九台农商银行
JIUTAI RURAL COMMERCIAL BANK

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 Annual 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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Chairman's Statement

Mr. Gao Bing
Chairman of Board of Directors

2021 was an eventful year marking the centenary of the founding of the Communist Party of China as well as the turning point where the timeframes of the two centenary goals converge. During the year, we strictly implemented the decisions and plans of the Party and the government in compliance with the regulatory requirement at all levels and actively adapted to the development trend of China according to the national policy. Various works achieved significant progress, facilitating a positive beginning of the "14th Five-Year Plan".

Over the year, we were committed to following the leadership of the Communist Party of China and further strengthened its core role in our corporate governance to promote our business operation and development. All employees and management were united to spread the positive energy in business development, laying a solid foundation for the implementation of our strategies. Adhering to the rural revitalization strategy, we focused on providing services to entities and supporting the resumption of operation and production of enterprises so as to contribute financially in the regional economic growth. As our transformation continued, our operating structure further improved at a steady pace and the community finance business expanded effectively attributable to the cooperation between the Bank and the community. Our development advantages became more apparent. In order to consolidate our foundation, our organizational structure was adjusted and a talent pool cultivation system was established. We accelerated the innovation of fin-tech, built a comprehensive risk management system and developed new growth momentum to support our compliance operation. Adhering to the principle of win-win cooperation, we continued to develop various cooperation platforms and explore new development opportunity through resources consolidation and cooperation between different segments. We also strived to shoulder our responsibilities by organizing charity projects in respect of education assistance, care for elderly and disabled and helping people suffering from difficulties. The spirit of Jiutai RCB in the new era has been further demonstrated through our contribution to the public welfare.

In celebration of the centenary of the founding of the Communist Party of China, we pressed ahead with concrete efforts for achievements and recorded outstanding performance in 2021. According to the financial statements prepared under the IFRS, as at the end of 2021, the Group's total assets amounted to RMB234,140 million, total deposits from customers amounted to RMB193,106 million, total loans and advances to customers amounted to RMB156,850 million, and net profit reached RMB1,290 million. Our results of operation for the year had been widely recognized by various sectors of the society. We were selected as the "Outstanding Enterprise for Poverty Alleviation (脱貧攻堅先進集體)" by the Jilin Provincial Party Committee and Provincial Government, and we had obtained numbers of awards, including the "Top Ten Rural Financial Enterprises of Targeted Poverty Alleviation in China (全國農村金融十佳精準扶貧機構)", the "Most Socially Responsible Listed Company (最具社會責任上市公司)" and "Rural Commercial Bank of Jilin Province with Outstanding Contribution (吉林省傑出貢獻農商銀行)".

The Bank's fruitful achievements were largely attributable to the trust and confidence of customers and investors, the support and guidance of the government and regulatory authorities as well as the dedication and hard work of all employees. On behalf of the Board, I would like to express our sincere gratitude to all parties.

2022 marks a pivotal year for the implementation of the 14th Five-Year Plan and a crucial year for further transformation and high quality business growth of the Bank. In this historical year, we will adhere to the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era and the spirits of the 19th National Congress of the Communist Party of China and all previous 19th plenary sessions by providing financial services for the real economy and pursuing steady improvement. We will push forward the development of "three rural finance, community finance, cooperation platform and charity" comprehensively. In anticipation of the 20th National Congress of the Communist Party of China, we strive to achieve outstanding results by adjusting and optimizing our structures while upholding our core principles, carrying out transformation and upgrade for services to entities, actively contributing to rural revitalization and demonstrating our values and responsibilities in supporting local economic growth.

Mr. Gao Bing
Chairman of the Board of Directors

President's Statement

Mr. Chen Xinzhe
President

In 2021, in response to the challenges from economic downturn and the changing pandemic situation, the management of the Bank duly executed the resolutions adopted by the Board and were voluntarily under the supervision of the Board of Supervisors. The Bank pushed forward the development of the "Four in One Mechanism (四位一體)" which integrated three rural finance, community finance, cooperation platform and charity. As major operating indicators improved steadily, its business operation has performed exceptionally well.

The operating results have been proven promising. According to the financial statements prepared under the IFRS, as at the end of 2021, the Bank's total assets amounted to RMB165,321 million, total deposits from customers amounted to RMB133,771 million, total loans and advances to customers amounted to RMB111,372 million, and net profit reached RMB1,434 million. Effective efforts have been made in serving the real economy. The Bank further increased credit extension to fully support the development of three rurals and micro-, small- and medium-sized enterprises within the region. The "Financial Service Innovation Project for Small- and Micro-sized Enterprises (小微企業金融服務創新項目)" was successfully shortlisted as a typical case study of inclusive finance of the banking industry in China, facilitating the regional economic development with its financial strengths. The operation structure has been further optimised. Asset and liability structure has been further optimized and transformation momentum has been further enhanced. The Bank launched the compliance tasks, which has resulted in the continuous improvement in comprehensive risk management and satisfactory performance on the compliance of all regulatory indicators. Driving forces for development have continued to be strengthened. With the launch of "Sunshine Loan (陽光貸)", "Incubation Loan (紅孵貸)", Jiutai Pasture Loan (九牧寶), its product portfolio was further enriched. The trial operation of the "Rural Service Point (裕農服務站)" was also successful, enabling the extension of credit facilities to the entire village. Capitalising on the enhanced technological empowerment, the projects of enterprise resources planning system and payment services were rolled out. New progress was also been made in terms of the scope and depth of its cooperation with different parties. The Bank has also launched a diverse range of cultural activities. Committed to its social responsibilities, the Bank stepped up its support for social initiatives. A series of activities were organised in celebration of the 100th anniversary of the founding of the Communist Party to facilitate the education of party-related issues. The Bank also carried out the campaign, "Commitment to the Community (我為群眾辦實事)", under which base-level party-building measures were launched in alignment with the development of the banking industry and society. Through a wide range of activities for the labour union and the community, the Bank was able to take lead in the cultural development.

Our achievements owed much to the solid support of Shareholders, investors and various sectors of society, the scientific decision-making of the Board, effective supervision of the Board of Supervisors, and the effort and contribution of cadres and employees. On behalf of management, I would like to express my sincerest gratitude towards them.

2022 marks a pivotal year of the 14th Five-Year Plan and a crucial year for further transformation and stable development. The management will duly execute decisions and plans of the Board. In line with its pursuit of prudent development, the Bank will adhere to its general commitment of consolidating foundation and improving quality and efficiency while achieving the general goal of high-quality development. Efforts will be made to coordinate the development the "Four in One Mechanism (四位一體)" which integrates "three rural finance, community finance, cooperation platform and charity". Its commitment to synchronised enhancement in business scale and efficiency, coordinated improvement in development pace and quality and matching of revenue and risks will mark a new chapter in its reform and development.

Mr. Chen Xinzhe

President

Chapter 1 Definitions and Glossary

In this annual 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 18 shareholders hold 51.00% equity interest in Baicheng Taobei Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 14.00% 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 the PRC laws, including its predecessors, but excluding its subsidiaries

"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 40.00% equity interest. The remaining 12 shareholders hold 60.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 16.00% 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

"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 13 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 42.85% equity interest. The remaining 42 shareholders hold 57.15% equity interest in Fuyu Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 13.41% 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

"H Share(s)"	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 HK 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 42.68% equity interest. The remaining 35 shareholders hold 57.32% equity interest in Heyang Huimin Village and Township Bank. The Bank and 2 other shareholders (holding an aggregate of 14.02% equity interest in Heyang 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 Heyang Huimin Village and Township Bank. Heyang Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"HK$" or "HK 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" or "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

"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 27 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 14.50% equity interest. The remaining 16 shareholders hold 85.50% 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 10 shareholders hold 90.10% equity interest in Jilin Dehui Rural Commercial Bank

"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 another shareholder (holding 4.50% 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 532 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 30.29% equity interest. The remaining 10 shareholders hold 69.71% equity interest in Jilin Jiuyin Financial Leasing. The Bank and 6 other shareholders (holding an aggregate of 29.71% equity interest in Jilin Jiuyin Financial Leasing) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jilin Jiuyin Financial Leasing. Jilin Jiuyin Financial Leasing is deemed to be under the Bank's control and to be the Group's subsidiary
"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 33.15% equity interest. The remaining 15 shareholders hold 66.85% equity interest in Jingmen Dongbao Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 18.92% equity interest in Jingmen Dongbao 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 Jingmen Dongbao Huimin Village and Township Bank. Jingmen Dongbao Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Latest Practicable Date"	April 20, 2022, being the latest practicable date for ascertaining certain information in this annual report before its publication

"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 34.36% equity interest. The remaining 14 shareholders hold 65.64% equity interest in Liaoyuan Rural Commercial Bank. The Bank and 5 other shareholders (holding an aggregate of 17.09% equity interest in Liaoyuan Rural Commercial 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 Liaoyuan Rural Commercial Bank. Liaoyuan Rural Commercial Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"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
"Listing Date"	January 12, 2017, being the date on which dealing in the H Shares commences on the Hong Kong Stock Exchange
"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

"NPLs" or "non-performing loans"	non-performing loans, and for the purpose of this annual 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
"NPL ratio" or "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 annual 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
"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"	from January 1, 2021 to December 31, 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 13 other shareholders (holding an aggregate of 38.50% 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
"SFC"	the Securities and Futures Commission of Hong Kong
"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

"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 110 shareholders hold 59.20% equity interest in Songyuan Ningjiang Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 10.13% 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 16 shareholders hold 59.17% equity interest in Taonan Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 19.99% 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

"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 75 shareholders hold 53.00% equity interest in Tianjin Binhai Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 6.99% 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

"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 annual 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

Customer Service Hotline:

+86 (431) 96888

Telephone:

+86 (431) 8925 0628

Facsimile:

+86 (431) 8925 0628

Company Website:

www.jtnsh.com

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 website at www.hkexnews.hk
The Bank's website at 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

PRC Legal Adviser:

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

Hong Kong Legal Adviser:

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

Auditors:

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.

III. MAJOR AWARDS AND RECOGNITIONS IN 2021

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

Unit	Awards/Recognitions	Organizer
Jiutai Rural Commercial 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)
Jiutai Rural Commercial 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)
Jiutai Rural Commercial 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)
Jiutai Rural Commercial 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」)
Jiutai Rural Commercial 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」)
Jiutai Rural Commercial 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)
Jiutai Rural Commercial 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 Jiutai Rural Commercial 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)
Jiutai Rural Commercial Bank	Advanced Group on Poverty Alleviation in Jilin Province (吉林省脱貧攻堅先進集體)	Party Committee and Government of Jilin Province (吉林省委、省政府)
Jiutai Rural Commercial Bank	Top 100 Chinese Banks in 2021 (2021年中國銀行業100強)	China Banking Association (中國銀行業協會)

Unit	Awards/Recognitions	Organizer
Jiutai Rural Commercial Bank	Top Ten Rural Financial Enterprises of Targeted Poverty Alleviation in China (全國農村金融十佳精準扶貧機構)	11th Session of China Rural Financial Brand Value List (第十一屆中國農村金融品牌價值榜)
Jiutai Rural Commercial Bank — Jiushang Poverty Alleviation Loan	Excellent Product for Targeted Poverty Alleviation in China (全國農村金融優秀精準扶貧產品)	11th Session of China Rural Financial Brand Value List (第十一屆中國農村金融品牌價值榜)
Jiutai Rural Commercial Bank	National County-level Publicity Benchmark Rural Financial Institution for 2020 to 2021 (2020—2021年度全國農信系統縣市級宣傳標桿單位)	China Rural Finance Magazine (中國農村金融雜誌社)
Jiutai Rural Commercial Bank	Best Social (S) Case on Enterprise ESG in China (中國企業ESG最佳社會(S)案例獎)	"Best ESG Case Selection of Enterprises in China" by Cailian Press (財聯社「中國企業ESG最佳案例」評選)
Jiutai Rural Commercial Bank	Best Inclusive Finance for the Year (年度普惠金融獎)	"2021 China Golden Cauldron Award" by National Business Daily (《每日經濟新聞》「2021中國金鼎獎」評選)
Jiutai Rural Commercial Bank	Tianji Award of Bank for Inclusive Financial Services of 2021 (2021 年度普惠金融服務銀行天璣獎)	"2021 Tianji Award of China Banking Industry" by Securities Times (《證券時報》「2021 中國 銀行業天璣獎」評選)
Jiutai Rural Commercial Bank — Financial Service Innovation Project for Small- and Micro-sized Enterprises	Innovative Inclusive Financial Products and Services (普惠金融產品及服務創新案例)	"2021 Typical Case Study of Inclusive Finance of the Banking Industry in China" by China Banking Association (中國銀行業協會「中國銀行業普惠金融典型案例(2021)」評選)
Jiutai Rural Commercial Bank	Outstanding Innovative Commercial Bank for 2021 (2021年度優秀創新能力商業銀行)	"2021 Golden Bridge Award Selection" by investor.com (投資者網「2021年金橋獎」評選)
Jiutai Rural Commercial Bank	2021 Outstanding Bank on Rural Revitalization (2021年度優秀鄉村振興銀行)	"China Banking Industry Selection" by china.com.cn (中國網「銀行業評選」)
Jiutai Rural Commercial Bank	2021 Excellent Competitive Bank on Social Responsibilities (2021卓越競爭力社會責任銀行)	"2021 Excellent Competitive Small and Medium Bank Selection" by China Business News and China's Economic Future (《中國經營報》、中經未來「2021卓越競爭力中小銀行評選」評選)
Jiutai Rural Commercial Bank — Integrated intelligent platform for the security, operation and maintenance	Excellent Case of Information Security (信息安全優秀案例)	"Excellent Innovative Services of Small and Medium Rural Financial Institution of 2021" by Rural Credit Banks Funds Clearing Center and Fintech Innovation in China (農信銀資金清算中心、金科創新社「2021年度農村中小金融機構科技創新優秀案例」評選)

