilities to cope with contingency and evaluate the effectiveness of emergency plan and sufficiency of emergency resources and improve risk awareness and capabilities to cope with contingency of the emergency team, and ensure the safe and reliable operation of the data center business system.

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

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

The Bank has included anti-money laundering risks 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.

## Chapter 4 Management Discussion and Analysis

In the first half of 2021, 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 imposed more stringent supervision and management and strengthened the development of anti-money laundering team to enhance its duty performance. Internal self-investigation of anti-money laundering was conducted to further improve the internal control level as well as the risk prevention and control ability of anti-money laundering. 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. Thirdly, 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.

## Chapter 4 Management Discussion and Analysis

The Bank has adopted an internal audit organizational system with vertical operation and management, and the Board bears the ultimate responsibility for the independence and effectiveness of the internal audit of the Bank. The Audit Committee is a special committee under the Board and organizes and guides the internal audit pursuant to the authorization of the Board. The internal audit department is responsible for the formulation of internal audit system and the preparation and implementation of annual audit plans. Independent of business operations, risk management, and internal control and compliance, the internal audit department conducts internal audit in a timely manner and evaluates the effectiveness of the functions described above.

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

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

### (b) Risk Management of the Subsidiaries

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

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

## Chapter 4 Management Discussion and Analysis

### (i) Credit risk management

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

### (ii) Market risk management

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

### (iii) Operational risk management

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

### (iv) Liquidity risk management

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

### (v) Reputational risk management

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

### (vi) Legal and compliance risk management

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

## Chapter 4 Management Discussion and Analysis

### (vii) IT risk management

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

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

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

### (ix) Internal audit

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

## 6 Analysis on Capital Adequacy Ratio

All commercial banks in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 9.7%, 10.1%, 10.5%, 10.5%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 7.7%, 8.1%, 8.5%, 8.5%, 8.5% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 6.7%, 7.1%, 7.5%, 7.5%, 7.5% and 7.5%, respectively, as of June 30, 2016, 2017, 2018, 2019, 2020 and 2021.



## Chapter 4 Management Discussion and Analysis

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>June 30, 2021</b>	December 31, 2020
<b>Core capital</b>		
Paid-up capital	4,393.2	4,393.2
Qualifying portion of capital reserve	4,923.7	4,921.3
Surplus reserve	915.5	915.5
General risk reserve	2,079.2	2,077.9
Investment revaluation reserve	4.3	10.4
Retained earnings	1,127.2	1,353.2
Qualifying portions of non-controlling interests	1,497.5	1,475.3
Core tier-one capital deductions <sup>(1)</sup>	(502.0)	(554.4)
<b>Net core tier-one capital</b>	<b>14,438.6</b>	14,592.4
Other tier-one capital <sup>(2)</sup>	163.7	158.3
<b>Net tier-one capital</b>	<b>14,602.3</b>	14,750.7
<b>Tier-two capital</b>		
Qualifying portion of tier-two capital instruments issued	1,610.0	1,840.0
Surplus reserve for loan impairment	1,530.9	1,377.2
Qualifying portion of non-controlling interests	370.7	358.0
<b>Net capital</b>	<b>18,113.9</b>	18,325.9
<b>Total risk-weighted assets</b>	<b>169,692.5</b>	161,211.1
<b>Core tier-one capital adequacy ratio (%)</b>	<b>8.51%</b>	9.05%
<b>Tier-one capital adequacy ratio (%)</b>	<b>8.61%</b>	9.15%
<b>Capital adequacy ratio (%)</b>	<b>10.67%</b>	11.37%

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.

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

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

As of June 30, 2021, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate % of issued share capital
Domestic Shares	3,556,441,955	81.0
H Shares	836,797,500	19.0
<b>Total</b>	<b>4,393,239,455</b>	<b>100.0</b>

During the period from June 30, 2021 to the Latest Practicable Date, the share capital of the Bank upon completion of the Capitalization Issue (as defined and described in “Chapter 7 Significant Events – III. Plan of Capital Reserve Capitalization” of this interim report) is set out below:

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

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

### II. Particulars of Shareholders

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

As of June 30, 2021, the top ten holders of the Domestic Shares of the Bank are set out as follows:

Number	Name of Shareholder	Total number of Shares held at June 30, 2021	Approximate percentage in the total issued share capital of the Bank at June 30, 2021 (%)	Pledged or frozen
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	422,180,233	9.61	422,180,233
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	361,682,093	8.23	—
3	Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	200,502,603	4.56	—
4	Yongtai Group Limited (永泰集團有限公司)	176,400,000	4.02	176,400,000
5	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	121,909,258	2.77	—
6	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	118,576,742	2.70	91,350,000
7	China Wood (Group) Co., Ltd. (中國木材(集團)有限公司)	110,638,080	2.52	—
8	Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司)	108,703,325	2.47	—
9	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	96,623,265	2.20	—
10	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	91,833,456	2.09	—
<b>Total</b>		<b>1,809,049,055</b>	<b>41.18</b>	<b>689,930,233</b>

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

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

To the best knowledge of the Bank, as at June 30, 2021, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the Shareholders' general meetings of any other member of the Bank:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held <sup>(9)</sup>	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
<b>Domestic Shares</b>					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	422,180,233(L)	9.61	11.87
Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Beneficial owner	Domestic Shares	361,682,093(L)	8.23	10.17
Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	Beneficial owner	Domestic Shares	200,502,603(L)	4.56	5.64
Jilin Province He'an Automobile Leasing Co., Ltd. (吉林省和安汽車租賃有限公司) <sup>(1)</sup>	Interest in controlled corporation	Domestic Shares	200,502,603(L)	4.56	5.64
Song Yilin (宋一霖) <sup>(2)</sup>	Interest in controlled corporation	Domestic Shares	200,502,603(L)	4.56	5.64
<b>H Shares</b>					
China Create Capital Limited	Beneficial owner	H Shares	155,652,052(L)	3.54	18.60
Wang Tao (王濤) <sup>(3)</sup>	Interest in controlled corporation	H Shares	155,652,052(L)	3.54	18.60
Suhang Investment Holdings Limited	Beneficial owner	H Shares	110,250,000(L)	2.51	13.18

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

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held <sup>(9)</sup>	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Huarong Huaqiao Asset Management Co., Ltd. (華融華僑資產管理股份有限公司) <sup>(4)</sup>	Interest in controlled corporation	H Shares	110,250,000(L)	2.51	13.18
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) <sup>(6)</sup>	Interest in controlled corporation	H Shares	110,250,000(L)	2.51	13.18
Longyuan International (Hong Kong) Limited	Beneficial owner	H Shares	103,680,977(L)	2.36	12.39
Sunshine 100 China Holdings Ltd. <sup>(6)</sup>	Beneficial owner	H Shares	69,041,192(L)	1.57	8.25
Joywise Holdings Limited <sup>(6)</sup>	Interest in controlled corporation	H Shares	69,041,192(L)	1.57	8.25
Ming Fai International Limited <sup>(6)</sup>	Interest in controlled corporation	H Shares	69,041,192(L)	1.57	8.25
Harvest Well Holdings Limited <sup>(6)</sup>	Interest in controlled corporation	H Shares	69,041,192(L)	1.57	8.25
Fantasy Races Limited <sup>(6)</sup>	Interest in controlled corporation	H Shares	69,041,192(L)	1.57	8.25
Cititrust Private Trust (Cayman) Limited <sup>(6)</sup>	Interest in controlled corporation	H Shares	69,041,192(L)	1.57	8.25
Aurum Thrive Limited (金隆有限公司)	Beneficial owner	H Shares	49,551,863(L)	1.13	5.92
Zhang Dan (張丹) <sup>(7)</sup>	Interest in controlled corporation	H Shares	49,551,863(L)	1.13	5.92
Huijin Capital Limited	Beneficial owner	H Shares	52,093,125(L)	1.19	6.22
Mia Chen <sup>(6)</sup>	Interest in controlled corporation	H Shares	52,093,125(L)	1.19	6.22

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

*Notes:*

- (1) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. According to the SFO, Jilin Province He'an Automobile Leasing Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (2) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. and Mr. Song Yilin directly holds 90% of the total issued share capital of Jilin Province He'an Automobile Leasing Co., Ltd. According to the SFO, Mr. Song Yilin is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (3) Wang Tao holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Wang Tao is deemed to be interested in the Shares held by China Create Capital Limited.
- (4) Suhang Investment Holdings Limited is a wholly-owned subsidiary of Pure Virtue Enterprises Limited. Pure Virtue Enterprises Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. According to the SFO, Huarong Huaqiao Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (5) Suhang Investment Holdings Limited is a wholly-owned subsidiary of Pure Virtue Enterprises Limited. Pure Virtue Enterprises Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a majority shareholder of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (6) Joywise Holdings Limited holds 66.34% equity interest in Sunshine 100 China Holdings Ltd. Ming Fai International Limited holds 40.00% equity interest in Joywise Holdings Limited. Harvest Well Holdings Limited holds 60.00% equity interest in Joywise Holdings Limited. Fantasy Races Limited holds 72.40% equity interest in Ming Fai International Limited and Harvest Well Holdings Limited. Cititrust Private Trust (Cayman) Limited holds 100% of Fantasy Races Limited. According to the SFO, Joywise Holdings Limited, Ming Fai International Limited, Harvest Well Holdings Limited, Fantasy Races Limited and Cititrust Private Trust (Cayman) Limited are deemed to be interested in the Shares held by Sunshine 100 China Holdings Ltd.
- (7) Zhang Dan holds the entire issued share capital of Aurum Thrive Limited. Aurum Thrive Limited directly holds 49,551,863 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Limited.
- (8) Mia Chen holds 100% equity interest in Huijin Capital Limited. Huijin Capital Limited directly holds 52,093,125 H Shares. According to the SFO, Mia Chen is deemed to be interested in the Shares held by Huijin Capital Limited.
- (9) L represents long positions.
- (10) Under Part XV of the SFO, disclosure of interest forms shall be submitted by Shareholders of the Bank upon satisfaction of certain conditions. If there are changes in the Shareholders' shareholdings in the Bank, Shareholders are not required to inform the Bank and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial Shareholders' latest shareholdings in the Bank and the information on their shareholdings submitted to the Hong Kong Stock Exchange. Information set out in the above table is mainly based on the disclosure of interests forms submitted by the relevant Shareholders.

Save as disclosed above, as at June 30, 2021, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

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

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

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

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

As of the Latest Practicable Date, the largest Shareholder of the Bank is Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), holding 443,289,245 Domestic Shares of the Bank and representing 9.61% of the total issued share capital of the Bank.

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

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

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

#### Directors

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Gao Bing (高兵)	53	Chairman, Executive Director	December 2008	June 2024	Responsible for overall operations and strategic management, make material decisions and develop the business strategy
Mr. Liang Xiangmin (梁向民)	55	Vice Chairman, Executive Director	April 2016	June 2024	Responsible for the overall management of business operations, participate in making material business decisions and developing the business development strategy
Mr. Yuan Chunyu (袁春雨)	49	Executive Director, Vice President <sup>(1)</sup> , Secretary to the Board and Joint Company Secretary	December 2012	June 2024	Responsible for the management of the Board's office, participate in making material business decisions and developing the business development strategy
Mr. Cui Qiang (崔强)	56	Non-executive Director	August 2019	June 2024	Participate in making major business decisions and advise on issues relating to audit, related party transactions and nomination and remuneration of Directors, Supervisors and senior management
Mr. Zhang Yusheng (张玉生)	71	Non-executive Director	April 2015	June 2024	Same as above
Mr. Wu Shujun (吴树君)	62	Non-executive Director	December 2012	June 2024	Same as above
Mr. Zhang Lixin (张立新)	44	Non-executive Director	August 2021	June 2024	Same as above
Ms. Wang Ying (王莹)	37	Non-executive Director	August 2021	June 2024	Same as above



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

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Ms. Zhang Qihua (張秋華)	58	Independent Non-executive Director	August 2019	June 2024	Participate in making major business decisions, developing the business development strategy and advise on issues relating to related party transactions, audit and nomination and remuneration of Directors, Supervisors and senior management
Ms. Han Lirong (韓麗榮)	58	Independent Non-executive Director	August 2021	June 2024	Same as above
Ms. Jin Xiaotong (金曉彤)	57	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Sun Jiafu (孫甲夫)	49	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Fong Wai Kuk (方緯谷)	44	Independent Non-executive Director <sup>(2)</sup>	—	—	—

*Notes:*

- (1) On June 7, 2021, the Board of the Bank resolved to appoint Mr. Yuan Chunyu as the vice president of the Bank and his term of office shall commence on the date on which his appointment is approved by regulatory authorities. As of the Latest Practicable Date, the qualification of Mr. Yuan Chunyun as the vice president is still subject to the approval of regulatory authorities.
- (2) The qualification of Mr. Fong Wai Kuk is still subject to the approval of regulatory authorities.

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

### Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	49	Chairman of the Board of Supervisors, Employee Supervisor	December 2008	June 2024	Take charge of the work of the Board of Supervisors and supervision of the Board of Directors and senior management on behalf of the employees
Mr. Wang Enju (王恩久)	52	Employee Supervisor	December 2008	June 2024	Supervision of the Board of Directors and senior management on behalf of the employees
Mr. Liu Xiangjun (劉向軍)	45	Employee Supervisor	December 2015	June 2024	Same as above
Ms. Dai Yundi (戴昀弟)	58	Non-employee Supervisor	June 2021	June 2024	Supervision of the Board of Directors and senior management
Mr. Liu Jianxin (劉建新)	51	Non-employee Supervisor	June 2021	June 2024	Same as above
Mr. Dong Shuaibing (董帥兵)	49	Non-employee Supervisor	June 2021	June 2024	Same as above
Ms. Hu Guohuan (胡國環)	58	Non-employee Supervisor	June 2021	June 2024	Same as above

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

### Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Chen Xinzhe (陳新哲)	50	President	June 2021	June 2024	Responsible for the overall management of the business operations, participate in making material business decisions and developing the business development strategy
Mr. Zhu Weidong (朱衛東)	56	Vice President	February 2011	June 2024	Responsible for the management of business operations of village and township banks
Mr. Li Guoqiang (李國強)	52	Vice President	December 2008	June 2024	Responsible for the business operations and management of branches within the Jiutai region
Mr. Gao Zhonghua (高中華)	56	Vice President	February 2015	June 2024	Responsible for legal compliance, consumer rights protection, information technology and party community work
Mr. Yuan Chunyu (袁春雨)	49	Executive Director, Vice President <sup>(1)</sup> , Secretary to the Board and Joint Company Secretary	December 2012	June 2024	Responsible for the management of the Board's office, participate in making material business decisions and developing the business strategy
Mr. Du Ping (杜平)	53	Assistant to the President	August 2021	June 2024	Responsible for the business operations and management of branches outside the Jiutai region and manage certain business departments and offices

*Notes:*

- (1) On June 7, 2021, the Board of the Bank resolved to appoint Mr. Yuan Chunyu as the vice president of the Bank and his term of office shall commence on the date on which his appointment is approved by regulatory authorities. As of the Latest Practicable Date, the qualification of Mr. Yuan Chunyun as the vice president is still subject to the approval of regulatory authorities.