Unit	Awards/Recognitions	Organizer
Jiutai Rural Commercial Bank	Best Bank for Rural Revitalization in Jilin for 2021 (2021年度吉林省最佳服務鄉村振興銀行)	"2021 Jilin Financial Institutions Selection" by City Evening News (《城市晚報》「2021年度吉林金融大典」評選)
Jiutai Rural Commercial Bank — "Jiuyi Loan" (九易貸)	Best Inclusive Financial Products in Jilin for 2021 (2021年度吉林省最佳普惠金融產品)	"2021 Jilin Financial Institutions Selection" by City Evening News (《城市晚報》「2021年度吉林金融大典」評選)
Jiutai Rural Commercial Bank	2021 Outstanding Regional Bank (2021優秀區域服務銀行)	"2021 Golden Jubilee Award" by China Investment Network and Biaodian Institute of Finance (《投資時報》、標點財經研究院「2021年度金禧獎」評選)
Jiutai Rural Commercial Bank	Best Unit on Serving Veteran for 2021 (2021年度最佳關愛退役軍人單位)	Political Bureau of Jilin Military Command and Jilin Veterans Affairs Department (吉林省軍區政治工作局、吉林省退役軍人事務廳)
Jiutai Rural Commercial Bank	Excellent Institution for Providing Financial Support to Rural Revitalization for Well-off Society (在全面小康新起點上農村金融支持鄉村振興優秀案例 — 機構篇)	2021 China Rural Finance Summit of the 13th China Economic Prospects Forum (第十三屆中國經濟前瞻論壇 2021中國農村金融峰會)
Liaoyuan Rural Commercial Bank	Trustworthy Enterprise (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)
Liaoyuan Rural Commercial Bank	Excellent Bank for Financial Services (優質金融服務銀行)	Liaoyuan Municipal Government (遼源市政府)
Jilin Fengman Huimin Village and Township Bank	Contribution Award of Poverty Alleviation (脱貧攻堅奉獻企業)	Federation of Industry and Commerce of Jilin (吉林省工商聯), Jilin Provincial General Office of Poverty Alleviation (吉林省扶貧辦), Jilin Guangcai Association (吉林省光彩會)
Songyuan Ningjiang Huimin Village and Township Bank	Top 100 Village Banks in China (全國百強村鎮銀行)	Organizing Committee of China Rural Bank Development Forum (中國村鎮銀行發展論壇組委會)
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)
Taonan Huimin Village and Township Bank	Civilization Unit in China (全國文明單位)	Guidance Commission on Building Spiritual Civilization of the Central Government (中央精神文明建設指導委員會)

Unit	Awards/Recognitions	Organizer
Baicheng Taobei Huimin Village and Township Bank	Pioneer Party Organization (先進基層黨組織)	Party Committee of Jilin Province (中共吉林省委)
Qingdao Pingdu Huimin Village and Township Bank	Excellent Case of Innovative Services of Village and Township Bank for Rural Revitalization for 2021 (村鎮銀行助力鄉村振興2021年度創新典範單位案例)	"Cases of Village and Township Banks Assisting in Rural Revitalization Selection" by All-China Farmers' Newspaper Association and China Rural Credit Cooperation News (中華全國農民報協會、《中國農村信用合作報》「村鎮銀行助力鄉村振興典範案例」推選)
Gaomi Huimin Village and Township Bank	Pioneer Unit for Supporting Economic Development of Gaomi for 2020 (2020年度支持高密經濟發展工作先鋒單位)	Gaomi Municipal Committee of the Communist Party of China (中共高密市委) and Gaomi Municipal People's Government (高密市人民政府)
Langfang Anci 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)
Langfang Anci Huimin Village and Township Bank	Top 10 Banks for Supporting Small and Micro Enterprises (十佳支持小微企業銀行)	China Local Financial Forums (全國地方金融論壇)

Chapter 3 Financial Highlights

Financial Data from 2017 to 2021

(Expressed in millions of RMB, unless otherwise stated)	2021	2020	2019	2018	2017
Operating results					
Interest income	**12,524.3**	10,371.1	8,722.5	8,602.6	9,859.4
Interest expenses	**(6,347.9)**	(5,272.6)	(4,557.1)	(5,082.5)	(5,123.5)
Net interest income	**6,176.4**	5,098.5	4,165.4	3,520.1	4,735.9
Fee and commission income	**169.4**	268.9	349.0	407.2	652.2
Fee and commission expenses	**(96.7)**	(38.3)	(32.5)	(31.6)	(37.3)
Net fee and commission income	**72.7**	230.6	316.5	375.6	614.9
Net gains arising from investment securities	**87.3**	46.4	21.1	11.8	259.1
Dividend income	**57.0**	59.4	64.7	82.2	105.9
Net trading gains	**1.0**	149.8	609.8	914.5	65.6
Gain/(loss) on disposal of an associate	**—**	(37.1)	37.5	—	2.3
Losses on deemed partial disposal of subsidiaries/associates	**(46.5)**	—	—	(6.2)	—
Net exchange gains/(losses)	**11.3**	10.2	5.7	15.0	(38.8)
Other operating incomes (expenses), net	**3.1**	(11.0)	90.7	124.6	95.4
Operating income	**6,362.3**	5,546.8	5,311.4	5,037.6	5,840.3
Operating expenses	**(3,073.9)**	(2,743.7)	(2,787.4)	(2,851.4)	(3,030.1)
Impairment losses on assets	**(1,569.4)**	(1,306.6)	(1,088.1)	(890.2)	(748.0)
Operating profit	**1,719.0**	1,496.5	1,435.9	1,296.0	2,062.2
Share of profits of associates	**28.5**	44.6	67.6	143.7	23.2
Profit before tax	**1,747.5**	1,541.1	1,503.5	1,439.7	2,085.4
Income tax expense	**(457.5)**	(341.4)	(307.8)	(256.1)	(447.0)
Profit for the year	**1,290.0**	1,199.7	1,195.7	1,183.6	1,638.4
Profit for the year attributable to:					
— Owners of the Bank	**1,129.4**	1,104.5	1,042.2	982.9	1,275.6
— Non-controlling interests	**160.6**	95.2	153.5	200.7	362.8
Profit for the year	**1,290.0**	1,199.7	1,195.7	1,183.6	1,638.4

(Expressed in millions of RMB, unless otherwise stated)	2021	2020	2019	2018	2017
Major indicators of assets/liabilities					
Total assets	**234,140.2**	200,363.3	173,275.5	164,253.2	187,008.5
Of which: loans and advances to customers	**152,222.1**	126,574.6	93,394.2	75,354.5	76,492.2
Total liabilities	**216,365.2**	184,112.1	157,615.4	149,145.7	170,357.9
Of which: deposits from customers	**193,106.2**	149,763.2	122,840.4	109,521.2	129,881.6
Total equity	**17,775.0**	16,251.2	15,660.1	15,107.5	16,650.6
Per share (RMB)					
Net assets per share	**3.16**	2.96 (Restated)[14]	3.04	3.10	3.15
Basic earnings per share	**0.24**	0.24 (Restated)[14]	0.24	0.23	0.32
Diluted earnings per share	**0.24**	0.24 (Restated)[14]	0.24	0.23	0.32
Profitability indicators (%)					
Return on assets[1]	**0.59%**	0.64%	0.71%	0.67%	0.87%
Return on capital[2]	**7.58%**	7.52%	7.77%	7.45%	10.79%
Net interest spread[3]	**2.81%**	2.58%	2.74%	2.36%	2.19%
Net interest margin[4]	**2.91%**	2.75%	2.75%	2.22%	2.38%
Net fee and commission income to operating income ratio[5]	**1.14%**	4.16%	5.96%	7.46%	10.53%
Cost-to-income ratio[6]	**46.90%**	47.96%	51.08%	54.72%	50.77%
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio[7]	**8.83%**	9.05%	9.55%	9.40%	9.47%
Tier-one capital adequacy ratio[8]	**8.96%**	9.15%	9.66%	9.50%	9.66%
Capital adequacy ratio[9]	**11.63%**	11.37%	11.98%	11.83%	12.20%
Shareholders' equity to total assets ratio	**7.59%**	8.11%	9.04%	9.20%	8.90%
Assets quality indicators (%)					
Non-performing loan ratio[10]	**1.88%**	1.63%	1.68%	1.75%	1.73%
Provision coverage ratio[11]	**157.33%**	164.82%	167.58%	160.41%	171.48%
Provision to total loan ratio[12]	**2.95%**	2.69%	2.82%	2.80%	2.96%
Other indicators (%)[13]					
Loan to deposit ratio	**81.22%**	86.85%	78.23%	70.79%	60.69%

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

(13) The relevant indicator refers to the ratio the Bank reports to the China Banking and Insurance Regulatory Commission (the "CBIRC") and calculated in accordance with PRC GAAP and relevant requirements of the CBIRC regarding financial data.

(14) The weighted average number of ordinary shares in issue during the year ended 31 December 2020 has been adjusted retrospectively taking into account the capitalisation issue of 219,661,972 ordinary shares and 209,201,878 ordinary shares as if the capitalisation issue on 23 July 2021 and 14 August 2020 respectively had been completed on 1 January 2020.

Chapter 4 Management Discussion and Analysis

4.1 Environment and Outlook

We are standing at the turning point of the two centuries and the two overall situations (兩個大局). Political relationship among major countries is increasingly complex, and the global supply chain has been disrupted due to the ever-changing pandemic. The world has entered a new turbulent era and the external environment has become more complicated and uncertain. In China, the economic development is also under the triple pressure of demand contraction, supply shock and weakening expectations.

In 2022, the 20th National Congress of the Communist Party of China will be held and the "Fourteenth Five-Year Plan (十四五規劃)" will continue to implement. Despite the various challenges, the Chinese government aims to maintain stability and pursue sustainable growth by coordinating the domestic fiscal and monetary policy, implementing cross-cyclical and counter-cyclical adjustments and reducing taxes and surcharges. Setting a GDP growth target at around 5.5% this year, China is confident in achieving its expectation as the economy continues to recover driven by the new round of innovation, green transformation and quality improvement and upgrade. In addition, the regulator has issued favourable financial regulations that are conductive to economic stability, with clear policy directions in supporting common prosperity, rural revitalization, small and micro enterprises, technological innovation and green development. Various measures have also been implemented to accelerate the reform of rural credit cooperatives and support the capital replenishment of banking institutions. The development potential for rural commercial banks has been further expanded, and the resilience, sustainability and competitiveness of the real economy has been further enhanced.

Looking forward, the Bank will closely follow national policies and focus on regional development in pursuit of stable growth. The Bank will focus on maintaining high quality development and upholding its positioning to develop finance for the three rurals, community finance, cooperation platform and charity works. The Bank will shoulder its responsibilities through providing services to entities, enhance its value while contributing to the society and foster its high-quality development.

4.2 Development Strategies

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

4.3 Overall Business Review

In 2021, in response to the challenges from economic downturn and the changing pandemic situation, the Group strictly followed all regulatory requirements and pushed forward the development of the "Four in One Mechanism (四位一體)" which integrated "three rural finance, community finance, cooperation platform and charity". Major operating indicators improved steadily, marking a positive beginning of the "Fourteenth Five-Year Plan".

The Group recorded a total operating income of RMB6,362.3 million in 2021, representing an increase of 14.7% as compared to RMB5,546.8 million in 2020. The Group's net profit increased by 7.5% from RMB1,199.7 million in 2020 to RMB1,290.0 million in 2021.

As of December 31, 2021, the Group's total assets amounted to RMB234,140.2 million, representing a year-on-year increase of 16.9%; total loans and advances to customers amounted to RMB156,850.2 million, representing a year-on-year increase of 20.6%; the non-performing loan ratio amounted to 1.88%, representing a year-on-year increase of 0.25 percentage point; total deposits from customers amounted to RMB193,106.2 million, representing a year-on-year increase of 28.9%.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021	2020	Change in amount	Change in percentage (%)
Interest income	**12,524.3**	10,371.1	2,153.2	20.8
Interest expense	**(6,347.9)**	(5,272.6)	(1,075.3)	20.4
Net interest income	**6,176.4**	5,098.5	1,077.9	21.1
Fee and commission income	**169.4**	268.9	(99.5)	(37.0)
Fee and commission expenses	**(96.7)**	(38.3)	(58.4)	152.5
Net fee and commission income	**72.7**	230.6	(157.9)	(68.5)
Net gains arising from investment securities	**87.3**	46.4	40.9	88.1
Dividend income	**57.0**	59.4	(2.4)	(4.0)
Net trading gains	**1.0**	149.8	(148.8)	(99.3)
Gain/(loss) on disposal of an associate	**—**	(37.1)	37.1	(100.0)
Losses on deemed partial disposal of subsidiaries/associates	**(46.5)**	—	(46.5)	—
Net exchange gains/(losses)	**11.3**	10.2	1.1	10.8
Other operating incomes (expenses), net	**3.1**	(11.0)	14.1	(128.2)
Operating income	**6,362.3**	5,546.8	815.5	14.7
Operating expenses	**(3,073.9)**	(2,743.7)	(330.2)	12.0
Impairment losses on assets	**(1,569.4)**	(1,306.6)	(262.8)	20.1
Operating profit	**1,719.0**	1,496.5	222.5	14.9
Share of profits of associates	**28.5**	44.6	(16.1)	(36.1)
Profit before tax	**1,747.5**	1,541.1	206.4	13.4
Income tax expense	**(457.5)**	(341.4)	(116.1)	34.0
Profit for the year	**1,290.0**	1,199.7	90.3	7.5
Profit for the year attributable to:				
— Owners of the Bank	**1,129.4**	1,104.5	24.9	2.3
— Non-controlling interests	**160.6**	95.2	65.4	68.7
Profit for the year	**1,290.0**	1,199.7	90.3	7.5

In 2021, the Group's profit before tax was RMB1,747.5 million, representing a year-on-year increase of 13.4%; profit for the year was RMB1,290.0 million, representing a year-on-year increase of 7.5%. It was mainly due to the increases in net interest income as a result of focusing on the original business by increasing loans to customers, reasonably adjusting the asset structure and enhancing the utilization efficiency of funds in order to provide further credit support to the real economy, which was partially offset by the decreases in net fee and commission income, net trading gains and the increases in operating expenses and impairment losses on assets.

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 91.9% and 97.1% of operating income in 2020 and 2021, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

	Year ended December 31,			
(Expressed in millions of RMB, unless otherwise stated)	**2021**	2020	Change in amount	Change in percentage (%)
Interest income	**12,524.3**	10,371.1	2,153.2	20.8
Interest expense	**(6,347.9)**	(5,272.6)	(1,075.3)	20.4
Net interest income	**6,176.4**	5,098.5	1,077.9	21.1

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021			Year ended December 31, 2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Interest-earning Assets						
Loans and advances to customers	**150,225.2**	**10,424.2**	**6.94**	117,552.0	8,273.5	7.04
Investment securities and other financial assets[1]	**28,875.4**	**1,557.5**	**5.39**	32,762.2	1,469.8	4.49
Financial assets held under resale agreements	**3,158.7**	**98.7**	**3.12**	7,300.8	188.5	2.58
Deposits with banks and other financial institutions	**11,845.9**	**181.3**	**1.53**	10,586.8	154.9	1.46
Deposits with the central bank[2]	**17,021.4**	**219.5**	**1.29**	14,335.3	186.6	1.30
Placements with banks and other financial institutions	**917.5**	**43.1**	**4.70**	2,578.1	97.8	3.79
Total interest-earning assets	**212,044.1**	**12,524.3**	**5.91**	185,115.2	10,371.1	5.60

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021 Average balance	Interest expense	Average cost (%)	Year ended December 31, 2020 Average balance	Interest expense	Average cost (%)
Interest-bearing Liabilities						
Deposits from customers	**173,993.7**	**5,328.5**	**3.06**	138,741.3	3,969.0	2.86
Financial assets sold under repurchase agreements	**5,723.8**	**117.9**	**2.06**	5,777.1	110.3	1.91
Deposits from banks and other financial institutions	**8,780.9**	**287.8**	**3.28**	10,471.9	395.8	3.78
Debt securities issued[3]	**6,440.7**	**292.7**	**4.54**	10,762.8	452.9	4.21
Placements from banks and other financial institutions	**6,936.6**	**242.2**	**3.49**	6,269.9	271.6	4.33
Borrowing from the central bank	**2,404.0**	**54.7**	**2.28**	1,913.4	42.6	2.23
Lease liabilities	**524.5**	**24.1**	**4.59**	654.9	30.4	4.64
Total interest-bearing liabilities	**204,804.2**	**6,347.9**	**3.10**	174,591.3	5,272.6	3.02
Net interest income		**6,176.4**			5,098.5	
Net interest spread[4]			**2.81**			2.58
Net interest margin[5]			**2.91**			2.75

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.

	2021 vs 2020		
(Expressed in millions of RMB, unless otherwise stated)	**Volume[1]**	**Interest rate[2]**	**Net Increase/ (decrease)[3]**
Interest-earning Assets			
Loans and advances to customers	2,267.2	(116.5)	2,150.7
Investment securities and other financial assets	(209.6)	297.3	87.7
Financial assets held under resale agreements	(129.4)	39.6	(89.8)
Deposits with banks and other financial institutions	19.3	7.1	26.4
Deposits with the central bank	34.6	(1.7)	32.9
Placements with banks and other financial institutions	(78.0)	23.3	(54.7)
Changes in interest income	1,904.1	249.1	2,153.2
Interest-bearing Liabilities			
Deposits from customers	1,079.6	279.9	1,359.5
Financial assets sold under repurchase agreements	(1.1)	8.7	7.6
Deposits from banks and other financial institutions	(55.4)	(52.6)	(108.0)
Debt securities issued	(196.4)	36.2	(160.2)
Placements from banks and other financial institutions	23.3	(52.7)	(29.4)
Borrowing from the central bank	11.2	0.9	12.1
Lease liabilities	(6.0)	(0.3)	(6.3)
Changes in interest expense	855.2	220.1	1,075.3
Changes in net interest income	1,048.9	29.0	1,077.9

Notes:

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

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

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

(ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021 Amount	2021 % of total	2020 Amount	2020 % of total
Loans and advances to customers	**10,424.2**	**83.2**	8,273.5	79.8
Investment securities and other financial assets	**1,557.5**	**12.4**	1,469.8	14.2
Financial assets held under resale agreements	**98.7**	**0.8**	188.5	1.8
Deposits with banks and other financial institutions	**181.3**	**1.4**	154.9	1.5
Deposits with the central bank	**219.5**	**1.9**	186.6	1.8
Placements with banks and other financial institutions	**43.1**	**0.3**	97.8	0.9
Total	**12,524.3**	**100.0**	10,371.1	100.0

The Group's interest income increased by 20.8% from RMB10,371.1 million in 2020 to RMB12,524.3 million in 2021, primarily due to the increase in the average balance of interest-earning assets from RMB185,115.2 million in 2020 to RMB212,044.1 in 2021, and the increase in the average yield of such assets from 5.60% in 2020 to 5.91% in 2021. The increase in the average balance of interest-earning assets was primarily due to increases in loans and advances to customers, deposits with banks and other financial institutions and deposits with the central bank as a result of increasing loans and advances to customers and the optimization of assets structure to provide further credit support to the real economy, which was partially offset by the decreases in the average balances of investment securities and other financial assets, financial assets held under resale agreements and placements with banks and other financial institutions. The increase in the average yield of the interest-earning assets was primarily due to the increases in the average yield of investment securities and other financial assets, financial assets held under resale agreements, deposits with banks and other financial institutions and placements with banks and other financial institutions as a result of the continuous improvement in the management of assets and liabilities and the adjustment on the financial investment portfolio, which was partially offset by the decreases in the average yield of loans and advances to customers and deposits with the central bank.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 79.8% and 83.2% of the Group's total interest income in 2020 and 2021, respectively.

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

	Year ended December 31,					
	2021			2020		
(Expressed in millions of RMB, unless otherwise stated)	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loan and advances						
— Loan	119,630.1	8,434.0	7.05	90,967.6	6,418.1	7.06
— Finance leases loan	2,706.1	146.1	5.40	2,131.4	124.4	5.84
Retail loans	25,520.3	1,765.4	6.92	22,987.3	1,692.5	7.36
Discounted bills	2,368.7	78.7	3.32	1,465.7	38.5	2.63
Total loans and advances to customers	150,225.2	10,424.2	6.94	117,552.0	8,273.5	7.04

Being the largest component of the Group's interest income, the interest income from loans and advances to customers increased by 26.0% from RMB8,273.5 million in 2020 to RMB10,424.2 million in 2021, which was mainly due to the increase in the average balance of loans and advances to customers by 27.8% from RMB117,552.0 million in 2020 to RMB150,225.2 million in 2021, which was partially offset by the decrease in the average yield, such assets from 7.04% in 2020 to 6.94% in 2021. The increase in the average balance of such assets was primarily due to the efforts of the Group to improve the services for the real economy and adapt to the new development pattern of "Dual Circulation" by actively promoting reforms in respect of the industrial structure, technological innovation and agricultural and rural development, enhancing the quality and efficiency of financial services for entities, integrating various resources, to support the growth in the rural areas, to support the revitalization of regional economy and increasing credit support to satisfy the financing needs in the society, as well as optimization of the loan structure, accelerating the transformation of retail industry and the greater support put on the retail customers. The decrease in the average yield of such assets was primarily due to the fulfilment of the Group's social responsibility by reducing fees and interest rate of loans to ease the burden of borrowers, as well as the impact of the year-on-year decrease in loan prime rate (LPR).

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

Interest income from investment securities and other financial assets increased by 6.0% from RMB1,469.8 million in 2020 to RMB1,557.5 million in 2021, primarily due to an increase in the average yield of investment securities and other financial assets from 4.49% in 2020 to 5.39% in 2021, which was partially offset by a decrease in the average balance of such assets from RMB32,762.2 million in 2020 to RMB28,875.4 million in 2021. The decrease in the average balance of such assets was primarily due to the optimization of assets structure of the Group by reducing such assets. The increase in the average yield of such assets was primarily due to the changes in the types of investment assets and maturity profile and the change in market interest rate.

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

Interest income from financial assets held under resale agreements decreased by 47.6% from RMB188.5 million in 2020 to RMB98.7 million in 2021, primarily due to a decrease in the average balance of the financial assets held under resale agreements, from RMB7,300.8 million in 2020 to RMB3,158.7 million in 2021, which was partially offset by the increase in the average yield on such assets from 2.58% in 2020 to 3.12% in 2021. The decrease in the average balance of such assets was primarily attributable to the adjustment of the scale of such assets based on the trend in the capital market and the capital position of the Group in a timely manner in order to balance the yield and liquidity requirement. The increase in the average yield of such assets was primarily due to the increase in market interest rate.

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

Interest income from deposits with banks and other financial institutions increased by 17.0% from RMB154.9 million in 2020 to RMB181.3 million in 2021, primarily due to the increase in the average balance of deposits with banks and other financial institutions from RMB10,586.8 in 2020 to RMB11,845.9 million in 2021, and the increase in the average yield on such assets from 1.46% in 2020 to 1.53% in 2021. The increase in the average balance of such assets was primarily due to the reasonable increase in deposits with banks and other financial institutions in order to improve the efficiency of fund use based on the needs of business operation of the Group. The increase in the average yield of such assets was primarily due to the increase in market interest rate.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 17.6% from RMB186.6 million in 2020 to RMB219.5 million in 2021, primarily due to the increase in the average balance of deposits with the central bank from RMB14,335.3 million in 2020 to RMB17,021.4 million in 2021, which was partially offset by the decrease in the average yield of such assets from 1.30% in 2020 to 1.29% in 2021. The increase in average balance of such assets was primarily due to increase in statutory deposit reserves as a result of the increase in the deposits from customers of the Group, which was partially offset by the decrease in statutory deposit reserve ratio. The decrease in the average yield of such assets was primarily 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.