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

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

#### The Fifth Session of the Board

In view of the requirements of the Articles of Association, the Board has carried out the re-election. At the annual general meeting of 2020 held on June 18, 2021, the proposal of the appointment of the 13 candidates for the fifth session of the Board submitted by the Board was duly approved by the shareholders at the annual general meeting of 2020.

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

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

- Mr. Gao Bing (executive Director)
- Mr. Liang Xiangmin (executive Director)
- Mr. Yuan Chunyu (executive Director)
- Mr. Cui Qiang (non-executive Director)
- Mr. Zhang Yusheng (non-executive Director)
- Mr. Wu Shujun (non-executive Director)
- Mr. Zhang Lixin (non-executive Director)
- Ms. Wang Ying (non-executive Director)
- Ms. Zhang Qiuhua (independent non-executive Director)
- Ms. Han Lirong (independent non-executive Director)
- Ms. Jin Xiaotong (independent non-executive Director)
- Mr. Sun Jiafu (independent non-executive Director)
- Mr. Fong Wai Kuk (independent non-executive Director)<sup>(1)</sup>

*Note:*

(1) The qualification of Mr. Fong Wai Kuk is still subject to the approval of regulatory authorities.

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

### The Fifth Session of the Board of Supervisors

In view of the requirements of the Articles of Association, the Board of Supervisors has carried out the re-election. At the annual general meeting of 2020 held on June 18, 2021, the proposal of the appointment of the 4 candidates of non-employee Supervisors for the fifth session of the Board of Supervisors submitted by the Board of Supervisors was duly approved by the shareholders at the annual general meeting of 2020. In addition, the employee representative meeting was held by the Bank on February 26, 2021, at which Mr. Luo Hui, Mr. Wang Enjiu and Mr. Liu Xiangjun were elected as the employee Supervisors of the fifth session of the Board of Supervisors of the Bank. The fifth session of the Board of Supervisors was formed accordingly.

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

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

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

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

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

#### (I) Changes in Directors

##### *Election of New Session of the Board*

On March 30, 2021, the Bank held the sixteenth meeting of the fourth session of the Board, and the Resolution on the Nomination of the Candidates for Directors of the Fifth Session of the Board of Directors (《關於提名第五屆董事會董事候選人的議案》) was considered and approved. On June 18, 2021, the Bank convened the annual general meeting of 2020, and the appointment of the 13 candidates for Directors proposed at the meeting was duly approved by the shareholders.

At the first meeting of the fifth session of the Board of the Bank held on June 18, 2021, Mr. Gao Bing, an executive Director of the Bank, was appointed as the chairman of the fifth session of the Board of the Bank. At this meeting, the Board also considered and approved the appointment of the members and chairman of each of the committees of the fifth session of the Board.

On August 5, 2021, as the registration of the qualification of Director for Ms. Jin Xiaotong had been completed, her appointment as the Bank's independent non-executive Director and a member of the committees under the Board has become effective. On August 13, 2021, the qualifications of Mr. Zhang Lixin, Ms. Wang Ying, Ms. Han Lirong and Mr. Sun Jiafu as Directors of the Bank were approved, their term of office as the Bank's non-executive Directors or independent non-executive Directors and members of the committees under the Board has become effective. Mr. Fong Wai Kuk's term of office as a Director of the Bank shall be subject to the approval of regulatory authorities. With effect from August 13, 2021, Mr. Zhang Xinyou, Mr. Wang Baocheng, Dr. Fu Qiong, Mr. Jiang Ning, Mr. Chung Wing Yin and Mr. Yang Jinguan ceased to serve as a non-executive Director or independent non-executive Director of the Bank, and ceased to serve as a member of committees under the Board.

For details regarding the biographies and appointment of the Directors of the fifth session of the Board, please refer to the Bank's circular dated May 7, 2021 and the relevant announcements dated June 18, 2021 and August 16, 2021, respectively.

Save as disclosed above, there were no other changes in the Directors of the Bank during the Reporting Period and as of the Latest Practicable Date.

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

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

#### ***Election of New Session of the Board of Supervisors***

On March 30, 2021, the Bank held the seventeenth meeting of the fourth session of the Board of Supervisors, and the Resolution on the Nomination of the Candidates for Supervisors of the Fifth Session of the Board of Supervisors (《關於提名第五屆監事會監事候選人的議案》) was approved. On June 18, 2021, the Bank convened the annual general meeting of 2020, and the appointment of the 4 candidates for non-employee Supervisors proposed at the meeting was duly approved by the shareholders. In addition, on February 26, 2021, the Bank held the employee representative meeting, and the appointment of the 3 candidates for employee Supervisors proposed at the meeting was approved by the employee representatives. The fifth session of the Board of Supervisors was formed accordingly.

At the first meeting of the fifth session of the Board of Supervisors held on June 18, 2021, Mr. Luo Hui, an employee Supervisor of the Bank, was appointed as the chairman of the fifth session of the Board of Supervisors of the Bank. At this meeting, the Board of Supervisors also considered and approved the appointment of the members and chairman of each of the committees of the fifth session of the Board of Supervisors.

For details regarding the biographies and appointment of the Supervisors of the fifth session of the Board of Supervisors, please refer to the Bank's circular dated May 7, 2021 and the relevant announcement dated June 18, 2021.

Save as disclosed above, there were no other changes in the Supervisors of the Bank during the Reporting Period and as of the Latest Practicable Date.

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

Due to work arrangement, Mr. Liang Xiangmin has resigned as the president of the Bank on April 16, 2021. On April 16, 2021, the Board resolved to appoint Mr. Chen Xinzhe as the president of the Bank. After the approval of the qualification of Mr. Chen Xinzhe as the president of the Bank by the Jilin Bureau of the CBIRC, Mr. Chen Xinzhe has served as the president of the Bank since June 28, 2021. Since the same date, Mr. Liang Xiangmin has ceased to serve as the president of the Bank, but continues to serve as the vice chairman of the Board and the executive Director of the Bank.

On June 7, 2021, the Board of the Bank resolved to appoint Mr. Yuan Chunyu as the vice president of the Bank and his term of office shall commence on the date on which his qualification is approved by regulatory authorities. As of the Latest Practicable Date, the qualification of Mr. Yuan Chunyun as the vice president is still subject to the approval of regulatory authorities.

On April 16, 2021, the Board of the Bank resolved to appoint Mr. Du Ping as the assistant to the president of the Bank and his qualification has been approved by the CBIRC Jilin Bureau. Mr. Du Ping has served as the assistant to the president with effect from August 12, 2021.

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

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

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

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

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

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

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

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

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

### VI. Positions held in the Shareholder Company by the Directors, Supervisors and Senior Management

Name	Position held with the Bank	Name of the Shareholder company	Position held in the Shareholder company
Mr. Zhang Yusheng	Non-executive Director	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Chairman



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

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

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

### VIII. Securities Transactions by Directors, Supervisors and Senior Management

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

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

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

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

As at June 30, 2021, the interests of the Directors, Supervisors and chief executive of the Bank in the Shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares <sup>(1)</sup> (%)	Percentage of the total share capital of the Bank <sup>(1)</sup> (%)
Gao Bing	Chairman and Executive Director	Domestic Shares	Beneficial owner	330,750(L) <sup>(2)</sup>	0.01	0.01
Yuan Chunyu	Executive Director, Vice President <sup>(4)</sup> , Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	52,653(L) <sup>(2)</sup>	0.00 <sup>(3)</sup>	0.00 <sup>(3)</sup>
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	361,682,093(L) <sup>(2)</sup>	10.17	8.23
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	121,909,258(L) <sup>(2)</sup>	3.43	2.77
Zhang Xinyou <sup>(5)</sup>	Non-executive Director	Domestic Shares	Interest in controlled corporation	118,576,742(L) <sup>(2)</sup>	3.33	2.70
Wang Baocheng <sup>(5)</sup>	Non-executive Director	Domestic Shares	Interest in controlled corporation	86,960,790(L) <sup>(2)</sup>	2.45	1.98
Hu Guohuan (胡國環)	External Supervisor	Domestic Shares	Beneficial owner	3,464,894(L) <sup>(2)</sup>	0.10	0.08

*Notes:*

- (1) As at June 30, 2021, the Bank had a total of 4,393,239,455 Shares in issue, including 3,556,441,955 Domestic Shares and 836,797,500 H Shares.
- (2) L represents long position.
- (3) The percentage is rounded to two decimals.
- (4) On June 7, 2021, the Board of the Bank resolved to appoint Mr. Yuan Chunyu as the vice president of the Bank and his term of office shall commence on the date on which his appointment is approved by regulatory authorities. As of the Latest Practicable Date, the qualification of Mr. Yuan Chunyun as the vice president is still subject to the approval of regulatory authorities.
- (5) On August 13, 2021, Mr. Zhang Xinyou and Mr. Wang Baocheng ceased to serve as the non-executive Directors of the Company. For details, please refer to the announcement of the Company dated August 16, 2021.

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

Save as disclosed above, as at June 30, 2021, none of the Directors, Supervisors and chief executive of the Bank held any interests or short positions in the Shares, underlying shares and debentures of the Bank or its associated corporations as recorded in the register required to be kept by the Bank under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO.

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

#### (I) Staff Composition

As at June 30, 2021, the Group had 6,467 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of Employees	Percentage (%)
Retail banking	2,988	47
Management	784	12
Finance and accounting	909	14
Corporate banking	854	13
Risk management, internal audit and legal and compliance	210	3
Treasury operations	89	1
Information technology	81	1
Others	552	9
<b>Total</b>	<b>6,467</b>	<b>100</b>

As at June 30, 2021, more than 60% of the Group's employees had a bachelor's degree or higher.

In addition to full-time employees, as of June 30, 2021, the Group also had 196 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiaries make advance payments to the third-party agencies, which then pay salaries to and make social security contributions for contract staff.

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

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

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

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

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

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

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

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

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

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

### XI. SUBSIDIARIES

Subsidiaries	Places of business	Remarks
Liaoyuan Rural Commercial Bank Co., Ltd. (遼源農村商業銀行股份有限公司)	3257 Renmin Street, Longshan District, Liaoyuan City, Jilin Province, PRC	13 sub-branches
Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司)	2 <sup>#</sup> Floor, Zone C, Jinxiu Hua Cheng, North Baochanshan Road, Huanfeng Town, Hanshan County, Ma'anshan City, Anhui Province, PRC	5 sub-branches
Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司)	Building Complex, Longsheng South District, Fada Road, Shuangcheng City, Heilongjiang Province, PRC	4 sub-branches
Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司)	59 Jiefang East Road, Junshui Town, Tongcheng County, Hubei Province, PRC	2 sub-branches
Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司)	919 Liqun Road, Gaomi Town, Weifang City, Shandong Province, PRC	7 sub-branches
Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司)	Block 1, Guanye Guojijie District, Yachen Road, Wuchang City, Heilongjiang Province, PRC	3 sub-branches
Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司)	62 Jixiang Road, Yun'an District, Yunfu City, Guangdong Province, PRC	
Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhui Province, PRC	5 sub-branches
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	8 sub-branches
Da'an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	5 sub-branches
Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105-111 of Block 32, Shop 105-106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Changchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司)	39 Guangming West Road, Anci District, Langfang City, Hebei Province, PRC	5 sub-branches
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	Unit 101 of No. 10, Unit 201 of No. 10, Unit 201 of No. 12, Kehui Fourth Street, Huangpu Disitrect, Guangzhou City, Guangdong Province, PRC	3 sub-branches

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

Subsidiaries	Places of business	Remarks
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North of East Section, Fenghuang West Road, Heyang County, Weinan City, Shaanxi Province, PRC	2 sub-branches
Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司)	316 Huadian Street, Huadian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	8 sub-branches
Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司)	82 Xiangshan Street, Dongbao District, Jingmen City, Hubei Province, PRC	3 sub-branches
Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司)	102#, 66 Qingxin Street, Taihe Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	1 sub-branch
Wenan Huimin Village Bank Co., Ltd. (文安縣惠民村鎮銀行股份有限公司)	344 Xingwen Road, Wen'an County, Langfang City, Hebei Province, PRC	8 sub-branches
Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司)	189 Huaxing North Road, Shuizhai Town, Wuhua County, Meizhou City, Guangdong Province, PRC	4 sub-branches
Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司)	Caishui Jiayuan Neighborhood, Yuzhou West Road, Qian'an County, Jilin Province, PRC	5 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Changchun City, Jilin Province, PRC	5 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shops 4, 5 and 6, District A, Zuanshi Siji Huacheng)	4 sub-branches
Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司)	222 Yucai South Street, Fuyu City, Jilin Province, PRC	4 sub-branches
Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司)	1098 Tuanjie West Road, Taonan City, Jilin Province, PRC	3 sub-branches
Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司)	322-324 East Century Street, Binhai New District, Tianjin City, PRC	12 sub-branches

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

Subsidiaries	Places of business	Remarks
Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司)	Outlets Nos. 1, 3, 4, 116 Guangze Amethyst City, 8 Huangqi Road, Chuanying District, Jilin City, Jilin Province, PRC	3 sub-branches
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	021 Leihu South Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	
Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司)	2099 Wulan Street, Ningjiang District, Songyuan City, Jilin Province, PRC	10 sub-branches
Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司)	8 Xima Road, Anping County, Hebei Province, PRC	4 sub-branches
Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司)	66-71 Jinzuan Street, Zhonghang City, Huaqiao City, Pingshan Town, Huidong County, Huizhou City, Guangdong Province, PRC	4 sub-branches
Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司)	98 Yelin South Street Lingshui County, Hainan Province, PRC	1 sub-branch
Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司)	Dongdu Mansion, 1350 Jiefang Si Road, Sanya City, Hainan Province, PRC	
Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司)	878 Heshan Road, Jimo City, Shandong Province, PRC	3 sub-branches
Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司)	5-7/F, Block 2, Changchun Zhengda Lifang Tower (長春證大立方大廈), Jingyue High-tech Industrial Development Zone, Changchun City, Jilin Province, PRC	

# Chapter 7 Significant Events

## I. Corporate Governance Code

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

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

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

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

After the Reporting Period and as of the Latest Practicable Date, the Bank deviated from the requirement of Code A.5.1 of the Corporate Governance Code. Reference is made to the announcement of the Bank dated August 16, 2021, in relation to, among others, the retirement of independent non-executive directors of the Bank upon expiry of their terms of office. According to Code A.5.1 of the Corporate Governance Code, the majority of the members of the nomination committee under the board shall be independent non-executive directors. Half of the members of the nomination committee under the Board are independent non-executive Directors before



## Chapter 7 Significant Events

the qualification of Mr. Fong Wai Kuk as Director is approved. The majority of the members of the nomination committee of the Bank will be independent non-executive Directors when the qualification of Mr. Fong Wai Kuk as Director is approved.