	Year ended December 31,			
	2021		2020	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Deposits from customers	**5,328.5**	**83.9**	3,969.0	75.3
Financial assets sold under repurchase agreements	**117.9**	**1.9**	110.3	2.1
Deposits from banks and other financial institutions	**287.8**	**4.5**	395.8	7.5
Debt securities issued	**292.7**	**4.6**	452.9	8.6
Placements from banks and other financial institutions	**242.2**	**3.8**	271.6	5.2
Borrowings from the central bank	**54.7**	**0.9**	42.6	0.8
Lease liabilities	**24.1**	**0.4**	30.4	0.5
Total	**6,347.9**	**100.0**	5,272.6	100.0

(A) Interest expenses on deposits from customers

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

	Year ended December 31,					
	2021			2020		
(Expressed in millions of RMB, unless otherwise stated)	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
Corporate deposits						
Time	7,703.6	227.4	2.95	8,425.2	308.1	3.66
Demand	41,247.6	954.6	2.31	32,231.0	849.4	2.64
Subtotal	48,951.2	1,182.0	2.41	40,656.2	1,157.5	2.85
Retail deposits						
Time	107,846.1	3,879.8	3.60	76,216.5	2,406.6	3.16
Demand	17,196.4	266.7	1.55	21,868.6	404.9	1.85
Subtotal	125,042.5	4,146.5	3.32	98,085.1	2,811.5	2.87
Total deposits from customers	173,993.7	5,328.5	3.06	138,741.3	3,969.0	2.86

Interest expenses on deposits from customers increased by 34.3% from RMB3,969.0 million in 2020 to RMB5,328.5 million in 2021, primarily due to an increase in the average balance of deposits from customers from RMB138,741.3 million in 2020 to RMB173,993.7 million in 2021 as well as an increase in the average cost of such liabilities from 2.86% in 2020 to 3.06% in 2021. The increase in average balance of such liabilities was primarily due to the Group's efforts in promoting digitalization, expanding electronic channels and our customer base, improving service quality and implementing targeted marketing. The increase in the average cost of such liabilities was primarily due to the more intensified market competition.

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

Interest expenses on financial assets sold under repurchase agreements increased by 6.9% from RMB110.3 million in 2020 to RMB117.9 million in 2021, primarily due to an increase in the average cost of financial assets sold under repurchase agreements from 1.91% in 2020 to 2.06% in 2021, which was partially offset by the decrease in average balance of such liabilities from RMB5,777.1 million in 2020 to RMB5,723.8 million in 2021. The increase in the average cost of such liabilities was primarily due to the increase in market interest rate. The decrease in the average balance of such liabilities was mainly the result of the adjustment of liabilities structure of the Group according to its business needs and the needs of liquidity management.

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

Interest expenses on deposits from banks and other financial institutions decreased by 27.3% from RMB395.8 million in 2020 to RMB287.8 million in 2021, mainly due to a decrease in the average balance of the deposits from banks and other financial institutions from RMB10,471.9 million in 2020 to RMB8,780.9 million in 2021, and a decrease in the average cost of such liabilities from 3.78% in 2020 to 3.28% in 2021. The decrease in the average balance of such liabilities was primarily due to the increase in proportion of core liabilities and adjustment to the proportion of those liabilities by the Group based on the changes in market liquidity as well as the need to match the maturity of assets and liabilities. The decrease in the average cost of such liabilities was mainly due to the changes in the maturity structure of such amounts and the changes in market interest rate.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued decreased by 35.4% from RMB452.9 million in 2020 to RMB292.7 million in 2021, mainly due to the decrease in the average balance of the debt securities issued from RMB10,762.8 million in 2020 to RMB6,440.7 million in 2021, which was offset by the increase in the average cost of such liabilities from 4.21% in 2020 to 4.54% in 2021. The decrease in the average balance of such liabilities was primarily due to the repayment of certain interbank certificates which were due. The increase in the average yield of such liabilities was primarily due to the changes in the maturity profile.

(iv) Net interest spread and net interest margin

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

Net interest spread increased by 0.23 percentage point from 2.58% in 2020 to 2.81% in 2021. Net interest margin increased by 0.16 percentage point from 2.75% in 2020 to 2.91% in 2021. The increases in net interest margin and net interest spread were primarily due to the steady growth in interest income from loans and advances to customers as the Group strictly adhered to the national policies and focused on regional development, adjusted the assets structure based on its market position and provided more credit to support the "three rural" and SMEs by increasing the provision of loans in recent years and the benefits from the efforts in serving entities and supporting the agriculture and small businesses, the increase in the average yield of interesting-earning assets by 0.31 percentage point as compared to the corresponding period of last year as a result of the increase in income from treasury operations attributable to the timely adjustment in investment portfolio and enhancement in risk control in response to the changes in macro and market conditions, as well as the average cost of interest-bearing liabilities remained stable as compared to the corresponding period of last year resulting from the further improvement in pricing mechanisms and more effective cost control.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021	2020	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	**33.2**	137.4	(104.2)	(75.8)
Syndicated loan service fees	**45.8**	59.5	(13.7)	(23.0)
Settlement and clearing fees	**65.5**	29.4	36.1	122.8
Agency services fees	**16.6**	18.5	(1.9)	(10.3)
Wealth management service fees	**3.9**	19.5	(15.6)	(80.0)
Bank card service fees	**3.4**	4.0	(0.6)	(15.0)
Others[1]	**1.0**	0.6	0.4	66.7
Subtotal	**169.4**	268.9	(99.5)	(37.0)
Fee and commission expense	**(96.7)**	(38.3)	(58.4)	152.5
Net fee and commission income	**72.7**	230.6	(157.9)	(68.5)

Note:

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

Net fee and commission income decreased by 68.5% from RMB230.6 million in 2020 to RMB72.7 million in 2021, primarily due to the decreases in advisory fees, syndicated loan service fees, agency services fees, wealth management service fees and bank card service fees, which was partially offset by the increase in settlement and clearing fees.

Advisory fees income amounted to RMB33.2 million in 2021, representing a decrease of RMB104.2 million, or 75.8%, as compared to 2020, mainly due to the decrease in advisory services of the Group as affected by the decreased market demand.

Syndicated loan service fees income amounted to RMB45.8 million in 2021, representing a decrease of RMB13.7 million, or 23.0%, as compared to 2020, mainly due to the decrease in the transaction volume of syndicated loan business.

Settlement and clearing fees income amounted to RMB65.5 million in 2021, representing an increase of RMB36.1 million, or 122.8%, as compared to 2020, mainly due to increase in the transaction volume of settlement business.

Agency service fees income amounted to RMB16.6 million in 2021, representing a decrease of RMB1.9 million, or 10.3%, as compared to 2020, mainly due to the decrease in the transaction volume of agency business.

Wealth management service fees income amounted to RMB3.9 million in 2021, representing a decrease of RMB15.6 million, or 80.0%, as compared to 2020, mainly due to the decrease in the issue size of wealth management products.

Bank card service fees income amounted to RMB3.4 million in 2021, representing a decrease of RMB0.6 million, or 15.0%, as compared to 2020, 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 152.5% from RMB38.3 million in 2020 to RMB96.7 million in 2021, mainly due to the increase in the transaction volume of settlement business.

(B) Net gains arising from investment securities

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

Net gains arising from investment securities increased by 88.1% from RMB46.4 million in 2020 to RMB87.3 million in 2021. The increase was mainly due to the timely disposal of investments in bond assets by the Group based on the investment strategy of assets portfolio and pricing trend of the bond market.

(C) Dividend income

Dividend income decreased by 4.0% from RMB59.4 million in 2020 to RMB57.0 million in 2021. The decrease in dividend income was mainly due to the disposal of equity in certain non-controlling rural commercial banks.

(D) Net trading gains

Net trading gains primarily include gains and interest income from selling, and the fair value changes of, debt securities held for trading and wealth management products issued by other financial institutions. Net trading gains decreased by 99.3% from RMB149.8 million in 2020 to RMB1.0 million in 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 such assets.

(E) Net exchange gains/(losses)

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains increased by 10.8% from RMB10.2 million in 2020 to RMB11.3 million in 2021, mainly 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 government subsidies and other non-recurring income, net of non-recurring expenses such as charitable donation. Other operating (expense) income, net increased from RMB(11.0) million in 2020 to RMB3.1 million in 2021, which was mainly due to increases in gains from interest rate swap of central bank.

(vi) Operating expenses

Operating expenses increased by 12.0% from RMB2,743.7 million in 2020 to RMB3,073.9 million in 2021. The increase was primarily due to the increases in staff cost, general management and administrative expenses and tax and surcharges, which was partially offset by the decrease in property and equipment expenses.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021	2020	Change in amount	Change in Percentage (%)
Staff cost	**1,924.5**	1,592.1	332.4	20.9
Property and equipment expenses	**549.3**	641.8	(92.5)	(14.4)
General management and administrative expenses	**509.9**	426.3	83.6	19.6
Tax and surcharges	**90.2**	83.5	6.7	8.0
Total	**3,073.9**	2,743.7	330.2	12.0

(A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021	2020	Change in amount	Change in Percentage (%)
Salaries and bonuses	**1,373.2**	1,218.5	154.7	12.7
Social insurance	**295.6**	143.4	152.2	106.1
Staff welfares	**115.7**	106.2	9.5	8.9
Housing allowances	**111.3**	99.5	11.8	11.9
Labor union and staff education expenses	**28.7**	24.5	4.2	17.1
Total staff costs	**1,924.5**	1,592.1	332.4	20.9

Staff costs increased by 20.9% from RMB1,592.1 million in 2020 to RMB1,924.5 million in 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 decreased by 14.4% from RMB641.8 million in 2020 to RMB549.3 million in 2021. The decrease in property and equipment expenses was mainly due to the decrease of depreciation fees as a result of the disposal of certain properties and the expiration of depreciation and amortisation for certain leased properties and equipment 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 and repair expenses. General management and administrative expenses increased by 19.6% from RMB426.3 million in 2020 to RMB509.9 million in 2021. The increase in general management and administrative expenses was primarily due to gradual increase in expenses along with the Group's business growth and expansion in outlets during the year, while the relevant fee and expenses of last year were lower than usual due to the limited business activities as affected by the pandemic condition, which affected the comparison base.

(D) Tax and surcharges

Tax and surcharges increased by 8.0% from RMB83.5 million in 2020 to RMB90.2 million in 2021. The increase in tax and surcharges were 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.

(vii) Impairment losses on assets

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

	Year ended December 31,			
(Expressed in millions of RMB, unless otherwise stated)	**2021**	2020	Change in amount	Change in Percentage (%)
Loans and advances to customers	**1,232.0**	863.6	368.4	42.7
Debt securities financial assets at fair value through other comprehensive income	**—**	(5.9)	5.9	(100.0)
Financial investments at amortized cost	**308.8**	358.9	(50.1)	(14.0)
Deposits with banks and other financial institutions	**1.7**	(0.4)	2.1	(525.0)
Placements with banks and other financial institutions	**(0.5)**	(0.2)	(0.3)	150.0
Other receivables and repossessed assets	**10.1**	47.5	(37.4)	(78.7)
Financial assets held under resale agreements	**—**	—	—	—
Provision for credit commitments and financial guarantees	**17.1**	43.1	(26.0)	(60.3)
Property and equipment	**0.2**	—	0.2	—
Total	**1,569.4**	1,306.6	262.8	20.1

Impairment losses on assets increased by 20.1% from RMB1,306.6 million in 2020 to RMB1,569.4 million in 2021. The increase in impairment losses on assets was mainly due to the increase in provisions for impairment loss on loans and advances to customers along with the growth in loans and advances to customers in order to strengthen its risk resistance ability under the principles of prudence and upon taking account into the uncertain factors including the potential pandemic impact and changes in external conditions.

(viii) Income tax expense

Income tax expense increased by 34.0% from RMB341.4 million in 2020 to RMB457.5 million in 2021. The increase in income tax expense was due to the increase in profit before tax.

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2021 and 2020, the Group's total assets amounted to RMB234,140.2 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) deposits with banks and other financial institutions; (iv) cash and deposits with the central bank; (v) financial assets held under resale agreements; and (vi) placements with banks and other financial institutions. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021 Amount	As of December 31, 2021 % of total	As of December 31, 2020 Amount	As of December 31, 2020 % of total
Assets				
Total loans and advances to customers	**156,850.2**	**67.0**	130,076.5	64.9
Provision for impairment losses	**(4,628.1)**	**(2.0)**	(3,501.9)	(1.7)
Loans and advances to customers, net	**152,222.1**	**65.0**	126,574.6	63.2
Investment securities and other financial assets[1]	**30,482.9**	**13.0**	30,499.0	15.2
Deposits with banks and other financial institutions	**10,828.1**	**4.6**	8,396.7	4.2
Cash and deposits with the central bank	**30,997.9**	**13.2**	25,155.0	12.6
Financial assets held under resale agreements	**1,498.5**	**0.7**	1,102	0.6
Placements with banks and other financial institutions	**134.8**	**0.1**	729.3	0.4
Other assets[2]	**7,975.9**	**3.4**	7,906.7	3.8
Total assets	**234,140.2**	**100.0**	200,363.3	100.0

Notes:

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

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

(A) Loans and advances to customers

As of December 31, 2021, the Group's total loans and advances to customers was RMB156,850.2 million, representing an increase of 20.6% as compared to December 31, 2020. Net loans and advances to customers accounted for 65.0% of the Group's total assets, representing an increase of 1.8 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 December 31, 2021**		As of December 31, 2020	
	Amount	**% of total**	Amount	% of total
Corporate loan and advances				
— Loan	**126,768.5**	**80.8**	103,553.4	79.6
— Finance leases loan	**3,473.4**	**2.2**	2,077.8	1.6
Retail loans	**26,594.9**	**17.0**	24,445.3	18.8
Discounted bills	**13.4**	**0.0**	—	—
Total loans and advances to customers	**156,850.2**	**100.0**	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 65.0% and 63.2% of total assets as of December 31, 2021 and 2020, respectively.