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

### II. Earnings and Dividends

#### (I) Final dividends for 2020

The profit distribution plan of the Bank for 2020 was considered and approved by the shareholders of the Bank at the annual general meeting of 2020 held on June 18, 2021. The Bank distributed cash dividends of approximately RMB658,985,918.25 in total (tax inclusive) for 2020. Based on the number of Shares on the record date for dividend distribution, the Bank distributed a cash dividend of RMB0.15 (tax inclusive) for each Share. The final dividend payable for 2020 was denominated in Renminbi, and was paid to holders of domestic shares in Renminbi and holders of H shares in Hong Kong dollars. The exchange rate (i.e. RMB0.826182 against HK\$1.00) adopted for dividend payable in Hong Kong dollars was based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the PBOC on the five working days preceding the date of declaration of the dividend at the annual general meeting of 2020 on June 18, 2021 (inclusive). Accordingly, the final dividend for 2020 payable for each H share was HK\$0.181558 (tax inclusive). The Bank has completed the payment of final dividend for 2020 in August 2021.

#### (II) Interim dividends for 2021

Revenue of the Bank for the six months ended June 30, 2021 and the financial position of the Bank as at the same date are set out in the financial statements in this interim report.

The Board does not recommend any distribution of interim dividends for 2021.

### III. Plan of Capital Reserve Capitalization

As resolved by the Board and considered and approved by the shareholders 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 Bank issued new shares by way of capitalization of capital reserve to the holders of domestic shares and H shares whose names appeared on the share register of the Bank at the close of business on Wednesday, June 30, 2021 on the basis of 5 new shares for every 100 existing shares held by the shareholders (the “**Capitalization Issue**”). Based on the 4,393,239,455 shares of the Bank in issue as at April 30, 2021, the total number of new shares issued by way of capitalization of capital reserve is 219,661,972 shares, including 177,822,097 shares issued to holders of domestic shares and 41,839,875 shares issued to holders of H shares. Upon completion of the Capitalization Issue, the total number of shares in issue of the Bank is 4,612,901,427 shares, including

## Chapter 7 Significant Events

3,734,264,052 domestic shares and 878,637,375 H shares. The listing and trading of the new H shares under the Capitalization Issue has been approved by the Hong Kong Stock Exchange, and the Capitalization Issue has been approved by the CBIRC. The listing and trading of the new H shares on the Hong Kong Stock Exchange commenced on July 23, 2021.

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

### IV. Amendment to the Articles of Association

The Bank amended the relevant articles of the Articles of Association in relation to its registered capital and capital structure to reflect the changes of registered capital and capital structure of the Bank upon the completion of the Capitalization Issue. Such amendments were approved by the Shareholders at the annual general meeting of 2020 held on June 18, 2021.

The Capitalization Issue was completed on July 23, 2021. The above amendments were reported to the CBIRC Jilin Bureau on July 26, 2021 and became effective from the same day. For details of the amendments, investors may refer to the circular of the Bank dated May 7, 2021 on the website of the Bank ([www.jtnsh.com](http://www.jtnsh.com)) and the designated website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

### V. Proposed Private Placement of Domestic Shares and Non-public Issuance of H Shares

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

#### (I) Private Placement of Domestic Shares

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

#### (II) Non-public Issuance of H Shares

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

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The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 held on September 5, 2018. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2019, the second domestic share class meeting of 2019 and the second H share class meeting of 2019 of the Bank held on October 24, 2019. Resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the first extraordinary general meeting of 2020, the second domestic share class meeting of 2020 and the second H share class meeting of 2020 of the Bank held on October 22, 2020. As the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares will expire on October 21, 2021, resolutions regarding the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the Board meeting of the Bank held on March 30, 2021 as well as the annual general meeting of 2020, the first domestic share class meeting of 2021 and the first H share class meeting of 2021 of the Bank held on June 18, 2021. 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 and March 30, 2021, and the circulars dated August 15, 2018, September 13, 2019, September 30, 2020 and May 7, 2021 of the Bank, respectively.

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

### VI. Issuance of Bonds

From January 1, 2021 to June 30, 2021, the Bank issued 19 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB3,400.0 million. The interbank certificates have terms ranging from three months to one year and bear effective interest rates between 3.25% and 3.82%.

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

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

### VIII. Related Party Transactions

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

## Chapter 7 Significant Events

### IX. Material Litigations and Arbitrations

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

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

During the Reporting Period, none of the Bank or any of its Directors, Supervisors, or senior management had been subject to any investigation, administrative penalty or criticism by the CBIRC and public condemnation by the Hong Kong Stock Exchange, or any penalty imposed by other regulators which had material impact on the Bank's operation.

### XI. Public Float

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

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

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

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

### XII. Appointment of External Auditor

As considered and approved by the Shareholders at the annual general meeting of 2020 held on June 18, 2021, the Bank has appointed CAC CPA Limited Liability Partnership as the domestic external auditor of the Bank for 2021 to provide auditing services in the PRC in accordance with the PRC GAAP, and SHINEWING (HK) CPA Limited as the international external auditor of the Bank for 2021 to provide auditing and review services overseas in accordance with the IFRS.

The terms of office of the above two external auditors shall commence from the date of approval of the resolution on the engagement of external auditing firms for 2021 by the annual general meeting of 2020 (i.e. June 18, 2021) and shall expire at the conclusion of the Bank's annual general meeting for 2021.

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

#### (1) Significant Acquisition and Disposal

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

#### (2) Other Acquisition and Disposal

Disposal of share of Daxinganling Rural Commercial Bank Co., Ltd. ("**Daxinganling Rural Commercial Bank**").

The Bank previously held 75,000,000 shares of Daxinganling Rural Commercial Bank, accounting for 10.71% of the total issued shares of Daxinganling Rural Commercial Bank. On June 25, 2021, the Bank entered into an equity transfer agreement with Jilin Province Yurong Industrial Co., Ltd. (吉林省裕融實業有限公司) ("**Yurong Industrial**"), an independent third party, pursuant to which 7,500,000 shares of Daxinganling Rural Commercial Bank held by the Bank were sold to Yurong Industrial for a consideration of RMB12 million. The transaction above was completed during the Reporting Period. Upon the completion of the transaction, the Bank still holds 67,500,000 shares of Daxinganling Rural Commercial Bank, accounting for 9.64% of the total issued share capital of Daxinganling Rural Commercial Bank.

Disposal of shares of Daxinganling Rural Commercial Bank by the Bank was mainly due to the optimization of the Bank's external investment portfolio. The applicable percentage ratios under Rule 14.07 of the Hong Kong Listing Rules in respect of aforesaid transaction, individually or in aggregate, are below 5%.

## Chapter 7 Significant Events

### XIV.Event after the Reporting Period

On July 13, 2021 and July 23, 2021, the Bank issued 177,822,097 Domestic Shares and 41,839,875 H Shares by way of Capitalization Issue, respectively, representing a total of 219,661,972 ordinary shares, following which the total ordinary shares of the Bank has been increased to 4,612,901,427. For further details, please refer to the section headed “III. Plan of Capital Reserve Capitalization” of this chapter.

On July 20, 2021, the Bank issued the Tier-two Capital Bonds of Jilin Jiutai Rural Commercial Bank Corporation Limited for 2021 (the “**Bonds**”) in the national inter-bank bond market by way of book building, which was completed on July 21, 2021. The Bonds, with the total issuing size of RMB2 billion, are fixed rate bonds with a term of ten years and are conditionally redeemable by the issuer at the end of the fifth year with a coupon rate of 4.80%.

In July 2021, the Bank issued 219,661,972 ordinary shares by way of Capitalization Issue, following which the total share capital of ordinary shares of the Bank increased to 4,612,901,427 shares. For further details, please refer to the section headed “III. Plan of Capital Reserve Capitalization” of this chapter.

### XV. Review of Interim Report

The financial statements disclosed in this interim report have not been audited. The interim financial statements for the six months ended June 30, 2021 prepared by the Bank under the IFRS issued by the International Accounting International Standards Board have been reviewed by SHINEWING (HK) CPA Limited in accordance with the Hong Kong Standard on Review Engagements 2410. This interim report has been reviewed and adopted by the Board and the audit committee under the Board.

### XVI.Publication of 2021 Interim Report

The Bank has prepared its 2021 interim report in accordance with the Hong Kong Listing Rules and the IFRS, which is available on the HKEXnews website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and website of the Bank ([www.jtsh.com](http://www.jtsh.com)).

In this interim report, the financial data for the six months ended June 30, 2020 and the six months ended June 30, 2021 have not been audited, while the financial data for the year ended December 31, 2020 have been audited.

# Chapter 8 Report on Review of Condensed Consolidated Financial Statements



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

## TO THE BOARD OF DIRECTORS OF JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED

吉林九台農村商業銀行股份有限公司

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

### Introduction

We have reviewed the condensed consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Bank”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 119 to 209, which comprise the condensed consolidated statement of financial position as at 30 June 2021, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Bank are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

### **Scope of Review**

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

### **Conclusion**

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

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

*Certified Public Accountants*

### **Chui Yiu Cheong**

Practising Certificate Number: P07219

Hong Kong

30 August 2021



# Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Interest income		5,686,705	4,572,775
Interest expenses		(2,971,438)	(2,476,186)
Net interest income	4	2,715,267	2,096,589
Fee and commission income		64,030	53,726
Fee and commission expenses		(30,647)	(16,747)
Net fee and commission income	5	33,383	36,979
Net trading (losses) gains	6	(72,311)	96,361
Dividend income		32,892	59,402
Net gains arising from investment securities	7	22,421	35,215
Net exchange gains		7,454	4,103
Other operating income, net	8	12,843	11,000
Operating income		2,751,949	2,339,649
Operating expenses	9	(1,251,627)	(1,141,479)
Impairment losses on assets	10	(801,105)	(654,963)
Operating profit		699,217	543,207
Share of results of associates	22	(8,903)	(2,736)
Profit before tax		690,314	540,471
Income tax expense	11	(177,859)	(125,460)
<b>Profit for the period</b>		<b>512,455</b>	415,011
Earnings per share			(Restated)
— Basic and diluted (RMB cents)	12	9.41	7.44

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>Profit for the period</b>	<b>512,455</b>	415,011
<b>Other comprehensive (expense) income for the period:</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
– Financial assets at fair value through other comprehensive income		
– Fair value (losses) gain on debt investments at fair value through other comprehensive income	(12,479)	13,860
– Reclassified to the profit or loss upon disposal	–	(2,597)
– Income tax relating to item that may be reclassified subsequently	3,116	(2,890)
– Changes in allowance for expected credit loss	15	298
– Share of other comprehensive income (expense) of associates	1,967	(1,361)
	<b>(7,381)</b>	7,310
<b>Items that will not be reclassified subsequently to profit or loss:</b>		
– Financial assets at fair value through other comprehensive income		
– Fair value (losses) gain on investments in equity investments	(3,550)	8,729
– Income tax relating to item that will not be reclassified subsequently	(1,953)	–
	<b>(5,503)</b>	8,729
<b>Other comprehensive (expense) income for the period, net of tax</b>	<b>(12,884)</b>	16,039
<b>Total comprehensive income for the period</b>	<b>499,571</b>	431,050

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>Profit for the period attributable to:</b>		
— Owners of the Bank	434,300	343,398
— Non-controlling interests	78,155	71,613
	<b>512,455</b>	415,011
<b>Total comprehensive income for the period attributable to:</b>		
— Owners of the Bank	428,195	362,093
— Non-controlling interests	71,376	68,957
	<b>499,571</b>	431,050

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Financial Position

At 30 June 2021

	Notes	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
<b>Assets</b>			
Cash and deposits with the central bank	13	29,721,868	25,155,026
Deposits with banks and other financial institutions	14	7,663,831	8,396,699
Placements with banks and other financial institutions	15	24,950	729,253
Financial assets held under resale agreements	16	—	1,102,000
Financial assets at fair value through profit or loss	17	3,021,857	3,200,209
Interests receivables	18	1,694,526	874,287
Loans and advances to customers	19	137,689,950	126,574,552
Financial assets at fair value through other comprehensive income	20	5,191,388	2,526,111
Financial assets measured at amortised costs	21	21,192,694	24,772,682
Interests in associates	22	986,564	1,005,130
Property and equipment	23	3,150,832	3,249,491
Right-of-use assets	24	624,624	664,240
Goodwill		401,335	401,335
Deferred tax assets	25	920,973	773,222
Other assets	26	978,696	939,033
<b>Total assets</b>		<b>213,264,088</b>	<b>200,363,270</b>

## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Financial Position

**(Continued)**

At 30 June 2021

	Notes	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowings from the central bank	28	2,182,334	4,010,960
Deposits from banks and other financial institutions	29	7,475,788	8,335,923
Placements from banks and other financial institutions	30	7,732,496	7,101,496
Financial assets sold under repurchase agreements	31	2,730,500	2,654,900
Deposits from customers	32	165,633,066	149,763,189
Accrued staff costs	33	69,094	176,684
Taxes payable		94,628	223,806
Interests payable	34	3,424,889	2,990,824
Debts securities issued	35	6,091,766	7,504,526
Lease liabilities	24	540,493	591,499
Other liabilities	36	1,227,125	758,278
<b>Total liabilities</b>		<b>197,202,179</b>	184,112,085
<b>Equity</b>			
Share capital	37	4,393,239	4,393,239
Capital reserve	38	4,923,687	4,921,340
Investment revaluation reserve		4,296	10,401
Surplus reserve	39	915,524	915,524
General reserve	39	2,079,164	2,077,865
Retained earnings		1,127,177	1,353,162
Total equity attributable to owners of the Bank		13,443,087	13,671,531
Non-controlling interests		2,618,822	2,579,654
<b>Total equity</b>		<b>16,061,909</b>	16,251,185
<b>Total liabilities and equity</b>		<b>213,264,088</b>	200,363,270

The condensed consolidated financial statements on pages 119 to 209 were approved and authorised for issue by the board of directors of the Bank on 30 August 2021 and are signed on its behalf by:

**Mr. GAO Bing**  
*Director*

**Mr. YUAN Chunyu**  
*Director*

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2021

	Attributable to owners of the Bank									
	Share Capital	Capital reserve	Investment				Retained earnings	Sub-total	Non-controlling interests	Total
			revaluation reserve	Surplus reserve	General reserve					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2021 (Audited)	4,393,239	4,921,340	10,401	915,524	2,077,865	1,353,162	13,671,531	2,579,654	16,251,185	
Profit for the period	—	—	—	—	—	434,300	434,300	78,155	512,455	
Other comprehensive expense for the period	—	—	(6,105)	—	—	—	(6,105)	(6,779)	(12,884)	
Total comprehensive (expense) income for the period	—	—	(6,105)	—	—	434,300	428,195	71,376	499,571	
Changes in ownership in a subsidiary without changes in control	—	2,347	—	—	—	—	2,347	12,653	15,000	
Appropriation of profits										
— Appropriation to general reserve	—	—	—	—	1,299	(1,299)	—	—	—	
— Dividends recognised as distribution (Note 40)	—	—	—	—	—	(658,986)	(658,986)	—	(658,986)	
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(44,861)	(44,861)	
At 30 June 2021 (Unaudited)	4,393,239	4,923,687	4,296	915,524	2,079,164	1,127,177	13,443,087	2,618,822	16,061,909	

## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Changes in Equity

#### (Continued)

For the Period Ended 30 June 2021

	Attributable to owners of the Bank							Non- controlling interests	Total
	Share Capital	Capital reserve	Investment		General reserve	Retained earnings	Sub-total		
			revaluation reserve	Surplus reserve					
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2020 (Audited)	4,184,037	5,148,616	12,038	814,076	1,777,674	1,403,512	13,339,953	2,320,223	15,660,176
Profit for the period	–	–	–	–	–	343,398	343,398	71,613	415,011
Other comprehensive income (expense) for the period	–	–	18,695	–	–	–	18,695	(2,656)	16,039
<b>Total comprehensive income for the period</b>	–	–	18,695	–	–	343,398	362,093	68,957	431,050
Changes in ownership in a subsidiary without changes in control	–	428	–	–	–	–	428	9,925	10,353
Appropriation of profits									
– Dividends recognised as distribution (Note 40)	–	–	–	–	–	(753,127)	(753,127)	–	(753,127)
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(67,039)	(67,039)
<b>At 30 June 2020 (Unaudited)</b>	4,184,037	5,149,044	30,733	814,076	1,777,674	993,783	12,949,347	2,332,066	15,281,413

# Chapter 9 Unaudited Interim Financial Statements Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	690,314	540,471
Adjustments for:		
Depreciation of property and equipment	144,545	151,900
Depreciation of right-of-use assets	93,760	97,873
Amortisation of long-term deferred expenses	22,478	15,659
Impairment losses on assets	801,105	654,963
Interest income from impaired loans and advances to customers and impaired financial asset measured at amortised cost	115,450	147,675
Interest expense on debts securities issued	124,302	253,583
Dividend income	(32,892)	(59,402)
Gains on disposal of property and equipment	(183)	(2,391)
Loss (gain) on early termination of lease agreements	87	(1,263)
Net unrealised trading losses	94,401	63,708
Net gains arising from investment securities	(22,421)	(35,215)
Interest expenses on lease liabilities	12,988	15,531
Government grants	(15,067)	(17,200)
Interest income from financial investments	(841,890)	(687,191)
Share of results of associates	8,903	2,736
	<b>1,195,880</b>	<b>1,141,437</b>
Changes in operating assets		
Net (increase) decrease in deposits with the central bank	(1,085,471)	1,091,432
Net decrease in deposits and placements with the banks and other financial institutions	320,000	1,799,999
Net decrease in financial assets at fair value through profit or loss	83,951	2,868,862
Net increase in loans and advances to customers	(11,877,422)	(14,274,116)
Net increase in interests receivables	(836,474)	(840,255)
Net increase in other assets	(60,294)	(163,387)
	<b>(13,455,710)</b>	<b>(9,517,465)</b>
Changes in operating liabilities		
Net decrease in borrowing from central bank	(1,828,626)	(1,528,735)
Net (decrease) increase in deposits from banks and other financial institutions	(860,135)	3,004,886
Net increase in placements from banks and other financial institutions	631,000	2,353,000
Net increase (decrease) in financial assets sold under repurchase agreements	75,600	(1,495,600)
Net increase in deposits from customers	15,869,877	6,898,000
Net decrease in accrued staff costs	(107,590)	(128,777)
Net increase in interests payable	416,428	331,552
Net (decrease) increase in other liabilities	(194,664)	723,000
	<b>14,001,890</b>	<b>10,157,326</b>



## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Cash from operations	1,742,060	1,781,298
Income tax paid	(453,625)	(355,850)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>1,288,435</b>	1,425,448
<b>INVESTING ACTIVITIES</b>		
Payments on acquisition of financial investments	(10,974,976)	(10,219,427)
Payments on acquisition of property and equipment	(70,488)	(76,412)
Proceeds from disposal of financial investments	11,828,388	14,934,685
Interest income received from financial investments	773,171	607,544
Dividend income received	32,892	59,402
Dividend received from associates	11,630	24,194
Proceeds from disposal of property and equipment	3,014	7,193
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>1,603,631</b>	5,337,179
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issue of new debt securities	3,290,974	6,520,775
Proceeds from disposal of interests in subsidiaries without loss in control	15,000	10,353
Government grants received	15,067	17,200
Repayment of debt securities issued	(4,760,000)	(10,620,000)
Repayment of lease liabilities	(83,650)	(87,135)
Interest paid on debts securities issued	(50,399)	(49,882)
Dividends paid to non-controlling interests	(44,397)	(66,919)
Interest paid on lease liabilities	(12,988)	(15,531)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(1,630,393)</b>	(4,291,139)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,261,673</b>	2,471,488
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>21,261,817</b>	16,820,070
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD (Note 44)</b>	<b>22,523,490</b>	19,291,558
Interest received	4,777,089	3,807,084
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(2,417,720)	(1,875,520)

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

For the Period Ended 30 June 2021

### 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”) (YinFu 2008 No. 320) on 15 December 2008.

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

As at 30 June 2021, the Bank has 3 branches and 84 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 the China Banking and Insurance Regulatory Commission. The Group operates in mainland China.

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

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

### 2. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”, issued by the International Accounting Standards Board (“IASB”).

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

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

### (Continued)

For the Period Ended 30 June 2021

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

#### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to IFRSs, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

##### 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 1 January 2021:

Amendment to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phrase 2

In addition, the Group has early applied amendment to IFRS 16, COVID-19-Related Rent Concessions beyond 30 June 2021, which are effective for annual periods beginning on or after 1 April 2021.

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 4. NET INTEREST INCOME

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Interest income arising from		
– Deposits with the central bank	105,292	92,908
– Deposits with banks and other financial institutions	96,052	82,315
– Placements with banks and other financial institutions	17,078	45,697
– Financial assets at fair value through other comprehensive income (“FVTOCI”)	112,593	146,520
– Financial assets measured at amortised costs	729,297	540,671
– Loans and advances to customers:		
– Corporate loans and advances	3,478,063	2,694,723
– Finance lease loans	61,568	62,543
– Personal loans and advances	1,001,426	792,654
– Discounted bills	34,294	21,410
– Financial assets held under resale agreements	51,042	93,334
	<b>5,686,705</b>	4,572,775
Less: Interest expenses arising from		
– Borrowings from the central bank	(25,439)	(18,887)
– Deposits from banks and other financial institutions	(155,388)	(200,936)
– Placements from banks and other financial institutions	(135,077)	(125,812)
– Deposits from customers:		
Corporate customers	(557,762)	(430,613)
Individual customers	(1,895,735)	(1,388,384)
– Financial assets sold under repurchase agreements	(64,747)	(42,440)
– Debts securities issued	(124,302)	(253,583)
– Lease liabilities	(12,988)	(15,531)
	<b>(2,971,438)</b>	(2,476,186)
	<b>2,715,267</b>	2,096,589

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 5. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Fee and commission income		
– Advisory fees	16,375	14,569
– Settlement and clearing fees	12,861	11,911
– Wealth management service fees	275	799
– Agency service fees	7,366	4,643
– Syndicated loan service fees	22,644	16,492
– Bank card service fees	1,810	1,942
– Others	2,699	3,370
	<b>64,030</b>	53,726
Fee and commission expenses		
– Settlement and clearing fees	(24,067)	(12,640)
– Others	(6,580)	(4,107)
	<b>(30,647)</b>	(16,747)
	<b>33,383</b>	36,979

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")		
– Unlisted equity investments	(113,315)	(30,953)
– Other debt instruments	18,914	(56,017)
Investment income from financial assets at FVTPL (Note)	26,073	183,322
Net (loss) gain on disposal of financial assets at FVTPL		
– Unlisted equity investments	(4,221)	–
– Other debt instruments	238	9
	(72,311)	96,361

Note: The investment income from financial assets at FVTPL includes interest income from financial assets at FVTPL of approximately RMB26,073,000 (six months ended 30 June 2020: approximately RMB183,322,000) for the period ended 30 June 2021.

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Net gains on disposal of financial assets measured at amortised cost	10,418	8,492
Net gains on disposal of financial assets at FVTOCI	12,003	24,126
Net revaluation gains reclassified from other comprehensive income on disposal	–	2,597
	22,421	35,215

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 8. OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Government grants (Note)	15,067	17,200
Loss on disposal of repossessed assets	(1,139)	—
Gain on disposal of property and equipment	183	2,391
(Loss) gain on early termination of lease agreement	(87)	1,263
Others operating expenses	(1,181)	(9,854)
	<b>12,843</b>	11,000

*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 recognized.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 9. OPERATING EXPENSES

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	525,788	469,871
– Staff welfares	52,370	46,457
– Social insurance	131,259	100,055
– Housing allowances	53,843	47,450
– Labour union and staff education expenses	10,879	8,901
	<b>774,139</b>	672,734
Premises and equipment expenses		
– Depreciation of property and equipment	144,545	151,900
– Amortisation of long-term deferred expenses	22,478	15,659
– Rental and property management expenses	35,539	22,623
– Depreciation of right-of-use assets	93,760	97,873
	<b>296,322</b>	288,055
Other tax and surcharges	34,228	27,115
Other general and administrative expenses (Note)	146,938	153,575
	<b>1,251,627</b>	1,141,479

Note: Auditor's remuneration for the period ended 30 June 2021 was RMB1,330,000 (six months ended 30 June 2020: RMB1,928,000).



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

**(Continued)**

For the Period Ended 30 June 2021

#### 10. IMPAIRMENT LOSSES ON ASSETS

	Notes	Six months ended 30 June	
		2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Impairment losses (reversal of impairment losses) on:			
Loans and advances to customers	19	731,528	513,387
Financial assets measured at amortised costs	21	67,691	140,448
Financial assets at FVTOCI	20	15	298
Placements with banks and other financial institutions	15	(697)	(26)
Other receivables, prepayment and repossessed assets	26	(1,847)	1,639
Deposits with bank and other financial institutions	14	170	(782)
Credit commitments and financial guarantees	36	4,061	(1)
Property and equipment	23	184	—
		<b>801,105</b>	654,963

#### 11. INCOME TAX EXPENSE

##### (a) Income tax:

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	294,007	213,744
Under provision in prior period:		
— Mainland China Enterprise Income Tax	30,440	12,165
Deferred taxation (Note 25)		
— Current year	(146,588)	(100,449)
	<b>177,859</b>	125,460

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%.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Profit before tax	690,314	540,471
Tax at domestic income tax rate of 25%	172,578	135,117
Tax effect of share of results of associates	2,226	684
Tax effect of expenses not deductible for tax purpose (Note i)	1,956	5,570
Tax effect of income that are not taxable for tax purpose (Note ii)	(29,341)	(28,076)
Under provision in respect of prior periods	30,440	12,165
Income tax expense	177,859	125,460

Notes:

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

Details of the deferred taxation are set out in Note 25.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 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	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Profit for the period attributable to owners of the Bank	434,300	343,398
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	4,612,901	4,612,901

The weighted average number of ordinary shares in issue during the period ended 30 June 2021 has been adjusted retrospectively taking into account the 2021 Capitalisation Issue (as defined in Note 37) as if the 2021 Capitalisation Issue had been effective on 1 January 2021.

The weighted average number of ordinary shares in issue during the period ended 30 June 2020 had been adjusted retrospectively taking into account the 2021 Capitalisation Issue and 2020 Capitalisation Issue (as defined in Note 37) as if the 2021 Capitalisation Issue and 2020 Capitalisation Issue had been effective on 1 January 2020.

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 2021 and 2020.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Cash on hand	753,984	739,591
Deposits with the central bank		
– Statutory deposit reserves (Note a)	12,776,104	11,543,395
– Surplus deposit reserves (Note b)	16,172,780	12,705,802
– Fiscal deposits	19,000	166,238
	<b>28,967,884</b>	24,415,435
	<b>29,721,868</b>	25,155,026

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. This includes RMB reserve deposits and foreign currency reserve deposits. The statutory deposit reserves are restricted balances with central bank and are not available for the Bank's daily business.

As at 30 June 2021, mandatory reserve deposits with the PBOC were calculated at 8.5% for eligible RMB deposits for the Bank and at 6.0% or 5.0% for subsidiaries (31 December 2020: 8.5% for the Bank and at 6.0% or 5.0% for subsidiaries), and at 7.0% of foreign currency deposits for the Bank (31 December 2020: 5.0% for the Bank).

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 14. DEPOSITS WITH BANK AND OTHER FINANCIAL INSTITUTIONS

*Analysed by type and location of counterparty*

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Deposits in Mainland China		
— Banks	7,652,968	8,383,166
— Other financial institutions	—	1,596
	<b>7,652,968</b>	8,384,762
Deposits outside Mainland China		
— Banks	12,298	13,202
	<b>7,665,266</b>	8,397,964
Less: provision for impairment losses (Note)	<b>(1,435)</b>	(1,265)
	<b>7,663,831</b>	8,396,699

Note: As at 30 June 2021 and 31 December 2020, the Group classifies all deposit with bank and other financial institutions in Stage 1, and measures the loss allowance in accordance with 12-month expected-credit loss ("ECL") basis.

#### Movements of provision for impairment losses

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
At 1 January	1,265	1,690
Impairment losses recognised (reversal of impairment losses recognised)	170	(425)
At 30 June/31 December	<b>1,435</b>	1,265

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Placements in Mainland China		
– Banks	25,000	100,000
– Other financial institutions	–	630,000
	25,000	730,000
Less: provision for impairment losses (Note)	(50)	(747)
	24,950	729,253

Note: At 30 June 2021 and 31 December 2020, the Group classifies all placements with banks and other financial institutions in Stage 1, and measures the loss allowance in accordance with 12-month ECL basis.

#### Movements of provision for impairment losses

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
At 1 January	747	954
Impairment losses recognised	(697)	(207)
At 30 June/31 December	50	747

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

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
In Mainland China		
– Other financial institutions	–	1,102,000

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 16. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Debt securities		
– Government	—	1,102,000

At 31 December 2020, 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.

During the six months ended 30 June 2021, the Group disposed all its financial assets held under resale agreement.

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Unlisted equity investments measured at FVTPL (Notes (a))	1,048,967	1,178,502
Other debt instruments (Notes (b))	1,972,890	2,021,707
	<b>3,021,857</b>	3,200,209

Note:

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

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

##### (b) Other debt instruments

The Group's other debt instruments mainly represented the debt investments, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under deposits from customers and details of which are set out in note 41(a).

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 18. INTERESTS RECEIVABLES

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Interests receivables arising from:		
– Investments	288,657	304,892
– Loans and advances to customers	1,380,064	533,237
– Financial assets held under resale agreements	–	231
– Deposits with the central bank	–	174
– Deposits and placements with banks and other financial institutions	25,805	35,753
	<b>1,694,526</b>	874,287

As at 30 June 2021 and 31 December 2020, the Group measures the loss allowance in accordance with 12-month ECL or lifetime ECL basis.