The Group's corporate loans increased by 23.3% from RMB105,631.2 million as of December 31, 2020 to RMB130,241.9 as of December 31, 2021, primarily due to the increase in loans in order to fulfill the reasonable credit needs of enterprises of the real economy as the Group focused on providing services for the micro-, small- and medium-sized enterprises and the private sector and supported the industrial upgrade in regional economies while effectively preventing risk exposures.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans increased by 8.8% from RMB24,445.3 million as of December 31, 2020 to RMB26,594.9 million as of December 31, 2021, primarily due to the increase in loans as a result of the Group's enhanced credit support for the three rurals, individual industrial and commercial households and talent entrepreneurships as the Group has accelerated the transformation of retail business, and fulfillment of increasing reasonable demands from individual customers.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 98.4% and 98.0% of total loans and advances to customers as of December 31, 2021 and 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.

	As of December 31, 2021		As of December 31, 2020	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Collateralized loans	**65,738.2**	**41.9**	54,773.1	42.1
Pledged loans	**13,589.9**	**8.7**	11,452.7	8.8
Guaranteed loans	**74,951.2**	**47.8**	61,203.7	47.1
Unsecured loans	**2,570.9**	**1.6**	2,647.0	2.0
Total loans and advances to customers	**156,850.2**	**100.0**	13,076.5	100.0

Collateralized loans and pledged loans are the largest component of total loans and advances to customers. Collateralized loans and pledged loans as a percentage of total loans and advances to customers were 50.9% as of December 31, 2020 and 50.6% as of December 31, 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 consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of total loans and advances to customers was 47.1% as of December 31, 2020 and 47.8% as of December 31, 2021, respectively.

The Bank and each subsidiary extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2020 and 2021, unsecured loans represented 2.0% and 1.6% of total loans and advances to customers, respectively.

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

(Expressed in millions of RMB, unless otherwise stated)	2021	2020
As of January 1	**3,501.9**	2,709.8
Charge for the year	**1,171.0**	805.3
Reverse for the year	**61.0**	58.2
Amounts written off as uncollectible	**(113.9)**	(93.6)
Recoveries of loans and advances previously written off	**8.1**	22.2
As of December 31	**4,628.1**	3,501.9

Provision for impairment losses on loans increased by 32.2% from RMB3,501.9 million as of December 31, 2020 to RMB4,628.1 million as of December 31, 2021, primarily due to the increase in provisions for impairment loss on loans and advances to customers along with the growth in loans and advances to customers in order to strengthen its risk resistance ability under the principles of prudence upon taking account into the uncertain factors including the potential pandemic impact and changes in external conditions.

(B) Investment securities and other financial assets

As of December 31, 2021 and 2020, the Group had investment securities and other financial assets of RMB30,482.9 million and RMB30,499.0 million, respectively, representing 13.0% and 15.2%of its total assets, respectively.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021 Amount	% of total	As of December 31, 2020 Amount	% of total
Debt securities investments				
Financial assets at fair value through other comprehensive income	**4,938.0**	**16.2**	2,372.7	7.8
Financial assets at amortized cost	**9,711.0**	**31.9**	8,566.5	28.1
Subtotal	**14,649.0**	**48.1**	10,939.2	35.9
Asset management plans and trust plans				
Asset management plans	**6,647.6**	**21.8**	8,480.4	27.8
Trust plans	**7,397.6**	**24.3**	9,038.8	29.6
Subtotal	**14,045.2**	**46.1**	17,519.2	57.4
Funds	**504.7**	**1.6**	708.7	2.3
Subtotal	**504.7**	**1.6**	708.7	2.3
T+0 clearing and advances	**0.0**	**0.0**	0.0	0.0
Subtotal	**0.0**	**0.0**	0.0	0.0
Equity investments				
Financial assets at fair value through other comprehensive income	**178.5**	**0.6**	153.4	0.5
Financial assets at fair value through profit or loss	**1,105.5**	**3.6**	1,178.5	3.9
Subtotal	**1,284.0**	**4.2**	1,331.9	4.4
Total investment securities and other financial assets, net	**30,482.9**	**100.0**	30,499.0	100.0

Investment securities and other financial assets decreased by 0.1% from RMB30,499.0 million as of December 31, 2020 to RMB30.482.9 million as of December 31, 2021. The decrease in investment securities and other financial assets were primarily due to the optimization of asset portfolios based on the actual operating condition through timely disposal of certain asset management plans and trust plans according to the regulatory policy and market condition, which was partially offset by the increase in investments of bonds.

(ii) Liabilities

As of December 31, 2021 and 2020, total liabilities amounted to RMB216,365.2 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) borrowing from the central bank; and (v) placement from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021 Amount	As of December 31, 2021 % of total	As of December 31, 2020 Amount	As of December 31, 2020 % of total
Deposits from customers	**193,106.2**	**89.3**	149,763.2	81.3
Debt securities issued	**6,211.1**	**2.9**	7,504.5	4.1
Financial assets sold under repurchase agreements	**—**	**—**	2,654.9	1.4
Deposits from banks and other financial institutions	**6,763.7**	**3.1**	8,335.9	4.5
Borrowing from the central bank	**2,851.2**	**1.3**	4,011.0	2.2
Placements from banks and other financial institutions	**1,502.5**	**0.7**	7,101.5	3.9
Other liabilities[1]	**5,930.5**	**2.7**	4,741.1	2.6
Total liabilities	**216,365.2**	**100.0**	184,112.1	100.0

Note:

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

(A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021 Amount	% of total	As of December 31, 2020 Amount	% of total
Corporate deposits				
Demand deposits	**38,020.5**	**19.7**	32,649.0	21.8
Time deposits	**7,962.4**	**4.1**	7,492.0	5.0
Subtotal	**45,982.9**	**23.8**	40,141.0	26.8
Retail deposits				
Demand deposits	**16,652.9**	**8.6**	22,559.0	15.1
Time deposits	**126,759.9**	**65.7**	82,997.6	55.4
Subtotal	**143,412.8**	**74.3**	105,556.6	70.5
Others[(1)]	**3,710.5**	**1.9**	4,065.6	2.7
Total deposits from customers	**193,106.2**	**100.0**	149,763.2	100.0

Note:

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

Total deposits from customers increased by 28.9% from RMB149,763.2 million as of December 31, 2020 to RMB193,106.2 million as of December 31, 2021. The increase was primarily due to the efforts of the Group to improve services, transform and upgrade outlets, accelerate digitalization development, enhance customer experience and expand customer base through targeted marketing.

(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 of RMB900.0 million at fixed rate of 4.20%. The Bank fully redeemed the bonds on October 20, 2021 at par.

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

From January 1, 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 terms ranging from one month to one year and bear interest at effective rates between 3.06% and 4.20%.

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

(iii) Shareholders' equity

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Share capital	**4,612.9**	**26.0**	4,393.2	27.0
Capital reserve	**5,050.5**	**28.4**	4,921.3	30.3
Investment revaluation reserve	**94.7**	**0.5**	10.4	0.1
Surplus reserve	**1,058.2**	**5.9**	915.5	5.6
General reserve	**2,322.0**	**13.1**	2,077.9	12.8
Retained earnings	**1,436.8**	**8.1**	1,353.2	8.3
Non-controlling interests	**3,199.9**	**18.0**	2,579.7	15.9
Total equity	**17,775.0**	**100.0**	16,251.2	100.0

(c) Assets Quality Analysis

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

The non-performing loans of the Group are classified into substandard, doubtful and loss. As of December 31, 2021, the Group's non-performing loans amounted to RMB2,941.7 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Normal	149,270.2	95.2	123,911.7	95.3
Special mention	4,638.3	3.0	4,040.1	3.1
Substandard	647.1	0.4	577.1	0.4
Doubtful	2,226.0	1.4	1,463.5	1.1
Loss	68.6	0.0	84.1	0.1
Total loans and advances to customers	156,850.2	100.0	130,076.5	100.0
Non-performing loan and non-performing loan ratio[1]	2,941.7	1.88	2,124.7	1.63

Note:

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

The Group's non-performing loan ratio increased from 1.63% as of December 31, 2020 to 1.88% as of December 31, 2021. The increase was primarily due to the fact that under the impact of the prolonged and changing pandemic situation, increasing prices of major raw materials for production, adjustment of industrial structure and other factors, the recovery of production and operation of enterprises in the region was slower than expected and the repayment ability of certain loan customers with difficulties in operation and inadequate cash flow decreased accordingly.

(ii) Concentration of loans

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

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2021				December 31, 2020			
	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio %	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio %
Corporate loans								
Wholesale and retail	26,881.0	17.1	417.7	1.55	21,766.0	16.7	177.2	0.81
Leasing and business services	24,519.2	15.6	451.2	1.84	16,998.4	13.1	247.2	1.45
Manufacturing	19,020.4	12.1	378.8	1.99	17,354.5	13.3	461.9	2.66
Construction	16,126.8	10.3	151.8	0.94	13,855.6	10.7	123.8	0.89
Agriculture, forestry, animal husbandry and fishery	8,863.7	5.7	254.2	2.87	6,646.7	5.1	137.7	2.07
Scientific research, technical services and geological prospecting	6,997.2	4.5	77.9	1.11	5,273.0	4.1	17.0	0.32
Transportation, storage and postal services	5,908.4	3.8	60.5	1.02	5,396.5	4.1	53.0	0.98
Real estate	4,751.5	3.0	6.6	0.14	5,440.0	4.2	140.6	2.58
Information transmission, computer services and software	4,667.5	3.0	72.1	1.54	2,411.0	1.9	50.3	2.09
Accommodation and catering	2,995.1	1.9	53.5	1.79	3,110.4	2.4	1.5	0.05
Water, environment and public facility management	2,445.6	1.6	39.0	1.59	957.9	0.7	–	–
Education	2,092.9	1.3	–	–	2,146.4	1.7	–	–
Electricity, gas and water production and supply	1,882.3	1.2	75.0	3.98	1,738.7	1.3	11.2	0.64
Health and social services	1,413.3	0.9	–	–	1,045.1	0.8	–	–
Resident and other services	797.3	0.5	13.5	1.69	744.7	0.6	4.5	0.6
Cultural, sports and entertainment	485.2	0.3	13.3	2.74	507.4	0.4	–	–
Mining	213.5	0.1	6.8	3.19	53.0	0.0	–	–
Public administration, social security and social organizations	181.0	0.1	–	–	181.0	0.1	–	–
Finance	–	–	–	–	4.9	0.0	–	–
Retail loans	26,594.9	17.0	869.8	3.27	24,445.3	18.8	698.8	2.86
Discounted bills	13.4	0.0	–	–	–	–	–	–
Total	156,850.2	100.0	2,941.7	1.88	130,076.5	100.0	2,124.7	1.63

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

Loans to borrowers in the wholesale and retail, leasing and business services, manufacturing, construction, and agriculture, forestry, animal husbandry and fishery industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 73.3% and 72.5% of total corporate loans as of December 31, 2021 and 2020, respectively.

As of December 31, 2021, non-performing loans of the Group's corporate loans were mainly concentrated in the wholesale and retail, leasing and business services and manufacturing industries, with non-performing loan ratios of 1.55%, 1.84% and 1.99%.

(B) Borrower concentration

Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of December 31, 2021. All of these loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of December 31, 2021	
Customer	Industry	Amount	% of total loan
Borrower A	Leasing and business services	1,150.0	0.73
Borrower B	Leasing and business services	1,145.0	0.73
Borrower C	Transportation, storage and postal services	1,100.0	0.70
Borrower D	Manufacturing	1,100.0	0.70
Borrower E	Scientific research, technical services and geological prospecting	1,099.0	0.70
Borrower F	Manufacturing	1,047.6	0.67
Borrower G	Accommodation and catering	1,000.0	0.64
Borrower H	Leasing and business services	996.0	0.64
Borrower I	Transportation, storage and postal services	898.3	0.57
Borrower J	Wholesale and retail	868.1	0.55
Total		10,404.0	6.63

(C) Distribution of non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2021			Year ended December 31, 2020		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans						
Small and micro enterprises[1]	95,243.8	1,448.9	1.52	78,100.3	1,324.4	1.70
Medium enterprises[1]	24,761.5	370.9	1.50	18,968.0	98.3	0.52
Large enterprises[1]	9,754.0	252.1	2.58	8,051.4	3.2	0.04
Others[2]	482.6	–	–	511.5	–	–
Subtotal	130,241.9	2,071.9	1.59	105,631.2	1,425.9	1.35
Retail loans						
Personal business loans	19,967.0	741.7	3.71	17,954.3	621.7	3.46
Personal consumption loans	2,850.9	109.5	3.84	2,656.0	60.3	2.27
Residential and commercial mortgage loans	3,756.4	18.2	0.48	3,813.5	16.5	0.43
Credit card overdrafts	20.6	0.4	1.94	21.5	0.3	1.40
Subtotal	26,594.9	869.8	3.27	24,445.3	698.8	2.86
Discounted bills	13.4	–	–	–	–	–
Total loans	156,850.2	2,941.7	1.88	130,076.5	2,124.7	1.63

Notes:

(1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises.

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

The non-performing loan ratio of corporate loans increased from 1.35% as of December 31, 2020 to 1.59% as of December 31, 2021, primarily due to the fact that under the impact of the prolonged and changing pandemic situation, increasing prices of major raw materials for production, adjustment of industrial structure and other factors, the recovery of

production and operation of certain loan customers was slower than expected and enterprises along the supply chain and settlement chain experienced difficulties in operations, resulting in inadequate cash flow and decreased repayment ability of borrowers in the short term.

The non-performing loan ratio of retail loans increased from 2.86% as of December 31, 2020 to 3.27% as of December 31, 2021, which was mainly due to the fact that under the impact of the prolonged and changing pandemic situation, the recovery of production and operation of certain enterprises in the region was slower than expected and the personal income of certain borrowers became unstable and their repayment ability decreased accordingly.

(D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021		As of December 31, 2020	
	Amount	% of total	Amount	% of total
Loans not overdue	**148,175.7**	**94.5**	124,899.3	96.0
Loans past due for:				
1 to 90 days	**5,212.4**	**3.3**	2,649.7	2.0
91 days to 1 year	**1,120.8**	**0.7**	819.5	0.7
1 to 3 years	**1,630.6**	**1.0**	1,170.0	0.9
3 years or more	**710.7**	**0.5**	538.0	0.4
Subtotal	**8,674.5**	**5.5**	5,177.2	4.0
Total loans and advances to customers	**156,850.2**	**100.0**	130,076.5	100.0

(d) Segment Information

(i) Summary of geographical segment information

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021 Amount	As of December 31, 2021 % of total	As of December 31, 2020 Amount	As of December 31, 2020 % of total
Jilin Province	**5,553.4**	**87.3**	4,894.6	88.2
Other Regions[1]	**808.9**	**12.7**	652.2	11.8
Total operating income	**6,362.3**	**100.0**	5,546.8	100.0

Note:

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

(ii) Summary of business segments

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021 Amount	As of December 31, 2021 % of total	As of December 31, 2020 Amount	As of December 31, 2020 % of total
Corporate banking	**3,776.8**	**59.4**	4,298.4	77.5
Retail banking	**2,495.7**	**39.2**	642.0	11.6
Treasury operations	**65.0**	**1.0**	586.6	10.5
Others[1]	**24.8**	**0.4**	19.8	0.4
Total	**6,362.3**	**100.0**	5,546.8	100.0

Note:

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

(e) Off-balance Sheet Commitments

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021	As of December 31, 2020
Credit commitments:		
Bank acceptances[1]	**2,553.9**	1,524.6
Letters of credit[2]	**18.9**	13.1
Letters of guarantee[2]	**2,849.5**	2,991.2
Unused limits of credit cards	**161.1**	161.3
Subtotal	**5,583.4**	4,690.2
Operating lease commitments	**—**	—
Capital commitments	**3.2**	1.4
Total	**5,586.6**	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 19.1% from RMB4,691.6 million as of December 31, 2020 to RMB5,586.6 million as of December 31, 2021. The increase in off-balance sheet commitments was primarily due to the increases in business volume of bank acceptances and letters of credit, partially offset by the decrease in business volume of letters of guarantee.

4.4 Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of December 31, 2021, the Group had approximately 3,620 corporate borrowers with loans and advances to customers totaling RMB130,255.3 million. In 2021 and 2020, operating income from the Group's corporate banking business was RMB3,776.8 million and RMB4,298.4 million, respectively, accounting for 59.4% and 77.5% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of December 31, 2021, the Group had 2,806 SME customers with total loans and advances totaling RMB103,631.4 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.

	Year ended December 31,		
(Expressed in millions of RMB, unless otherwise stated)	**2021**	2020	Change in percentage (%)
External interest income, net[1]	**7,341.6**	5,328.0	37.8
Inter-segment interest expenses, net[2]	**(3,624.3)**	(1,216.9)	197.8
Net interest income	**3,717.3**	4,111.1	(9.6)
Net fee and commission income	**59.5**	187.3	(68.2)
Operating income	**3,776.8**	4,298.4	(12.1)
Operating expenses	**(1,682.5)**	(1,985.1)	(15.2)
Impairment losses on assets	**(1,254.6)**	(697.0)	80.0
Profit before tax	**839.7**	1,616.3	(48.0)

Notes:

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

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

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of December 31, 2021 and 2020, the Group's corporate loans totaled RMB130,241.9 million and RMB105,631.2 million, accounting for 83.0% and 81.2% of the Group's total loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than one year. The Group may rediscount these bills to the People's Bank of China (the "PBOC") or other financial institutions. As of December 31, 2021, the Group's balance of discounted bills was RMB13.4 million.

(iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of December 31, 2021 and 2020, the Group's corporate deposits totaled RMB45,982.9 million and RMB40,141.0 million, accounting for 23.8% 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.

(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. In 2021 and 2020, the Group's income from consulting and financial advisory services was RMB33.2 million and RMB137.4 million, respectively.

(B) Syndicated loans services

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their relatively large financing needs. In 2021 and 2020, the Group earned service fees for syndicated loans of RMB45.8 million and RMB59.5 million, respectively.

(C) Settlement and clearing services

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

(D) Entrusted loans

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

(E) Agency Services

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

(F) Wealth Management Services

The Bank offers corporate customers a variety of wealth management products based on their diversified risk and return and risk appetites, including non-net worth wealth management products and net worth wealth management products. The wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income product portfolios. In 2021 and 2020, sales of wealth management products to the Bank's corporate customers totaled nil and RMB105.0 million, respectively.

(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of December 31, 2021, the Group had 67,155 retail borrowers with total loans and advances to customers of RMB26,594.9 million. In 2021 and 2020, the operating income from the Group's retail banking business amounted to RMB2,495.7 million and RMB642.0 million, accounting for 39.2% and 11.6% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking for the periods indicated.

	Year ended December 31,		
(Expressed in millions of RMB, unless otherwise stated)	**2021**	2020	Change in percentage (%)
External interest expenses, net[(1)]	**(2,411.2)**	(1,135.3)	112.4
Inter-segment interest income, net	**4,899.3**	1,761.0	178.2
Net interest income	**2,488.1**	625.7	297.7
Net fee and commission income	**7.6**	16.3	(53.4)
Operating income	**2,495.7**	642.0	288.7
Operating expenses	**(1,295.3)**	(470.7)	175.2
Impairment losses on assets	**5.4**	(209.8)	(102.6)
Profit before tax	**1,205.8**	(38.5)	(3,231.9)

Note:

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

(i) Retail loans

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of December 31, 2021 and 2020, the Group's retail loans totaled RMB26,594.9 million and RMB24,445.3 million, accounting for 17.0% and 18.8% of total loans and advances to customers, respectively.

(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of December 31, 2021 and 2020, the Group's retail deposits totaled RMB143,412.8 million and RMB105,556.6 million, accounting for 74.3% and 70.5% of total deposits from customers, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (長春市總工會) to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group cooperates with well-known domestic third-party payment companies for Internet payment to enhance cardholder experience. As of December 31, 2021, the Group had issued approximately 4.49 million debit cards.

(B) Credit cards

The Bank issued standard UnionPay credit cards to high-quality customer groups and paid attention to users' needs, and the service quality has been continuously improved. In 2021, the Bank established the smart calling system for credit cards, which has effectively improved its customer services. The Bank also upgraded the interface and functions of the "Jiutai Rural Commercial Bank Credit Card (九台農商銀行信用卡)" WeChat official account and "Jiushang Credit Card (九商信用卡)" mobile APP, so to provide customers with more convenient and comprehensive online credit card services. While improving credit card services, the Bank also closely monitored and effectively prevented and controlled risks relating to credit card business. The credit card business operated smoothly during the year.

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

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

(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including net worth wealth management products and non-net worth wealth management products. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. In 2021 and 2020, the Bank's sales of wealth management products to retail customers totaled RMB8,171.5 million and RMB14,050.7 million, respectively.

(B) Private banking service

The Bank provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. In 2021 and 2020, the Bank's sales of wealth management products to private banking customers totalled RMB512.6 million and RMB643.1 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts, and health consultancy services offered in cooperation with third parties.

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

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

(c) Treasury Operations

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In response to the complicated and ever-changing economic and financial environment as well as changes in policies and market, the 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 business. In 2021 and 2020, operating income from the Group's treasury operations was RMB65.0 million and RMB586.6 million, accounting for 1.0% and 10.5% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

	Year ended December 31,		
(Expressed in millions of RMB, unless otherwise stated)	**2021**	2020	Change in percentage (%)
External interest income, net[1]	**1,246.1**	907.5	37.3
Inter-segment interest expenses, net[2]	**(1,275.0)**	(544.1)	134.3
Net interest income	**(28.9)**	363.4	(108.0)
Net fee and commission income	**5.6**	27.0	(79.3)
Net income from other businesses[3]	**88.3**	196.2	(55.0)
Operating income	**65.0**	586.6	(88.9)
Operating expenses	**(83.6)**	(208.0)	(59.8)
Impairment losses on assets	**(309.9)**	(352.3)	(12.0)
Profit before tax	**(328.5)**	26.3	(1,349.0)

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.

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

(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to regulate its asset and liability structure. As of December 31, 2021 and 2020, the Group's deposits from banks and other financial institutions totalled RMB6,763.7 million and RMB8,335.9 million, and deposits at banks and other financial institutions totalled RMB10,828.1 million and RMB8,396.7 million, respectively.

(B) Interbank placement

As of December 31, 2021 and 2020, the Group's placements with banks and other financial institutions totalled RMB134.8 million and RMB729.3 million, and the Group's placements from banks and other financial institutions totaled RMB1,502.5 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-dominated government bonds and policy financial bonds. As of December 31, 2021 and 2020, the Group's financial assets held under resale agreements totalled RMB1,498.5 million and RMB1,102.0 million, and financial assets sold under repurchase agreements totaled nil 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.

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

(Expressed in millions of RMB, unless otherwise stated)	As at December 31, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	**2,552.2**	**8.4**	3,200.2	10.5
Financial assets at fair value through other comprehensive income	**5,116.5**	**16.8**	2,526.1	8.3
Financial assets at amortized cost	**22,814.2**	**74.8**	24,772.7	81.2
Total investment securities and other financial assets	**30,482.9**	**100.0**	30,499.0	100.0

Total investment securities and other financial assets decreased by 0.1% from RMB30,499.0 million as of December 31, 2020 to RMB30.482.9 million as of December 31, 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 at December 31, 2021		As at December 31, 2020	
	Amount	% of total	Amount	% of total
Immediately due	6,910.6	22.7	7,771.6	25.4
Due in 3 months	2,472.0	8.1	1,432.6	4.7
Due between 3 and 12 months	10,064.2	33.0	9,055.7	29.7
Due between 1 and 5 years	5,766.2	18.9	7,280.4	23.9
Due over 5 years	3,985.9	13.1	3,626.8	11.9
Undefined	1,284.0	4.2	1,331.9	4.4
Total	30,482.9	100.0	30,499.0	100.0

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

(C) Holding of government bonds

As of December 31, 2021, the balance of face value of the government bonds held by the Bank amounted to RMB12,119.6 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of December 31, 2021.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
20 Interest-bearing treasury bond 11 (20附息國債11)	2,350.0	2.64	August 13, 2022
19 Interest-bearing treasury bond 11 (19附息國債11)	2,100.0	2.75	August 8, 2022
21 Interest-bearing treasury bond 08 (21附息國債08)	790.0	2.57	May 20, 2023
21 Interest-bearing treasury bond 12 (21附息國債12)	440.0	2.47	September 2, 2024
20 Interest-bearing treasury bond 12 (20附息國債12)	370.0	3.81	September 14, 2050
15 Interest-bearing treasury bond 16 (15附息國債16)	360.0	3.51	July 16, 2025
21 Interest-bearing treasury bond 13 (21附息國債13)	360.0	2.91	October 14, 2028
20 Interest-bearing treasury bond 17 (20附息國債17)	340.0	3.28	December 3, 2027
20 Interest-bearing treasury bond 06 (20附息國債06)	280.0	2.68	May 21, 2030
21 Interest-bearing treasury bond 10 (21附息國債10)	260.0	2.00	July 22, 2022
Total	**7,650.0**		

(D) Holding of financial bonds

As of December 31, 2021, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB1,390.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of December 31, 2021.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
19 Guo Kai 05 (19國開05)	370.0	3.48	January 8, 2029
15 Guo Kai 09 (15國開09) (Additional Issue)	200.0	4.25	April, 13, 2022
16 Nong Fa 05 (16農發05) (Additional Issue)	200.0	3.33	January 6, 2026
14 Guo Kai 11 (14國開11)	130.0	5.67	April 8, 2024
14 Nong Fa 23 (14農發23)	100.0	5.48	March 21, 2024
16 Nong Fa 05 (16農發05)	100.0	3.33	January 6, 2026
19 Guo Kai 15 (19國開15)	100.0	3.45	September 20, 2029
18 Guo Kai 10 (18國開10)	60.0	4.04	July 6, 2028
19 Guo Kai 03 (19國開03)	60.0	3.30	February 1, 2024
18 Nong Fa 01 (18農發01)	50.0	4.98	January 12, 2025
Total	**1,370.0**		

(iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. In 2021 and 2020, the Bank sold wealth management products totalling RMB8,684.1 million and RMB14,798.8 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of December 31, 2021, the Group had 369 outlets, of which 171 outlets, including the three branches in Changchun, Songyuan and Tonghua, were operated by the Bank, and the rest by the Group's subsidiaries under their own names.