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 19. LOANS AND ADVANCES TO CUSTOMERS

##### (a) Analysed by nature

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
<b>Gross loans and advances to customers</b>		
Corporate loans and advances		
– Loans	113,413,075	103,553,361
– Finance lease loans	2,802,510	2,077,835
	116,215,585	105,631,196
Personal loans and advances		
– Personal business loans	19,110,007	17,954,210
– Personal consumption loans	2,738,633	2,656,048
– Credit card overdrafts	20,928	21,491
– Residential and commercial mortgage loans	3,811,717	3,813,526
	25,681,285	24,445,275
	141,896,870	130,076,471
<b>Less: Provision for impairment losses</b>		
– Individually assessed	(1,089,228)	(1,240,419)
– Collectively assessed	(3,117,692)	(2,261,500)
	(4,206,920)	(3,501,919)
	137,689,950	126,574,552

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

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

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

	At 30 June 2021		
	Amount (Unaudited) RMB'000	Percentage (Unaudited)	Loans and advances secured by collaterals (Unaudited) RMB'000
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Wholesale and retail	24,645,537	17.36%	8,497,296
– Leasing and business services	19,399,644	13.66%	10,061,932
– Manufacturing	17,763,510	12.52%	8,143,590
– Construction	14,329,519	10.10%	5,207,324
– Agriculture, forestry, animal husbandry and fishery	8,116,154	5.72%	2,545,633
– Transportation, storage and postal services	6,066,284	4.28%	1,720,888
– Real estate	5,672,460	4.00%	2,586,519
– Scientific research, technical services and geological prospecting	5,389,858	3.80%	1,099,144
– Information transmission, computer services and software	3,239,062	2.28%	1,274,323
– Accommodation and catering	2,904,856	2.05%	2,325,594
– Education	2,282,425	1.61%	721,717
– Electricity, gas and water production and supply	2,030,641	1.43%	203,535
– Water, environment and public facility management	1,762,464	1.24%	643,009
– Health and social services	893,816	0.63%	138,647
– Resident and other services	736,684	0.52%	213,095
– Cultural, sports and entertainment	526,477	0.37%	225,982
– Mining	264,194	0.19%	182,214
– Public administration, social security and social organisations	181,000	0.13%	141,000
– Finance	11,000	0.01%	6,100
	116,215,585	81.90%	45,937,542
Personal loans and advances	25,681,285	18.10%	15,306,380
	141,896,870	100.00%	61,243,922
<b>Less: Provision for impairment losses</b>			
– Individually assessed	(1,089,228)		
– Collectively assessed	(3,117,692)		
	(4,206,920)		
	137,689,950		

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

	At 31 December 2020		
	Amounts (Audited) RMB'000	Percentages (Audited)	Loans and advances secured by collaterals (Audited) RMB'000
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Wholesale and retail	21,766,065	16.74%	6,760,294
– Manufacturing	17,354,524	13.35%	7,537,026
– Leasing and business services	16,998,376	13.07%	9,058,166
– Construction	13,855,570	10.65%	4,450,401
– Agriculture, forestry, animal husbandry and fishery	6,646,653	5.11%	1,854,878
– Real estate	5,439,978	4.18%	2,479,950
– Transportation, storage and postal services	5,396,503	4.15%	1,793,789
– Scientific research, technical services and geological prospecting	5,273,040	4.05%	1,018,221
– Accommodation and catering	3,110,434	2.39%	2,315,679
– Information transmission, computer services and software	2,411,016	1.85%	911,257
– Education	2,146,371	1.65%	718,538
– Electricity, gas and water production and supply	1,738,731	1.34%	166,965
– Health and social services	1,045,126	0.80%	153,527
– Water, environment and public facility management	957,878	0.74%	542,630
– Resident and other services	744,666	0.57%	170,908
– Cultural, sports and entertainment	507,395	0.39%	234,257
– Public administration, social security and social organisation	181,000	0.14%	141,000
– Mining	52,970	0.04%	16,000
– Finance	4,900	0.00%	–
	105,631,196	81.21%	40,323,486
Personal loans and advances	24,445,275	18.79%	14,449,609
	130,076,471	100.00%	54,773,095
<b>Less: Provision for impairment losses</b>			
– Individually assessed	(1,240,419)		
– Collectively assessed	(2,261,500)		
	(3,501,919)		
	126,574,552		

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

As at 30 June 2021 and 31 December 2020, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At 30 June 2021					
	Gross impaired loans and advances (Stage 3) (Unaudited) RMB'000	ECL			Impairment charged during the period (Unaudited) RMB'000	Written-off during the period (Unaudited) RMB'000
		Stage 1	Stage 2	Stage 3		
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000		
– Wholesale and retail	260,127	316,205	33,075	106,947	45,403	—
– Leasing and business services	249,639	179,154	111,081	173,953	136,881	—
– Manufacturing	898,007	276,488	113,090	571,086	184,569	—
– Construction	227,861	264,566	22,939	128,210	77,168	—

	At 31 December 2020					
	Gross impaired loans and advances (Stage 3) (Audited) RMB'000	ECL			Impairment charged during the year (Audited) RMB'000	Written-off during the year (Audited) RMB'000
		Stage 1	Stage 2	Stage 3		
		(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000		
– Wholesale and retail	193,641	279,052	38,865	92,907	(14,916)	(210)
– Manufacturing	707,164	269,620	122,060	384,415	157,221	—
– Leasing and business services	247,236	156,631	80,114	90,563	124,305	—
– Construction	130,304	260,130	15,504	62,912	176,062	(3,843)

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

For the Period Ended 30 June 2021

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

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
<b>Gross loans and advances to customers</b>		
Unsecured loans	2,615,223	2,647,050
Guaranteed loans	64,897,270	61,203,663
Collateralised loans	61,243,922	54,773,095
Pledged loans	13,140,455	11,452,663
	141,896,870	130,076,471

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

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

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

	At 30 June 2021				
	Overdue within three months (inclusive) (Unaudited) RMB'000	Overdue more than three months to one year (inclusive) (Unaudited) RMB'000	Overdue more than one year to three years (inclusive) (Unaudited) RMB'000	Overdue more than three years (Unaudited) RMB'000	Total (Unaudited) RMB'000
Unsecured loans	56,175	167,375	2,954	4,103	230,607
Guaranteed loans	1,575,619	461,840	464,513	150,601	2,652,573
Collateralised loans	1,151,354	451,336	901,604	419,809	2,924,103
Pledged loans	9,000	193,865	50,299	57,194	310,358
	<b>2,792,148</b>	<b>1,274,416</b>	<b>1,419,370</b>	<b>631,707</b>	<b>6,117,641</b>
As a percentage of gross loans and advances to customers	<b>1.97%</b>	<b>0.90%</b>	<b>1.00%</b>	<b>0.44%</b>	<b>4.31%</b>

	At 31 December 2020				
	Overdue within three months (inclusive) (Audited) RMB'000	Overdue more than three months to one year (inclusive) (Audited) RMB'000	Overdue more than one year to three years (inclusive) (Audited) RMB'000	Overdue more than three years (Audited) RMB'000	Total (Audited) RMB'000
Unsecured loans	785,815	5,795	2,618	4,710	798,938
Guaranteed loans	538,093	307,677	401,862	141,525	1,389,157
Collateralised loans	706,660	468,368	754,856	334,392	2,264,276
Pledged loans	619,098	37,682	10,679	57,369	724,828
	<b>2,649,666</b>	<b>819,522</b>	<b>1,170,015</b>	<b>537,996</b>	<b>5,177,199</b>
As a percentage of gross loans and advances to customers	<b>2.04%</b>	<b>0.63%</b>	<b>0.90%</b>	<b>0.41%</b>	<b>3.98%</b>

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

	At 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers	134,116,170	4,341,352	3,439,348	141,896,870
Less: Provision for impairment losses	(1,786,762)	(569,052)	(1,851,106)	(4,206,920)
	<b>132,329,408</b>	<b>3,772,300</b>	<b>1,588,242</b>	<b>137,689,950</b>

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers	123,623,125	3,824,722	2,628,624	130,076,471
Less: Provision for impairment losses	(1,657,400)	(511,007)	(1,333,512)	(3,501,919)
	121,965,725	3,313,715	1,295,112	126,574,552

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

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

As at 30 June 2021 and 31 December 2020, an analysis of the gross amount of loans receivables with the grading of the loan is as follows:

	At 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Unaudited)	(Unaudited)	(Unaudited)	
RMB'000	RMB'000	RMB'000		
Normal	133,217,839	—	—	133,217,839
Special mention	898,331	4,341,352	763,333	6,003,016
Substandard	—	—	755,678	755,678
Doubtful	—	—	1,869,073	1,869,073
Loss	—	—	51,264	51,264
Gross carrying amount	134,116,170	4,341,352	3,439,348	141,896,870
Less: Provision for impairment losses	(1,786,762)	(569,052)	(1,851,106)	(4,206,920)
Net carrying amount	132,329,408	3,772,300	1,588,242	137,689,950

	At 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Audited)	(Audited)	(Audited)	
RMB'000	RMB'000	RMB'000		
Normal	123,176,269	727,070	8,336	123,911,675
Special mention	446,856	3,097,652	495,582	4,040,090
Substandard	—	—	577,141	577,141
Doubtful	—	—	1,463,471	1,463,471
Loss	—	—	84,094	84,094
Gross carrying amount	123,623,125	3,824,722	2,628,624	130,076,471
Less: Provision for impairment losses	(1,657,400)	(511,007)	(1,333,512)	(3,501,919)
Net carrying amount	121,965,725	3,313,715	1,295,112	126,574,552



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

For the Period Ended 30 June 2021

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

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

	As at 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance at 1 January 2021	1,657,400	511,007	1,333,512	3,501,919
Changes in the loss allowance				
– Transfer to stage 1	29,094	(22,157)	(6,937)	–
– Transfer to stage 2	(21,208)	42,057	(20,849)	–
– Transfer to stage 3	(4,381)	(62,052)	66,433	–
– Charge to profit or loss, net	125,857	100,197	505,474	731,528
– Recoveries of loans and advances previously written off as uncollectible	–	–	3,969	3,969
– Interest income on impaired loans and advances to customers	–	–	(30,496)	(30,496)
Loss allowance at 30 June 2021	1,786,762	569,052	1,851,106	4,206,920

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

	As at 31 December 2020			Total (Audited) RMB'000
	Stage 1 12m ECL (Audited) RMB'000	Stage 2 Lifetime ECL (Audited) RMB'000	Stage 3 Lifetime ECL (Audited) RMB'000	
Loss allowance at 1 January 2020	1,478,337	278,402	953,024	2,709,763
Changes in the loss allowance				
— Transfer to stage 1	19,095	(16,961)	(2,134)	—
— Transfer to stage 2	(39,200)	66,588	(27,388)	—
— Transfer to stage 3	(10,656)	(59,212)	69,868	—
— Charge to profit or loss, net	209,824	242,190	411,557	863,571
— Recoveries of loans and advances previously written off as uncollectible	—	—	22,282	22,282
— Interest income on impaired loans and advances to customers	—	—	(58,222)	(58,222)
— Amounts written off as uncollectible	—	—	(35,475)	(35,475)
Loss allowance at 31 December 2020	1,657,400	511,007	1,333,512	3,501,919

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

	At 30 June 2021		
	Gross loan balance (Unaudited) RMB'000	Percentage (Unaudited)	Loan and advances secured by collaterals (Unaudited) RMB'000
Jilin Region	123,619,171	87.12%	50,562,455
Mainland China excluding Jilin Region	18,277,699	12.88%	10,681,467
	<b>141,896,870</b>	<b>100.00%</b>	<b>61,243,922</b>

	At 31 December 2020		
	Gross loans balance (Audited) RMB'000	Percentages (Audited)	Loans and advances secured by collaterals (Audited) RMB'000
Jilin Region	113,401,544	87.18%	45,089,701
Mainland China excluding Jilin Region	16,674,927	12.82%	9,683,394
	<b>130,076,471</b>	<b>100.00%</b>	<b>54,773,095</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

##### (h) Finance lease receivables

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Amounts receivable under finance leases:		
Within one year	750,088	152,566
After one year but within two years	231,627	971,544
After two years but within three years	1,546,188	456,631
After three years but within four years	169,854	669,173
After four years but within five years	338,578	—
Gross investment in leases	3,036,335	2,249,914
Less: Unearned finance income	(233,825)	(172,079)
Present value of minimum finance lease receivables	2,802,510	2,077,835
Less: Provision for impairment losses	(50,550)	(32,292)
	<b>2,751,960</b>	2,045,543

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Finance income on the net investment in finance leases	61,568	62,543

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

As at 30 June 2021 and 31 December 2020, the Group measures the loss allowance in accordance with 12-month ECL basis as described in note 19(f).

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	4,547,997	1,939,178
– Banks and other financial institutions	383,062	323,033
– Corporations	110,487	110,508
	5,041,546	2,372,719
Unlisted equity investments measured at FVTOCI	149,842	153,392
	5,191,388	2,526,111
Analysed as:		
Listed outside Hong Kong	5,041,546	2,372,719
Unlisted outside Hong Kong	149,842	153,392
	5,191,388	2,526,111

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 2021 and 31 December 2020, partial of the Group’s financial assets at FVTOCI were pledged as security for repurchase agreement (Note 27(a)).

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

Provision for impairment losses for debt instruments at FVTOCI:

	At 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Unaudited)	(Unaudited)	(Unaudited)	
RMB'000	RMB'000	RMB'000		
Gross debt instruments at FVTOCI	5,041,396	—	150	5,041,546
Less: Provision for impairment losses	(40)	—	(150)	(190)
	5,041,356	—	—	5,041,356

	At 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Audited)	(Audited)	(Audited)	
RMB'000	RMB'000	RMB'000		
Gross debt instruments at FVTOCI	2,372,569	—	150	2,372,719
Provision for impairment losses	(25)	—	(150)	(175)
	2,372,544	—	—	2,372,544

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
At 1 January	175	6,110
(Reversed) provided for the period/year	15	(5,935)
At 30 June/31 December	190	175

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	5,254,380	6,330,653
– Banks and other financial institutions	1,414,740	1,836,265
– Corporations	431,388	431,388
– Interbank certificates	411,192	–
	<b>7,511,700</b>	8,598,306
Trust plans	7,813,579	9,822,250
Asset management plans	6,208,465	6,625,571
Investment funds	636,036	720,906
	<b>14,658,080</b>	17,168,727
	<b>22,169,780</b>	25,767,033
Less: Provision for impairment losses	<b>(977,086)</b>	(994,351)
	<b>21,192,694</b>	24,772,682
Analysed as:		
Listed outside Hong Kong	7,476,239	8,566,462
Unlisted outside Hong Kong	13,716,455	16,206,220
	<b>21,192,694</b>	24,772,682

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

	At 30 June 2021			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Unaudited)	(Unaudited)	(Unaudited)	
RMB'000	RMB'000	RMB'000		
Gross financial assets measured at amortised costs	15,402,408	201,459	6,565,913	22,169,780
Less: Provision for impairment losses	(76,840)	(34,998)	(865,248)	(977,086)
	15,325,568	166,461	5,700,665	21,192,694

	At 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
	(Audited)	(Audited)	(Audited)	
RMB'000	RMB'000	RMB'000		
Gross financial assets measured at amortised costs	16,482,230	1,440,922	7,843,881	25,767,033
Less: Provision for impairment losses	(76,627)	(75,477)	(842,247)	(994,351)
	16,405,603	1,365,445	7,001,634	24,772,682



**Chapter 9 Unaudited Interim Financial Statements**  
**Notes to the Condensed Consolidated Financial Statements**  
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For the Period Ended 30 June 2021

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

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

	As at 30 June 2021			
	Stage 1 12m ECL (Unaudited) RMB'000	Stage 2 Lifetime ECL (Unaudited) RMB'000	Stage 3 Lifetime ECL (Unaudited) RMB'000	Total (Unaudited) RMB'000
Loss allowance at 1 January 2021	76,627	75,477	842,247	994,351
Changes in the loss allowance				
– Transfer to stage 1	–	–	–	–
– Transfer to stage 2	–	–	–	–
– Transfer to stage 3	(1,335)	(44,106)	45,441	–
– Charge to profit or loss, net	1,548	3,627	62,516	67,691
– Interest income on impaired financial asset measured at amortised cost	–	–	(84,956)	(84,956)
Loss allowance at 30 June 2021	76,840	34,998	865,248	977,086

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

	As at 31 December 2020			Total (Audited) RMB'000
	Stage 1 12m ECL (Audited) RMB'000	Stage 2 Lifetime ECL (Audited) RMB'000	Stage 3 Lifetime ECL (Audited) RMB'000	
Loss allowance at 1 January 2020	30,923	35,856	811,477	878,256
Changes in the loss allowance				
— Transfer to stage 1	—	—	—	—
— Transfer to stage 2	(525)	525	—	—
— Transfer to stage 3	(1,954)	(15,719)	17,673	—
— Charge to profit or loss, net	48,183	54,815	255,913	358,911
— Interest income on impaired financial asset measured at amortised cost	—	—	(242,816)	(242,816)
Loss allowance at 31 December 2020	76,627	75,477	842,247	994,351

Notes:

- (a) The Group holds these investments with the objective in collecting contractual cash flows and had measured them at their amortised cost.
- (b) The Group's debt securities which are listed outside Hong Kong are traded on the China Interbank Bond Market.
- (c) At 30 June 2021 and 31 December 2020, partial of the Group's financial assets at amortised cost were pledged as security for repurchase agreement (Note 27(a)).

#### 22. INTERESTS IN ASSOCIATES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Costs of investments in associates, unlisted	936,110	936,110
Share of post-acquisition results and other comprehensive income (expenses), less dividends received	50,454	69,020
	986,564	1,005,130

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

As at 30 June 2021 and 31 December 2020, the Group had interests in the following associates:

Name of the bank	Form of entity	Country of incorporation/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				30 June 2021	31 December 2020	30 June 2021	31 December 2020	
				(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Jilin Gongzhuling Rural Commercial Bank Co., Ltd.* (“吉林公主嶺農村商業銀行股份有限公司”, “Jilin Gongzhuling Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	20.2%	20.2%	20.2%	20.2%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank Co., Ltd.* (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	38.8%	38.8%	38.8%	38.8%	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd.* (“海口聯合農村商業銀行股份有限公司”, “Haikou United Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	20%	20%	24%	24%	Corporate and retail bank

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

\* The English translation is for identification only.

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

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

Note:

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
The Group's share of (losses) profit for the period/year	(8,903)	44,590
The Group's share of other comprehensive income (expense) for the period/year	1,967	(2,275)
	<b>(6,936)</b>	42,315

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Carrying amount of the Group's interests in these associates	<b>986,564</b>	1,005,130

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

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For the Period Ended 30 June 2021

#### 23. PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2020 (Audited)	3,551,401	621,216	825,576	296,136	10,727	5,305,056
Additions	8,888	17,464	101,064	179,704	3,220	310,340
Transfers in (out) of construction in progress	247,645	—	3,008	(250,653)	—	—
Transfers from repossessed assets	2,591	—	—	—	—	2,591
Disposals	(607,193)	—	(120,832)	(30,243)	(3,721)	(761,989)
At 31 December 2020 and 1 January 2021 (Audited)	<b>3,203,332</b>	<b>638,680</b>	<b>808,816</b>	<b>194,944</b>	<b>10,226</b>	<b>4,855,998</b>
Additions	<b>196</b>	<b>3,447</b>	<b>—</b>	<b>66,249</b>	<b>596</b>	<b>70,488</b>
Transfers in (out) of construction in progress	<b>10,913</b>	<b>—</b>	<b>774</b>	<b>(11,687)</b>	<b>—</b>	<b>—</b>
Transfers to land use rights	<b>—</b>	<b>—</b>	<b>—</b>	<b>(21,587)</b>	<b>—</b>	<b>(21,587)</b>
Disposals	<b>(2,785)</b>	<b>—</b>	<b>(39)</b>	<b>—</b>	<b>(1,521)</b>	<b>(4,345)</b>
At 30 June 2021 (Unaudited)	<b>3,211,656</b>	<b>642,127</b>	<b>809,551</b>	<b>227,919</b>	<b>9,301</b>	<b>4,900,554</b>
<b>Accumulated depreciation and impairment</b>						
At 1 January 2020 (Audited)	457,234	368,525	485,123	—	7,272	1,318,154
Provided for the year	170,212	63,553	132,280	—	1,027	367,072
Eliminated on disposals	(26,144)	—	(49,453)	—	(3,122)	(78,719)
At 31 December 2020 and 1 January 2021 (Audited)	<b>601,302</b>	<b>432,078</b>	<b>567,950</b>	<b>—</b>	<b>5,177</b>	<b>1,606,507</b>
Provided for the period	<b>78,304</b>	<b>17,468</b>	<b>48,007</b>	<b>—</b>	<b>766</b>	<b>144,545</b>
Impairment loss recognised	<b>—</b>	<b>—</b>	<b>—</b>	<b>184</b>	<b>—</b>	<b>184</b>
Eliminated on disposals	<b>—</b>	<b>—</b>	<b>(38)</b>	<b>—</b>	<b>(1,476)</b>	<b>(1,514)</b>
At 30 June 2021 (Unaudited)	<b>679,606</b>	<b>449,546</b>	<b>615,919</b>	<b>184</b>	<b>4,467</b>	<b>1,749,722</b>
<b>Net book value</b>						
At 30 June 2021 (Unaudited)	<b>2,532,050</b>	<b>192,581</b>	<b>193,632</b>	<b>227,735</b>	<b>4,834</b>	<b>3,150,832</b>
At 31 December 2020 (Audited)	2,602,030	206,602	240,866	194,944	5,049	3,249,491

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

At 30 June 2021, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB841,828,000 (31 December 2020: approximately RMB1,904,814,000). Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB513,603,000 (31 December 2020: approximately RMB510,108,000).

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

At 30 June 2021 and 31 December 2020, the net book values of premises are analysed by the remaining terms of the leases as follows:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Held in Mainland China		
– Long term leases (over 50 years)	6,161	11,473
– Medium term leases (10–50 years)	2,505,168	2,569,056
– Short term leases (less than 10 years)	20,721	21,501
	<b>2,532,050</b>	2,602,030

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**Notes to the Condensed Consolidated Financial Statements**  
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**24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

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

	Premises RMB'000	Motor Vehicles RMB'000	Land use rights (Note) RMB'000	Total RMB'000
<b>Cost</b>				
At 1 January 2020 (Audited)	952,870	11,052	8,420	972,342
Additions	172,447	2,877	—	175,324
Disposals	—	—	(17)	(17)
Early termination of lease	(151,812)	(552)	—	(152,364)
At 1 January 2021 (Audited)	973,505	13,377	8,403	995,285
Additions	34,226	3	—	34,229
Transfer from PPE	—	—	21,587	21,587
Disposals	(1,967)	—	—	(1,967)
At 30 June 2021 (Unaudited)	1,005,764	13,380	29,990	1,049,134
<b>Accumulated depreciation</b>				
At 1 January 2020 (Audited)	175,394	4,327	1,128	180,849
Provided for the period	190,177	4,395	322	194,894
Elimination on disposals	—	—	(2)	(2)
Elimination on early termination of lease	(44,272)	(424)	—	(44,696)
At 1 January 2021 (Audited)	321,299	8,298	1,448	331,045
Provided for the period	91,299	2,025	436	93,760
Eliminated on disposals	(295)	—	—	(295)
At 30 June 2021 (Unaudited)	412,303	10,323	1,884	424,510
<b>Carrying amounts</b>				
At 30 June 2021 (Unaudited)	593,461	3,057	28,106	624,624
At 31 December 2020 (Audited)	652,206	5,079	6,955	664,240

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

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

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

Note:

As at 30 June 2021, right-of-use assets of approximately RMB28,106,000 (31 December 2020: approximately RMB6,955,000) represents land use rights located in the PRC. As at 30 June 2021, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB804,000 (31 December 2020: approximately RMB824,000). In the opinion of the directors, based on the advice from the Group's external legal adviser, the absence of the land certificate does not impair its carrying value to the Group.

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

Additions to the right-of-use assets for the period ended 30 June 2021 amounted to approximately RMB34,229,000, due to new leases of premises and motor vehicles.

Additions to the right-of-use assets for the year ended 31 December 2020 amounted to approximately RMB175,324,000, due to new leases of premises and motor vehicles.

##### (ii) Lease liabilities

###### Amounts payable under lease liabilities

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Within one year	158,490	152,753
After one year but within two years	138,005	146,564
After two year but within five years	215,358	250,374
After five years	28,640	41,808
	<b>540,493</b>	591,499

During the period ended 30 June 2021, the Group entered into a number of new lease agreements in respect of renting properties and motor vehicles and recognised lease liability of approximately RMB34,229,000.

During the year ended 31 December 2020, the Group entered into a number of new lease agreements in respect of renting properties and motor vehicles and recognised lease liability of approximately RMB175,324,000.



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Depreciation expense on right-of-use assets	93,760	97,873
Interest expense on lease liabilities	12,988	15,531
Expense relating to short-term leases	22,043	12,242

##### (iv) Others

As at 30 June 2021 and 31 December 2020, the Group is not committed for lease agreements not yet commenced.

During the period ended 30 June 2021, the total cash outflow for leases amount to approximately RMB118,681,000 (six months ended 30 June 2020: approximately RMB99,337,000).

#### 25. DEFERRED TAXATION

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Deferred tax assets	1,034,439	884,200
Deferred tax liabilities	(113,466)	(110,978)
	<b>920,973</b>	773,222

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 25. DEFERRED TAXATION (Continued)

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

	Provision for impairment losses on assets RMB'000 Note (i)	Change in fair value of financial asset at FVTOCI RMB'000 Note (ii)	Net losses/(gains) from fair value changes of financial asset at FVTPL RMB'000 Note (ii)	Tax losses RMB'000 Note (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 2020 (Audited)	657,267	(1,223)	(164,420)	62,290	7,582	561,496
Credit/(charge) to profit or loss	158,682	(1,239)	53,650	(725)	(896)	209,472
Credit to other comprehensive income	—	2,254	—	—	—	2,254
At 31 December 2020 and 1 January 2021 (Audited)	<b>815,949</b>	<b>(208)</b>	<b>(110,770)</b>	<b>61,565</b>	<b>6,686</b>	<b>773,222</b>
Credit/(charge) to profit or loss	<b>138,911</b>	<b>3</b>	<b>25,633</b>	<b>(20,667)</b>	<b>2,708</b>	<b>146,588</b>
Credit to other comprehensive income	—	<b>1,163</b>	—	—	—	<b>1,163</b>
At 30 June 2021 (Unaudited)	<b>954,860</b>	<b>958</b>	<b>(85,137)</b>	<b>40,898</b>	<b>9,394</b>	<b>920,973</b>

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other financial assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At 30 June 2021, the Group has unused tax losses of approximately RMB163,592,000 (31 December 2020: approximately RMB246,260,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 26. OTHER ASSETS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Other receivables and prepayments (Note (i))	319,914	276,539
Repossessed assets (Note (ii))	504,171	503,275
Long-term deferred expenses (Note (iii))	124,367	145,671
Other	30,244	13,548
	<b>978,696</b>	939,033

Notes:

(i)

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Other receivables and prepayments	352,356	309,265
Less: Provision for impairment losses	(32,442)	(32,726)
	<b>319,914</b>	276,539

As at 30 June 2021, the Group has other receivables in gross amount of approximately RMB216,605,000 (31 December 2020: approximately RMB193,371,000) and measures the loss allowance in accordance with 12-month ECL and lifetime ECL basis amounting to approximately RMB28,897,000 (31 December 2020: RMB32,726,000).

Movements of allowance for impairment losses

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
At 1 January	32,726	23,427
Impairment losses recognised	—	40,309
Impairment losses reversed	(1,847)	(1,579)
Recoveries of loans and advances previously written off as uncollectible	1,563	—
Amounts written off as uncollectible	—	(29,431)
At 30 June/31 December	<b>32,442</b>	32,726

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 26. OTHER ASSETS (Continued)

Notes: (Continued)

(ii)

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Reposessed assets	529,506	528,610
Less: Provision for impairment losses	(25,335)	(25,335)
	<b>504,171</b>	<b>503,275</b>

Movements of allowance for impairment losses

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
At 1 January	25,335	19,440
Impairment losses recognised	—	7,237
Amounts written off as uncollectible	—	(1,342)
At 30 June/31 December	<b>25,335</b>	<b>25,335</b>

(iii) As at 30 June 2021, long-term deferred expenses represent prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period in 2021. Amortisation of long-term deferred expenses for the period ended 30 June 2021 was approximately RMB22,478,000.

As at 31 December 2020, long-term deferred expenses represent prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period in 2020. Amortisation of long-term deferred expenses for the year ended 31 December 2020 was approximately RMB32,123,000.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 27. PLEDGED ASSETS

##### (a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include financial assets held under resale agreement and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 30 June 2021 is approximately RMB2,788,023,000 (31 December 2020: approximately RMB2,774,277,000).