Based on different regional conditions, the Group developed community finance, finance for three rurals and corporate finance. In addition to providing traditional banking services, the Group also strove for outlet transformation. 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 our outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of December 31, 2021, the Group had 398 self-service outlets, 72 self-service areas, and 1,052 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, AI customer service, SMS interaction and other means. As of December 31, 2021, the Group had 2,616,105 telephone and SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of December 31, 2021, the Group had 455,894 internet banking customers.

(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and mobile phone payment services. As of December 31, 2021, the Group had 1,083,076 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information about products, services and promotions, manage accounts, search for locations of bank outlets and reserve counter services. As of December 31, 2021, the Group had 200,052 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, applied to the CBIRC for the promotion and establishment of Jilin Jiuyin Financial Leasing Co., Ltd. ("Jilin Jiuyin"). Jilin Jiuyin's registered address is in Changchun of Jilin province, and it has a total of 525.0 million shares, 159.0 million shares of which is held by the Bank, accounting for 30.29%. Jilin Jiuyin obtained the business license on February 20, 2017 from the Administration for Industry and Commerce of Jilin province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from nonbank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at December 31, 2021, total assets of Jilin Jiuyin amounted to RMB3,646.0 million. In 2021 and 2020, the operating income of Jilin Jiuyin was RMB114.8 million and RMB90.7 million, accounting for 1.8% and 1.6% of the Group's total operating income, respectively.

(ii) Rural commercial bank

As of December 31, 2021, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired.

The Group's rural commercial bank offers a broad range of financial products and services to corporate and retail customers. 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, bank card services, money market transactions and invest in debt securities.

As of December 31, 2021, the rural commercial bank had total assets of RMB9,906.8 million, total deposits of RMB8,893.1 million and total loans of RMB7,076.0 million. In 2021 and 2020, the operating income of the rural commercial bank was RMB243.0 million and RMB201.2 million, respectively, accounting for 3.8% and 3.6% of the Group's total operating income, respectively.

(iii) Village and township banks

As of December 31, 2021, the Bank controlled and consolidated a total of 33 village and township banks in areas including Jilin, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of December 31, 2021, these village and township banks had total assets of RMB59,480.6 million, total deposits of RMB50,459.0 million and total loans of RMB34,928.9 million. In 2021 and 2020, the operating income of these village and township banks was RMB1,816.9 million and RMB1,634.4 million, accounting for 28.6% and 29.5% of the Group's total operating income, respectively.

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

In 2010, the Bank established a village and township bank management department to help village and township banks to establish strategic development plans, provide research, technology and human resource support and supervise their risk management. In addition, the Group and other banks in China have formed a strategic development alliance for village and township banks headquartered in Tianjin Municipality to promote information exchange and resource sharing among village and township banks in China. The Bank has also established 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 2021, the Bank improved its information technology ("IT") system through five aspects, namely enhancing technological governance, supporting system development, consolidation of infrastructure, protecting information security and strengthening talent development, in order to promote digital transformation of the Bank and provide comprehensive and effective support for the innovative development of various businesses.

1. Continuous enhancement of technological governance

The Bank further enhanced its technological governance through continuous deepening reforms and improvement of systems. Based on the Fintech Development Plan (2020–2022) (金融科技發展規劃(2020–2022年)), the Bank conducted studies on the development trend and applications of fin-tech. 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》), a research jointly carried out by the Bank and the PBOC, won the research project third prize of Jilin Provincial Finance Association. 21 sets of rules in respect of IT system, including information technology risk management, project management standards and classification of data assets, were revised to improve the IT management and control system. The Bank established a sound information technology management system based on the ISO27001 information security management system and ISO22301 business continuity management system in order to facilitate stable information technology development. The Bank passed the annual certification of PCI-DSS and the operation of international card payment business was safe and stable. The Bank has attached high importance to the protection of intellectual property rights and actively consolidated its technological achievements. As at the end of 2021, the Bank obtained 27 computer software copyrights. Taking the initiative to lead the development of financial standards, the Bank issued the Security Management Standards for Mobile Finance Client-side APP (《移動金融客戶端應用軟件安全管理規範》). The Bank ranked first among all participating enterprises in the rural credit system of Jilin province in terms of the IT regulatory rating (信息科技監管評級) and Assessment of Technological Achievements by Jilin Rural Credit Cooperative Association (省聯社信息科技條線工作考核) in 2020.

2. Accelerated system development

As part of the transformation and development strategy of digitalization, the Bank commenced the establishment of online financial business platform based on the Cloud-native system and methodology to realize microservices. Flexibility and maintainability of services were improved through centralized deployment, management and scheduling and the transformation of retail business was accelerated. The Bank also developed services to facilitate rural development. In response to the policy requirements for rural revitalization and accelerated modernization of agriculture and villages through financial services, the Bank expanded its financial services in villages and rural areas. Efforts were made to promote the development of smart agriculture with the application of AI technology. A big data system for agriculture and villages was built to support the development of rural credit system and risk monitoring system. The agricultural related loan products, including the Farming Machinery Loan (農機貸), Jiutai Pasture Loan (九牧寶), Direct Grant (直補保) and Farm Loan (農場寶), provided great support on the development of regional economy and new rural areas. In order to provide more convenient financial services for people's livelihood, the Bank proactively set up intermediate businesses and enterprise resources planning system. In 2021, the Bank launched payment services for 6 heat supply enterprises and 1 property management enterprise, education fee cloud-payment services for 5 schools and 7 projects of enterprise resources planning system, supporting the development of inclusive finance.

3. Consolidation of infrastructure

Server rooms of the data 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 and supported the quick launch of the rapid growing business systems. The Bank developed an integrated intelligent platform for the security, operation and maintenance of big data 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. This project was awarded the "Excellent Case of Information Security" (信息安全優勢案例) at the 5th selection campaign of Excellent Innovative Services of Small and Medium Rural Financial Institution of 2021 (2021年第五屆農村中小金融機構科技創新優秀案例評選活動) organized by the Rural Credit Banks Funds Clearing Center (農信銀資金清算中心).

4. Sound protection of information security

The Bank established and refined its security protection mechanism through strengthening the security protection, improving the rules of systems and enhancing the safety awareness. The Bank put more efforts in the management of network security by developing a network security technology protection system covering all aspects and procedures. Ability to cope with major network threats, material disasters and contingent events was enhanced. In an effort to establish an effective security protection system, the Bank made substantial preparation and active prevention works, and completed 3 network security hacking and defense drills. The Bank developed an integrated intelligent platform for the security, operation and maintenance of big data and adopted various cybersecurity equipment such as IPS/AV, WAF, ADS, antivirus gateway and firewall. The Bank performed intelligent analysis and research on massive security alerts and security events were handled automatically. The security strategies were refined and an intelligent security operation system was established. Based on the analysis of business impacts, the Bank modified various contingency plans and formulated emergency drill plans. In 2021, the Bank organized 12 emergency drills, including power system of server room, fire safety, air conditioning, telecommunication networks, internet, databases, information system and contingent events, in order to improve capabilities to cope with contingency 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. The Bank organized 4 publicity and educational campaigns featuring the Science and Technology Week (科技活動週), the Fourth Anniversary of the Cybersecurity Law (網絡安全法施行四週年), Cybersecurity Week (網絡安全宣傳週) and financial standards to promote and publicize the laws and regulations related to cybersecurity and knowledge of financial standards, which has effectively raised the awareness of information security.

5. Strengthening technological talents development

The Bank organized 2 information security awareness training programs by making use of online and offline methods. Regular security awareness training was provided for all employees of the Bank and outsourced service providers through the "internet college" of the Bank. 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. At the "數致不凡" 2021 Business Intelligence Summit (「數致不凡」2021年商業智能峰會), the Bank shared process and experience of the development of digital system, and demonstrated the improvement in operation and efficiency of existing systems and its future commitment in digitalized development in visualized form. 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", to cultivate "skills" by "competitions" and enhance its information security skills. In 2021, one person passed the certification of senior project manager, one person was qualified as Certified Information Systems Security Professional (CISSP), and one person passed the certification of senior reporting engineer. As at the end of 2021, technicians of the Bank possessed 14 senior certifications and qualifications in 7 categories, including system analyst, information system project manager, Project Management Professional (PMP), Certified Information Systems Auditor (CISA), Certified Information Security Professional (CISP) and Certified Information Systems Security Professional (CISSP), 13 intermediary certifications and qualifications in 10 categories, including intermediate economist, intermediate accountant and information security professional.

4.5 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 objectives of risk management. The Bank is subject to the following major risks, including the credit, market, operating, liquidity, reputational, legal and compliance, IT, money laundering and terrorist financing risks.

(i) Credit risk management

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

The Bank's credit risk management organization includes its president and risk management committee, credit approval committees and its risk management, front desk business, 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.

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 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 12 sets of systems including the credit management system, standardized credit management system, 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 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 further standardized credit management. In order to refine the credit management system, the Bank approved the credit limit scientifically and provide credit in reasonable forms. Overall credit approval policy was adopted and different projects were managed separately. Potential risk of new credit products was assessed in order to determine the appropriate approval criteria. Fifthly, the Bank reinforced the rating management and implemented stringent approval procedures for customers to ensure the quality of new loans. Sixthly, the Bank continued to monitor and analyze significant risk and strictly complied with the prevention and control requirement of significant risks for various businesses. Through effective identification, measurement and monitoring, significant risks were prevented and controlled.

(ii) Market risk management

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

The Bank's organizational structure of 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 2021, the Bank paid close attention to market changes and further enhanced the market risk management system. Market risks were measured based on sensitive analysis, duration, value at risk (VaR) and other tools. Identification, evaluation and prevention of market risks were further strengthened. The Bank strictly managed market risk limits and continued to monitor transaction limits, stop-loss limits and risk limits. The Bank also provided early warning and took effective measures for potential risks. Based on the results of its regular stress tests, market risk management strategies and methods were adjusted in a timely manner to further enhance the market risk management level.

(A) Interest rate risk management

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

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

In 2021, the Bank continued to adhere to the principle of sound and prudent operation, strengthen the study and assessment on interest rate risk and adopted multiple measures to strengthen the interest rate risk management. Firstly, the internal funds transfer pricing (FTP) system and the loan rate pricing model (RPM) were further improved. The Bank formulated rational pricing strategies and established a comprehensive pricing system to strengthen the interest rate pricing mechanism for more effective allocation of resources and structures. Prevention and control of interest rate risk was further enhanced. Secondly, the Bank set different interest rate shock and stress scenarios to analyze the impact of interest rate fluctuation on its economic values under specific interest rate shock scenarios and measure the potential banking book interest rate risk based on changes in economic values in order to enhance the ability to cope with banking

book interest rate risk. Thirdly, the Bank further enhanced the analysis on macro polices and interest rate movement and made use of pricing management tools effectively. The Bank adjusted the assets and liabilities maturity mix reasonably, developed interest rate risk appetite and strategy scientifically and optimized interest rate risk monitoring so to further enhance the risk management standard regarding banking book interest rate, and to enhance its ability to create value. Fourthly, the Bank established an interest rate risk management system in order to satisfy the requirement of the development strategy, risk management ability and return to Shareholders. The Bank will strive to maximize the gains from assets whereby maintaining balance between income, risk and capital.