##### (b) Received pledged assets

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

#### 28. BORROWINGS FROM THE CENTRAL BANK

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Borrowings	2,182,334	4,010,960

#### 29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Deposits in Mainland China		
— Banks	7,475,788	8,335,923

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 30. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Placements in Mainland China		
– Banks	7,732,496	7,101,496

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

(a) Analysed by type and location of counterparty

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
In Mainland China		
– Banks	2,730,500	2,654,900

(b) Analysed by collateral

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Debt securities	2,730,500	2,654,900

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

**(Continued)**

For the Period Ended 30 June 2021

#### 32. DEPOSITS FROM CUSTOMERS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Demand deposits		
– Corporate customers	30,374,744	32,649,024
– Individual customers	16,115,749	22,558,988
	<b>46,490,493</b>	55,208,012
Time deposits		
– Corporate customers	7,337,920	7,491,990
– Individual customers	108,387,399	82,997,601
	<b>115,725,319</b>	90,489,591
Pledged deposits		
– Acceptances	754,462	633,302
– Guarantees and letters of guarantees	1,560,234	2,253,620
	<b>2,314,696</b>	2,886,922
Others	1,102,558	1,178,664
	<b>165,633,066</b>	149,763,189

#### 33. ACCRUED STAFF COSTS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Salary and bonus payable	63,874	163,572
Social pension schemes payable	1,031	403
Other social insurances payable	2,088	1,507
Other staff welfare payable	2,101	11,202
	<b>69,094</b>	176,684

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 34. INTERESTS PAYABLE

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Deposits from customers	3,134,110	2,643,553
Deposits and placements from banks and other financial institutions	228,609	300,776
Debts securities issued	61,646	44,009
Others	524	2,486
	<b>3,424,889</b>	<b>2,990,824</b>

#### 35. DEBTS SECURITIES ISSUED

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Note (i))	2,397,209	2,396,807
Interbank certificates issued (Note (ii))	3,694,557	5,107,719
	<b>6,091,766</b>	<b>7,504,526</b>

Notes:

- (i) Fixed rate subordinated debts/tier-two capital bonds issued
- (a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00%. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 30 June 2021, the outstanding balance of this fixed rate subordinated debts issued is approximately RMB699,549,000 (31 December 2020: approximately RMB699,400,000).
- (b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 30 June 2021, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB799,092,000 (31 December 2020: approximately RMB798,973,000).
- (c) Fixed rate tier-two capital bonds at a face value of RMB900,000,000 with a term of ten years were issued on 20 October 2016. The coupon rate is 4.20%. The Group has an option to redeem the debts on 20 October 2021 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.24%. As at 30 June 2021, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB898,568,000 (31 December 2020: approximately RMB898,434,000).
- (ii) Interbank certificates issued
- (a) For the period ended 30 June 2021, the Bank issued a number of zero coupon interbank certificates with total nominal amount of RMB3,400,000,000 and duration between 3 months to 1 year. As at 30 June 2021, the outstanding balance of interbank certificates issued is approximately RMB3,110,206,000. The ranges of effective interest rates per annum on the Group's interbank certificates issued are 3.25% to 3.82% per annum.
- (b) For the year ended 31 December 2020, the Bank issued a number of zero coupon interbank certificates with total nominal amount of RMB7,630,000,000 and duration between 1 month to 1 year. As at 30 June 2021, the outstanding balance of interbank certificates issued is approximately RMB584,351,000 (31 December 2020: RMB5,107,719,000) The ranges of effective interest rates per annum on the Group's interbank certificates issued are 3.06% to 4.20% per annum.



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

### 36. OTHER LIABILITIES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Other payable and accrued expenses	332,182	450,842
Clearance of inter-bank accounts	71,507	174,501
Other taxes payables	33,727	40,655
Agency business liabilities	3,482	135
Dividend payable	659,460	10
Deposits under finance lease arrangement and unearned revenue (Notes (a))	79,334	48,763
Provision for credit commitments and financial guarantees (Notes (b))	47,433	43,372
	<b>1,227,125</b>	758,278

Notes:

- (a) Deposits under finance lease arrangement and unearned revenue mainly represents finance leases deposits payable and deferred income received under finance leases for which the income will be amortised over the leasing periods.
- (b) As at 30 June 2021 and 31 December 2020, the Group classifies all provision for credit commitments and financial guarantees in Stage 1 and measures the loss allowance in accordance with 12-month ECL basis.

Movement of provision for impairment losses:

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
At 1 January	43,372	226
Impairment losses recognised	4,061	43,146
At 30 June/31 December	47,433	43,372

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### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 37. SHARE CAPITAL

Share capital of the Group as at 30 June 2021 and 31 December 2020 represented share capital of the Bank, which is fully paid.

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
— Ordinary shares	4,393,239	4,393,239
At beginning of the period/year	4,393,239	4,184,037
Share increase by converting capital reserve into new shares (Note)	—	209,202
At end of the period/ year	4,393,239	4,393,239

Note:

Subsequent to the period ended 30 June 2021, on 23 July 2021, the Bank issued 219,661,972 ordinary shares with a par value of RMB1 per share by way of capitalisation issue of capital reserve of the Bank on the basis of five new shares for every one hundred existing shares (the "2021 Capitalisation Issue"). The new shares rank pari passu with the existing shares in all respects. Subsequent to the 2021 Capitalisation Issue, the outstanding ordinary shares of the Bank was increased to 4,612,901,427.

On 14 August 2020, the Bank issued 209,201,878 ordinary shares with a par value of RMB1 per share by way of capitalisation issue of capital reserve of the Bank on the basis of five new shares for every one hundred existing shares (the "2020 Capitalisation Issue"). The new shares rank pari passu with the existing shares in all respects. Subsequent to the 2020 Capitalisation Issue, the outstanding ordinary shares of the Bank was increased to 4,393,239,455.

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Domestic shareholders	3,556,442	3,556,442
H shareholders	836,797	836,797
At end of the period/ year	4,393,239	4,393,239

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### Notes to the Condensed Consolidated Financial Statements

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#### 38. CAPITAL RESERVE

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Share premium	4,642,847	4,642,847
Changes in ownership in subsidiaries without changes in control	280,840	278,493
	<b>4,923,687</b>	4,921,340

#### 39. SURPLUS RESERVE AND GENERAL RESERVE

##### (a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 30 June 2021 is approximately RMB898,865,000 (31 December 2020: approximately RMB898,865,000), while other surplus reserve is approximately RMB16,659,000 as at 30 June 2021 (31 December 2020: approximately RMB16,659,000). The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

##### (b) General reserve

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

#### 40. DIVIDENDS

	30 June 2021 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000
2020 final dividend (Note a)	658,986	—
2019 final dividend (Note b)	—	753,127

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

For the Period Ended 30 June 2021

#### 40. DIVIDENDS (Continued)

Notes:

- (a) Pursuant to the resolution of the shareholders meeting of 2020 on 18 June 2021, the Bank distributed cash dividends of RMB0.15 per share (tax included) based on 4,393,239,455 shares held amounting to approximately RMB658,986,000 during the period ended 30 June 2021.
- (b) Pursuant to the resolution of the shareholders meeting of 2019 on 18 June 2020, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 4,184,037,577 shares held amounting to approximately RMB753,127,000 during the period ended 30 June 2020.
- (c) No interim dividend was paid, declared or proposed during the period ended 30 June 2021 (2020: nil).

#### 41. STRUCTURED ENTITIES

##### (a) Consolidated structured entities

The condensed consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at 30 June 2021 and 31 December 2020, the amount of assets held by the principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB1,499,227,000 and approximately RMB1,548,044,000 respectively.

##### (b) Unconsolidated structured entities

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

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 41. STRUCTURED ENTITIES (Continued)

##### (b) Unconsolidated structured entities (Continued)

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

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 30 June 2021 and 31 December 2020:

	30 June 2021				
	Financial assets				
	Financial assets at FVTPL (Unaudited) RMB'000	Financial assets at FVTOCI (Unaudited) RMB'000	Financial assets measured at amortised cost (Unaudited) RMB'000	Carrying amount (Unaudited) RMB'000	Maximum exposure (Unaudited) RMB'000
Trust plans	—	—	7,813,579	7,813,579	7,813,579
Asset management plans	473,663	—	6,208,465	6,682,128	6,682,128
Investment funds	—	—	636,036	636,036	636,036
	<b>473,663</b>	<b>—</b>	<b>14,658,080</b>	<b>15,131,743</b>	<b>15,131,743</b>

  

	31 December 2020				
	Financial assets				
	Financial assets at FVTPL (Audited) RMB'000	Financial assets at FVTOCI (Audited) RMB'000	Financial assets measured at amortised cost (Audited) RMB'000	Carrying amount (Audited) RMB'000	Maximum exposure (Audited) RMB'000
Trust plans	—	—	9,822,250	9,822,250	9,822,250
Asset management plans	473,663	—	6,625,571	7,099,234	7,099,234
Investment funds	—	—	720,906	720,906	720,906
	<b>473,663</b>	<b>—</b>	<b>17,168,727</b>	<b>17,642,390</b>	<b>17,642,390</b>

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

For the Period Ended 30 June 2021

#### 41. STRUCTURED ENTITIES (Continued)

##### (b) Unconsolidated structured entities (Continued)

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

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

As at 30 June 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB3,825,784,000 (31 December 2020: approximately RMB4,344,910,000).

###### (iii) Unconsolidated structured entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2021 and 31 December 2020:

During the period ended 30 June 2021, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 30 June 2021 amounted to approximately RMB338,520,000 (during the year ended 31 December 2020: approximately RMB3,414,700,000).

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

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

#### **(Continued)**

For the Period Ended 30 June 2021

#### **42. CAPITAL MANAGEMENT**

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

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

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

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

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

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

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with the generally accepted accounting principles in the PRC. During the period/year ended 30 June 2020 and 31 December 2019, the Group has complied with all its externally imposed capital requirements.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 42. CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at 30 June 2021 and 31 December 2020 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBIRC are as follows:

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Total core tier-one capital		
Share capital	4,393,239	4,393,239
Qualifying portion of capital reserve	4,923,687	4,921,340
Investment revaluation reserve	4,296	10,401
Surplus reserve	915,524	915,524
General reserve	2,079,164	2,077,865
Retained earnings	1,127,177	1,353,162
Qualifying portions of non-controlling interests	1,497,511	1,475,256
Core tier-one capital deductions (Note)	(502,027)	(554,403)
Net core tier-one capital	14,438,571	14,592,384
Eligible portion of non-controlling interests	163,713	158,328
Net tier-one capital	14,602,284	14,750,712
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	1,610,000	1,840,000
Surplus provision for loan impairment	1,530,904	1,377,213
Eligible portion of non-controlling interests	370,739	357,974
Net capital base	18,113,927	18,325,899
Total risk weighted assets	169,692,457	161,211,055
Core tier-one capital adequacy ratio	8.51%	9.05%
Tier-one capital adequacy ratio	8.61%	9.15%
Capital adequacy ratio	10.67%	11.37%

Note:

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



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

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

#### **(Continued)**

For the Period Ended 30 June 2021

#### **43. FINANCIAL RISK MANAGEMENT**

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

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

Details of the financial instruments are disclosed in respective notes to the condensed consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (i.e. interest rate risk and exchange rate risk). The policies on how to mitigate these risks for the six-month period ended 30 June 2021 are the same as those presented in the Group's consolidated financial statements for the year ended 31 December 2020.

##### **Credit risk**

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

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

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

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

##### Credit risk (Continued)

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

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

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

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

#### **(Continued)**

For the Period Ended 30 June 2021

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

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

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

##### **Loan and advance to customers**

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

##### **Financial assets at FVTOCI**

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

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

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

#### **(Continued)**

For the Period Ended 30 June 2021

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

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

###### **Financial asset measured at amortised cost**

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

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

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

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

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

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

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

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

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

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

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 44. CASH AND CASH EQUIVALENTS

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Cash on hand	753,984	739,591
Deposits with the central bank	16,172,780	12,705,802
Deposits with banks and other financial institutions	5,596,726	6,574,424
Placements with banks and other financial institutions	—	140,000
Financial assets held under resale agreements	—	1,102,000
<b>Total</b>	<b>22,523,490</b>	21,261,817

#### 45. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

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

##### (i) Major shareholders

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

Shareholding in the Bank:

	At 30 June 2021 (Unaudited)	At 31 December 2020 (Audited)
Jilin Province Trust Co., Ltd. ("吉林省信託有限責任公司")	9.61%	9.61%
Changchun Huaxing Construction Co., Ltd. ("長春華星建築有限責任公司")	8.23%	8.23%

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

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

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

##### (ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 45(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

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

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

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

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

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Transactions during the period		
Interest income	24,347	18,804
Interest expense	8,383	31,643
Rental income	3,400	3,400

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Balances at end of the period/year		
Deposits with banks and other financial institutions	1,771,327	4,229,958
Interests receivable	425	156
Deposits from banks and other financial institutions	554,000	615,000
Interests payable	16,257	11,023

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Transactions during the period		
Interest income	11,750	20,662
Interest expense	43	49

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Balances at end of the period/year		
Placements with banks and other financial institutions	—	140,000
Loans and advances to customers	431,500	254,000
Interests receivable	4,421	1,584
Deposits from customers	26,770	21,648
Interests payable	3	2

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

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

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Transactions during the period		
Interest income	24,478	47,166
Interest expense	2,343	1,257

	At 30 June	At 31 December
	2021 (Unaudited) RMB'000	2020 (Audited) RMB'000
Balances at end of the period/year		
Loans and advances to customers	1,405,560	1,246,500
Interests receivable	23,498	15
Interests payable	5,686	8,210
Deposits from customers	784,341	1,546,124



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

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

##### (c) Key management personnel

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

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Transactions during the period		
Interest income	—	112
Interest expense	—*	73
Rental expense	—	421

\* The balance represents an amount less than RMB500.

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Balances at end of the period/year		
Interest payable	17	1
Loans and advances to customers	1,372	2,772
Deposits from customers	1,563	5,336

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

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

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

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

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

	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Short-term staff benefits	3,064	3,154
Retirement benefits		
— Basic social pension insurance	710	728
	<b>3,774</b>	3,882

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

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Loans and advances to directors, supervisors and officers	1,372	2,772

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

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

#### **(Continued)**

For the Period Ended 30 June 2021

#### **46. SEGMENT REPORTING**

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

##### **Corporate banking**

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

##### **Retail banking**

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

##### **Treasury operations**

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

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

#### 46. SEGMENT REPORTING (Continued)

##### Others

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

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

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

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 46. SEGMENT REPORTING (Continued)

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

	Six months ended 30 June 2021				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating income					
External net interest income/(expense)	3,009,180	(891,747)	597,920	(86)	2,715,267
Internal net interest (expense)/income	(1,624,652)	2,159,541	(534,889)	—	—
Net interest income/(expense)	1,384,528	1,267,794	63,031	(86)	2,715,267
Net fee and commission income	29,180	4,293	275	(365)	33,383
Net trading losses	—	—	(72,311)	—	(72,311)
Dividend income	—	—	—	32,892	32,892
Net gains arising from investment securities	—	—	22,421	—	22,421
Net exchange gains	—	—	—	7,454	7,454
Other operating income, net	—	—	—	12,843	12,843
Operating income	1,413,708	1,272,087	13,416	52,738	2,751,949
Operating expenses	(842,015)	(348,822)	(50,202)	(10,588)	(1,251,627)
Impairment losses on assets	(664,559)	(71,030)	(67,179)	1,663	(801,105)
Operating profit/(loss)	(92,866)	852,235	(103,965)	43,813	699,217
Share of results of associates	—	—	—	(8,903)	(8,903)
Profit/(Loss) before tax	(92,866)	852,235	(103,965)	34,910	690,314
Other segment information					
— Depreciation and amortisation	183,246	66,063	9,671	1,803	260,783
— Capital expenditure	38,573	28,741	2,358	816	70,488

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

#### 46. SEGMENT REPORTING (Continued)

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

	At 30 June 2021				
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
	Segment assets	122,332,738	21,099,531	66,276,420	2,634,426
Deferred tax assets	—	—	—	920,973	920,973
<b>Total assets</b>	<b>122,332,738</b>	<b>21,099,531</b>	<b>66,276,420</b>	<b>3,555,399</b>	<b>213,264,088</b>
Segment liabilities	(45,777,564)	(124,078,188)	(26,342,595)	(344,372)	(196,542,719)
Dividend payable	—	—	—	(659,460)	(659,460)
<b>Total liabilities</b>	<b>(45,777,564)</b>	<b>(124,078,188)</b>	<b>(26,342,595)</b>	<b>(1,003,832)</b>	<b>(197,202,179)</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 46. SEGMENT REPORTING (Continued)

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

	Six months ended 30 June 2020				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating income					
External net interest income/(expense)	2,301,062	(612,165)	408,710	(1,018)	2,096,589
Internal net interest (expense)/income	(952,144)	1,559,393	(607,249)	—	—
Net interest income/ (expense)	1,348,918	947,228	(198,539)	(1,018)	2,096,589
Net fee and commission income	31,245	4,935	799	—	36,979
Net trading gains	—	—	96,361	—	96,361
Dividend income	—	—	—	59,402	59,402
Net gains arising from investment securities	—	—	35,215	—	35,215
Net exchange gains	—	—	—	4,103	4,103
Other operating income, net	—	—	—	11,000	11,000
Operating income	1,380,163	952,163	(66,164)	73,487	2,339,649
Operating expenses	(585,754)	(506,555)	(23,484)	(25,686)	(1,141,479)
Impairment losses on assets	(360,682)	(152,704)	(139,938)	(1,639)	(654,963)
Operating profit/(loss)	433,727	292,904	(229,586)	46,162	543,207
Share of results of associates	—	—	—	(2,736)	(2,736)
Profit/(loss) before tax	433,727	292,904	(229,586)	43,426	540,471
Other segment information					
— Depreciation and amortisation	142,195	113,402	4,541	5,294	265,432
— Capital expenditure	33,938	39,376	1,146	1,952	76,412

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

#### 46. SEGMENT REPORTING (Continued)

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

	At 31 December 2020				
	Corporate banking (Audited) RMB'000	Retail banking (Audited) RMB'000	Treasury operations (Audited) RMB'000	Others (Audited) RMB'000	Total (Audited) RMB'000
Segment assets	108,706,385	23,248,139	64,516,709	3,118,815	199,590,048
Deferred tax assets	—	—	—	773,222	773,222
<b>Total assets</b>	<b>108,706,385</b>	<b>23,248,139</b>	<b>64,516,709</b>	<b>3,892,037</b>	<b>200,363,270</b>
Segment liabilities	(47,758,367)	(107,342,342)	(28,699,141)	(312,225)	(184,112,075)
Dividend payable	—	—	—	(10)	(10)
<b>Total liabilities</b>	<b>(47,758,367)</b>	<b>(107,342,342)</b>	<b>(28,699,141)</b>	<b>(312,235)</b>	<b>(184,112,085)</b>



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 46. SEGMENT REPORTING (Continued)

##### (b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipment, right-of-use assets and long-term deferred expenses. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jilin Region” refers to the head quarter of the Bank and the 13 (31 December 2020: 13) subsidiaries of the Group.
- “Mainland China excluding Jilin Region” refers to the following areas serviced by the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

	Operating Income	
	Six months ended 30 June	
	2021 (Unaudited) RMB'000	2020 (Unaudited) RMB'000
Jilin Region	2,397,218	2,023,840
Mainland China excluding Jilin Region	354,731	315,809
	<b>2,751,949</b>	2,339,649

	Non-current asset	
	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
	Jilin Region	3,226,099
Mainland China excluding Jilin Region	673,724	679,648
	<b>3,899,823</b>	4,059,402

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

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

#### **(Continued)**

For the Period Ended 30 June 2021

#### **47. FAIR VALUE OF FINANCIAL INSTRUMENTS**

##### **(a) Methods and assumptions for measurement of fair value**

The Group adopts the following methods and assumptions when evaluating fair values:

##### **(i) Debt securities**

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

##### **(ii) Receivables and other non-derivative financial assets**

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

##### **(iii) Unlisted equity investments**

The fair value of the unlisted equity investment has been estimated by using the market approach, using ratio of price to book value ("PB ratio") of certain listed companies in the same industry, in arriving at an indicated value of the unlisted equity interest. The valuation takes account of a discount for lack of marketability on this investment.

##### **(iv) Trust plans, asset management plan and other investments**

The fair value of the trust plans, asset management plan and other investments are based on the net assets values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

##### **(v) Debt securities issued and other non-derivative financial liabilities**

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the reporting period. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

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

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

#### **(Continued)**

For the Period Ended 30 June 2021

#### **47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

##### **(b) Fair value measurement**

###### **(i) Financial assets**

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, placement with other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial assets at FVTPL and financial assets at FVTOCI are stated at fair value.

###### **(ii) Financial liabilities**

The Group's financial liabilities mainly include deposits from banks and other financial institutions, financial assets sold under repurchase agreements, placement with other financial institutions, deposits from customers and debts securities issued.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

#### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the condensed consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

	At 30 June 2021			
	Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000	Total (Unaudited) RMB'000
<b>Assets</b>				
Financial assets at FVTPL (Note 17)				
– other debt instruments	–	1,972,890	–	1,972,890
– unlisted equity investments measured at FVTPL	–	318,972	729,995	1,048,967
Financial assets at FVTOCI (Note 20)				
– debt securities	–	5,041,546	–	5,041,546
– unlisted equity investments measured at FVTOCI	–	–	149,842	149,842
	–	7,333,408	879,837	8,213,245

	At 31 December 2020			
	Level 1 (Audited) RMB'000	Level 2 (Audited) RMB'000	Level 3 (Audited) RMB'000	Total (Audited) RMB'000
<b>Assets</b>				
Financial assets at FVTPL (Note 17)				
– other debt instruments	–	2,021,707	–	2,021,707
– unlisted equity investments measured at FVTPL	–	210,972	967,530	1,178,502
Financial assets at FVTOCI (Note 20)				
– debt securities	–	2,372,719	–	2,372,719
– unlisted equity investments measured at FVTOCI	–	–	153,392	153,392
	–	4,605,398	1,120,922	5,726,320

During the period ended 30 June 2021, an unlisted equity measured at FVTPL amounted approximately RMB108,000,000 was transferred out of Level 3 of the fair value hierarchy upon the recent transactions of the investment among independent third parties took place during the period. During the year ended 31 December 2020, there were no significant transfers among each level.

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

### (Continued)

For the Period Ended 30 June 2021

#### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000				
<b>Financial assets at FVTPL</b>						
Debt instruments	1,972,890	2,021,707	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Unlisted equity investments measured at FVTPL	729,995	967,530	Level 3	Market approach adopted. The value is based on price-to-book ratio ("PB ratio"), adjusted by discount for lack of marketability ("DLOM").	The PB ratio is 0.87 (31 December 2020: 0.98). The DLOM is 10%. (31 December 2020: 10%)	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (i))
	318,972	210,972	Level 2	Based on recent transaction price.	N/A	N/A
<b>Financial assets at FVTOCI</b>						
Debt securities – listed	5,041,546	2,372,719	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Unlisted equity investments measured at FVTOCI	149,842	153,392	Level 3	Market approach adopted. The value is based on PB ratio, adjusted by DLOM.	The PB ratio is 0.87 (31 December 2020: 0.98). The DLOM is 10%. (31 December 2020: 10%)	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (ii))

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

### (Continued)

For the Period Ended 30 June 2021

#### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Notes:

- (i) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTPL by approximately RMB22,362,000 (31 December 2020: approximately RMB27,268,000) and vice versa.

A 0.5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTPL by approximately RMB2,485,000 (31 December 2020: approximately RMB3,030,000) and vice versa.

- (ii) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB2,145,000 (31 December 2020: approximately RMB2,322,000) and vice versa.

A 0.5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB239,000 (31 December 2020: approximately RMB258,000) and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investment		
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
At 31 December 2019 (Audited)	1,058,639	145,285	1,203,924
Fair value losses recognised in profit or loss	(41,049)	—	(41,049)
Fair value gain recognised in OCI	—	8,107	8,107
Disposals	(197,075)	—	(197,075)
Transfer into level 3 (Change in valuation methodology)	147,015	—	147,015
At 31 December 2020 and 1 January 2021 (Audited)	<b>967,530</b>	<b>153,392</b>	<b>1,120,922</b>
Fair value losses recognised in profit or loss	<b>(113,315)</b>	—	<b>(113,315)</b>
Fair value losses recognised in OCI	—	<b>(3,550)</b>	<b>(3,550)</b>
Disposals	<b>(16,220)</b>	—	<b>(16,220)</b>
Transfer out of level 3 (Change in valuation methodology)	<b>(108,000)</b>	—	<b>(108,000)</b>
At 30 June 2021 (Unaudited)	<b>729,995</b>	<b>149,842</b>	<b>879,837</b>

Notes:

The above total changes in fair value for the period ended 30 June 2021 of approximately RMB113,315,000 and RMB3,550,000 are included in net trading losses and investment revaluation reserve respectively.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2021

#### 47. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

*Notes: (Continued)*

Reconciliation of Level 3 fair value measurements of financial assets: (Continued)

The above fair value losses and gain of approximately RMB41,049,000 and RMB8,107,000 respectively are included in net trading gains and investment revaluation reserve for the year ended 31 December 2020.

The fair value of equity investment is determined with reference to price-to-book ratio of certain listed companies with an adjustment of discount for lack of marketability, which are unobservable inputs for the fair value measurement. The higher the discount for lack of marketability, the lower the fair value.

#### 48. ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Entrusted loans	<b>18,451,500</b>	7,129,613
Entrusted funds	<b>18,451,500</b>	7,129,613



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 49. COMMITMENTS

##### (a) Credit commitments

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

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

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Acceptances	1,936,984	1,524,543
Letters of guarantees	2,919,147	2,991,216
Letters of credit	73,686	13,137
Unused credit card commitments	161,280	161,309
	<b>5,091,097</b>	4,690,205

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

##### (b) Capital commitments

At 30 June 2021 and 31 December 2020, the Group's authorised capital commitments are as follows:

	At 30 June 2021 (Unaudited) RMB'000	At 31 December 2020 (Audited) RMB'000
Purchase of property and equipment — Contracted for but not provided	432	1,447

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements

#### (Continued)

For the Period Ended 30 June 2021

#### 50. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's condensed consolidated statement of cash flows from financing activities.

	1 January 2021 (Audited) RMB'000	Financing cash flows (Unaudited) RMB'000	Non-cash change				30 June 2021 (Unaudited) RMB'000
			Finance cost incurred (Unaudited) RMB'000	Dividend declared (Unaudited) RMB'000	New lease arrangement entered (Unaudited) RMB'000	Early termination of lease (Unaudited) RMB'000	
<b>Liabilities</b>							
Debt securities issued (Note 35)	7,504,526	(1,469,026)	56,266	—	—	—	6,091,766
Interests payable arising from debt securities issued (Note 34)	44,009	(50,399)	68,036	—	—	—	61,646
Dividend payable (Note 36)	10	(44,397)	—	703,847	—	—	659,460
Lease liabilities (Note 24)	591,499	(96,638)	12,988	—	34,229	(1,585)	540,493
	8,140,044	(1,660,460)	137,290	703,847	34,229	(1,585)	7,353,365

	1 January 2020 (Audited) RMB'000	Financing cash flows (Unaudited) RMB'000	Non-cash change				30 June 2020 (Unaudited) RMB'000
			Finance cost incurred (Unaudited) RMB'000	Dividend declared (Unaudited) RMB'000	New lease arrangement entered (Unaudited) RMB'000	Early termination of lease (Unaudited) RMB'000	
<b>Liabilities</b>							
Debt securities issued (Note 35)	14,220,057	(4,099,225)	185,393	—	—	—	10,306,225
Interests payable arising from debt securities issued (Note 34)	43,876	(49,882)	68,190	—	—	—	62,184
Dividend payable (Note 36)	6	(66,919)	—	820,166	—	—	753,253
Lease liabilities (Note 24)	711,903	(102,666)	15,531	—	68,058	(37,781)	655,045
	14,975,842	(4,318,692)	269,114	820,166	68,058	(37,781)	11,776,707

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

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

#### **(Continued)**

For the Period Ended 30 June 2021

#### **51. NON-CASH TRANSACTION**

- (i) During the year ended 30 June 2021, the Group entered into new arrangements in respect of premises and motor vehicles. Right-of-use assets and lease liabilities of RMB34,229,000 were recognised at the commencement of the leases.
  
- (ii) During the year ended 30 June 2020, the Group entered into new arrangements in respect of premises and motor vehicles. Right-of-use assets and lease liabilities of RMB68,056,000 were recognised at the commencement of the leases.

#### **52. EVENTS AFTER THE REPORTING PERIOD**

- (i) On July 20, 2021, the Bank issued the Tier-two Capital Bonds of Jilin Jiutai Rural Commercial Bank Corporation Limited for 2021 (the “Bonds”) in the national inter-bank bond market, which was completed on July 21, 2021. The Bonds, with the total issuing size of RMB2 billion, are fixed rate bonds with a term of ten years and are conditionally redeemable by the issuer at the end of the fifth year with a coupon rate of 4.80% per annum.
  
- (ii) On July 23, 2021, the Bank issued 219,661,972 ordinary shares by way of capitalisation issue, following which the total share capital of ordinary shares of the Bank has been increased to 4,612,901,427 shares (Note 37).

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

### 1. Leverage ratio (%)

	At June 30, 2021	At December 31, 2020
Leverage Ratio	6.71%	7.26%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBIRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above leverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

### 2. Currency concentrations

	At June 30, 2021		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	27,051	1,566	28,617
Spot liabilities	(11,748)	(171)	(11,919)
<b>Net position</b>	<b>15,303</b>	<b>1,395</b>	<b>16,698</b>

	At December 31, 2020		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	22,214	2,103	24,317
Spot liabilities	(5,688)	(6,224)	(11,912)
<b>Net position</b>	<b>16,526</b>	<b>(4,121)</b>	<b>12,405</b>

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at the end of each Reporting Period.

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, deposit and placement with banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At June 30, 2021	At December 31, 2020
Deposit with banks		
Asia Pacific excluding Mainland China	6,053	6,650

### 4. Loans and advances overdue for more than 90 days by geographical segments

	At June 30, 2021	At December 31, 2020
Jilin Region	2,847,240	2,179,707
Mainland China excluding Jilin Region	478,253	347,826
Total	3,325,493	2,527,533

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### 5. Gross amount of loans and advances overdue for more than 90 days

	At June 30, 2021	At December 31, 2020
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
— Between three months and six months (inclusive)	422,677	370,368
— Between six months and one year (inclusive)	851,739	449,154
— Between one year and three years	1,419,370	1,170,015
— Over three years	631,707	537,996
<b>Total</b>	<b>3,325,493</b>	<b>2,527,533</b>
As a percentage of total gross loans and advances		
— Between three months and six months (inclusive)	0.30%	0.28%
— Between six months and one year (inclusive)	0.60%	0.35%
— Between one year and three years	1.00%	0.90%
— Over three years	0.44%	0.41%
<b>Total</b>	<b>2.34%</b>	<b>1.94%</b>

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

### 6. Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At June 30, 2021 and December 31, 2020, substantial amounts of the Bank's exposures arose from business with mainland China entities or individuals.



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