The table below sets forth the results of the Group's gap analysis based on the earlier of (i) the expected next repricing dates and (ii) the final maturity dates of its assets and liabilities as of December 31, 2021.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	30,997.9	745.7	30,252.2	–	–	–
Deposits with banks and other financial institutions	10,828.1	–	9,978.5	849.6	–	–
Placements with banks and other financial institutions	134.8	–	–	134.8	–	–
Loans and advances to customers	152,222.1	–	22,262.2	67,101.3	53,545.5	9,313.1
Financial assets held under resale agreements	1,498.5	–	1,498.5	–	–	–
Investment securities and other financial assets	30,482.9	1,284.0	9,382.6	10,064.2	5,766.2	3,985.9
Interest receivables	908.4	908.4	–	–	–	–
Others[1]	7,067.5	7,067.5	–	–	–	–
Total assets	234,140.2	10,005.6	73,374.0	78,149.9	59,311.7	13,299.0
Liabilities						
Borrowings from the central bank	2,851.2	–	220.5	2,630.7	–	–
Deposits from banks and other financial institutions	6,763.7	–	4,232.7	2,501.0	30.0	–
Placements from banks and other financial institutions	1,502.5	–	2.5	1,500.0	–	–
Provision for credit commitments and financial guarantees	60.5	60.5	–	–	–	–
Financial assets sold under repurchase agreements	–	–	–	–	–	–
Deposits from customers	193,106.2	–	75,374.3	19,788.7	97,462.9	480.3
Debt securities issued	6,211.1	–	675.8	2,739.9	799.2	1,996.2
Interest payables	4,059.3	4,059.3	–	–	–	–
Others[2]	1,810.7	1,810.7	–	–	–	–
Total liabilities	216,365.2	5,930.5	80,505.8	29,160.3	98,292.1	2,476.5
Asset-liability gap	17,775.0	4,075.1	(7,131.8)	48,989.6	(38,980.4)	10,822.5

(Expressed in millions of RMB, unless otherwise stated)	Total	Non-interest bearing	As of December 31, 2020 Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	25,155.0	739.6	24,415.4	–	–	–
Deposits with banks and other financial institutions	8,396.7	–	7,708.4	688.3	–	–
Placements with banks and other financial institutions	729.3	–	549.5	179.8	–	–
Loans and advances to customers	126,574.6	–	20,119.7	29,877.0	69,691.7	6,886.2
Financial assets held under resale agreements	1,102.0	–	1,102.0	–	–	–
Investment securities and other financial assets	30,499.0	1,331.9	9,204.2	9,055.7	7,280.4	3,626.8
Interest receivables	874.3	874.3	–	–	–	–
Others[1]	7,032.4	7,032.4	–	–	–	–
Total assets	200,363.3	9,978.2	63,099.2	39,800.8	76,972.1	10,513.0
Liabilities						
Borrowings from the central bank	4,011.0	–	2,146.1	1,864.9	–	–
Deposits from banks and other financial institutions	8,335.9	–	4,772.9	3,563.0	–	–
Placements from banks and other financial institutions	7,101.5	–	2,792.5	3,109.0	1,200.0	–
Provision for credit commitments and financial guarantees	43.4	43.4	–	–	–	–
Financial assets sold under repurchase agreements	2,654.9	–	2,654.9	–	–	–
Deposits from customers	149,763.2	–	72,250.6	18,201.3	58,902.8	408.5
Debt securities issued	7,504.5	–	4,257.2	850.5	1,498.4	898.4
Interest payables	2,990.8	2,990.8	–	–	–	–
Others[2]	1,706.9	1,706.9	–	–	–	–
Total liabilities	184,112.1	4,741.1	88,874.2	27,588.7	61,601.2	1,306.9
Asset-liability gap	16,251.2	5,237.1	(25,775.0)	12,212.1	15,370.9	9,206.1

Notes:

(1) Primarily includes property and equipment, goodwill, other receivables and prepayments, deferred tax assets, repossessed assets, interests in associates and right-of-use assets.

(2) Primarily includes accrued staff costs, taxes payable and lease liabilities.

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

	As of December 31,			
	2021		2020	
(Expressed in millions of RMB, unless otherwise stated)	**Changes in net profit**	**Changes in equity**	Changes in net profit	Changes in equity
Increase by 100 basis points	**12.1**	**411.7**	(194.5)	(200.1)
Decrease by 100 basis points	**(12.1)**	**(411.7)**	194.5	200.1

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

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

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

(B) Exchange rate risk management

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

The Bank regulates transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank chooses transaction currency reasonably and promptly closes positions from major transactions to reduce exchange rate risk effectively. The Bank revalues non-monetary balance sheet items and non-monetary items at fair value daily to enhance the management of foreign exchange assets and liabilities, and pays attention to the effect of accounting translation exchange rate risk on the profit and loss. The Bank has continued to strengthen its exchange rate risk management and ensured the reasonable use of foreign exchange funds to further improve its risk management of foreign exchange exposure. The Bank duly considers the effect of exchange rate changes on revenue for the current period to proactively regulate potential systematic risks. The exchange rate risk management level of the Bank can be extensively improved.

(iii) Operational risk management

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

The Board of the Bank bears ultimate responsibility 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 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 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 were revised to continuously improve the operational risk management system based on the needs of business development. Secondly, the Bank established a system. The Bank developed the policy management system to further standardize its policy management and facilitate all employees to study and access the policies and rules of the Bank at any time. Thirdly, the Bank modified its contracts. According to the Civil Code, the Bank revised relevant template contracts relating to credit and other businesses in a timely manner. Fourthly, 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. Fifthly, 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". Various drills were carried out in areas including TSM backup system, firewall and switching of external links, which effectively improved our emergency handling and risk prevention abilities.

(iv) Liquidity risk

(A) Liquidity risk management

Liquidity risk refers to the risk of failure to secure sufficient funds to fulfil payment obligations at reasonable cost and in a timely manner. Liquidity risk is largely affected by external factors such as domestic and international financial conditions, macroeconomic policies, changes in financial markets and competitive strengths of the banking industry. Liquidity risk is also affected by internal factors such as the balance and maturity profile of assets and liabilities, the stability of deposits and ability to obtain financing. The Bank's liquidity risk management aims to establish and continuously improve the strategy, policy and procedure of liquidity risk management system 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 and decision-making system and related procedures. The Board of the Bank bears ultimate responsibility for liquidity risk management, determined the policy, strategy and procedure of liquidity risk management and limit of liquidity risk according to its risk appetite. The Board will review 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 accounting department is responsible for the daily liquidity risk management and to cooperate with relevant function departments to orderly and efficiently manage the liquidity risk management system.

In 2021, adhering to the principle of sound and prudent operation, the Bank strictly implemented the liquidity risk management policy, strengthened risk alert and enhanced the comprehensive analysis on liquidity risk. The liquidity of the Bank remained overall stable. Firstly, the Bank strengthened its systems by revising relevant systems including the Provisional Rules of Liquidity Risk Management《(流動性風險管理暫行辦法》), Management Measures of Liquidity Risk Limit (Provisional) (《流動性風險限額管理辦法(試行)》), Contingency Plans for Handling Liquidity Risks (《流動性風險應急處置預案》), Stress Test Plan for Liquidity Risks (《流動性風險壓力測試方案》) and Provisional Rules of Funding Management (《資金頭寸管理暫行辦法》). The risk management indicator system, funding management, stress test and other aspects were further improved. Secondly, the Bank continuously refined its liquidity risk management system and procedures. The Bank flexibly adjusted its liquidity risk management

strategies, further improved its liquidity risk management measures and established a dynamic liquidity coordination mechanism to further strengthen its liquidity risk management capabilities. Thirdly, the Bank enhanced the liquidity risk monitoring management and the analysis of risk early warning. Through closely monitoring risk indicators and limit and accurately identifying, assessing and calculating liquidity risks, the Bank was able to detect risks in a timely manner and implement initiatives in risk prevention and control and mitigation in advance. Fourthly, the Bank conducted stress test for liquidity risk on a quarterly basis by using stress scenarios based on the business types and product features of the Bank. The Bank formulated and improved contingency plan and carried out drills to enhance its ability to handle contingency. Emergencies plan was formulated based on the liquidity gap to manage liquidity risks within controllable level.

(B) Liquidity risk analysis

The Group funds its loan and investment portfolios principally through deposits from customers. Deposits from customers have been, and the Bank believes that it will continue to be, a stable source of funding. Deposits from customers with remaining maturities of less than one year represented 49.3% and 60.4% of the total deposits from customers as of December 31, 2021 and 2020, respectively.

The table below sets forth the remaining maturities of the Group's assets and liabilities as of December 31, 2021.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2021							
	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	11,580.0	19,417.9	–	–	–	–	–	30,997.9
Deposits with banks and other financial institutions	–	8,546.1	748.6	683.8	849.6	–	–	10,828.1
Placements with banks and other financial institutions	–	–	–	–	134.8	–	–	134.8
Financial assets held under resale agreements	–	–	1,498.5	–	–	–	–	1,498.5
Financial assets at fair value through profit or loss	1,105.5	473.7	504.7	–	–	–	468.3	2,552.2
Interest receivables	–	210.7	124.4	117.2	421.5	34.0	0.6	908.4
Loans and advances to customers	4,424.3	989.5	4,953.4	8,831.0	66,419.8	53,445.3	13,158.8	152,222.1
Financial assets at fair value through other comprehensive income	178.5	–	–	–	1,642.8	1,066.5	2,228.7	5,116.5
Financial assets at amortized cost	–	6,436.9	777.5	1,189.8	8,421.4	4,699.7	1,288.9	22,814.2
Others[1]	6,795.3	15.3	–	–	–	256.9	–	7,067.5
Total assets	24,083.6	36,090.1	8,607.1	10,821.8	77,889.9	59,502.4	17,145.3	234,140.2
Liabilities								
Borrowings from the central bank	–	–	22.1	198.4	2,630.7	–	–	2,851.2
Deposits from banks and other financial institutions	–	25.7	1,718.0	2,489.0	2,501.0	30.0	–	6,763.7
Placements from banks and other financial institutions	–	2.5	–	–	1,500.0	–	–	1,502.5
Provision for credit commitments and financial guarantees	–	–	2.8	6.5	34.8	4.3	12.1	60.5
Financial assets sold under repurchase agreements	–	–	–	–	–	–	–	–
Deposits from customers	–	61,248.9	8,670.1	5,455.3	19,788.7	97,462.9	480.3	193,106.2
Interest payables	–	382.7	178.3	238.2	642.9	2,617.2	–	4,059.3
Debt securities issued	–	–	–	675.8	2,739.9	799.2	1,996.2	6,211.1
Others[2]	–	697.7	637.7	126.1	135.9	169.9	43.4	1,810.7
Total liabilities	–	62,357.5	11,229.0	9,189.3	29,973.9	101,083.5	2,532.0	216,365.2
Net working capital	24,083.6	(26,267.4)	(2,621.9)	1,632.5	47,916.0	(41,581.1)	14,613.3	17,775.0

(Expressed in millions of RMB, unless otherwise stated)	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
				As of December 31, 2020				
Assets								
Cash and deposits with the central bank	11,709.6	13,445.4	–	–	–	–	–	25,155.0
Deposits with banks and other financial institutions	–	6,304.5	499.9	904.0	688.3	–	–	8,396.7
Placements with banks and other financial institutions	–	–	140.0	409.5	179.8	–	–	729.3
Financial assets held under resale agreements	–	–	1,102.0	–	–	–	–	1,102.0
Financial assets at fair value through profit or loss	1,178.5	473.7	–	–	1,548.0	–	–	3,200.2
Interest receivables	–	317.8	120.4	149.5	244.2	42.4	–	874.3
Loans and advances to customers	2,194.2	1,847.8	5,824.6	7,896.3	54,079.5	43,056.4	11,675.8	126,574.6
Financial assets at fair value through other comprehensive income	153.4	–	120.2	109.2	201.5	1,579.8	362.0	2,526.1
Financial assets at amortized cost	–	7,297.9	1,113.2	90.0	7,306.2	5,700.6	3,264.8	24,772.7
Others[1]	6,742.4	13.5	–	–	–	276.5	–	7,032.4
Total assets	21,978.1	29,700.6	8,920.3	9,558.5	64,247.5	50,655.7	15,302.6	200,363.3
Liabilities								
Borrowings from the central bank	–	–	2,001.5	144.6	1,864.9	–	–	4,011.0
Deposits from banks and other financial institutions	–	127.9	1,421.0	3,224.0	3,563.0	–	–	8,335.9
Placements from banks and other financial institutions	–	2.5	860.0	1,930.0	3,109.0	1,200.0	–	7,101.5
Provision for credit commitments and financial guarantees	–	0.1	1.6	4.9	18.5	12.7	5.6	43.4
Financial assets sold under repurchase agreements	–	–	2,654.9	–	–	–	–	2,654.9
Deposits from customers	–	62,063.7	6,082.0	4,104.9	18,201.3	58,902.8	408.5	149,763.2
Interest payables	–	1,689.6	126.8	267.4	382.9	524.1	–	2,990.8
Debt securities issued	–	–	349.9	3,907.3	850.5	1,498.4	898.4	7,504.5
Others[2]	–	714.9	431.7	6.6	115.0	396.9	41.8	1,706.9
Total liabilities	–	64,598.7	13,929.4	13,589.7	28,105.1	62,534.9	1,354.3	184,112.1
Net working capital	21,978.1	(34,898.1)	(5,009.1)	(4,031.2)	36,142.4	(11,879.2)	13,948.3	16,251.2

Notes:

(1) Primarily includes property and equipment, goodwill, deferred tax assets, other receivables and prepayments, repossessed assets, interests in associates and right-of-use assets.

(2) Primarily includes accrued staff costs, taxes payable and lease liabilities.

(v) Reputational risk management

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

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

In 2021, the Bank implemented reputational risk management as a long-term and regular task. The Bank strengthened its reputational risk management through various measures in order to enhance the standard of reputational risk management. Firstly, the Bank revised the Administrative Measures on Reputational Risk (《聲譽風險管理辦法》), the Implementation Rules of Public Relations Management (《輿情管理工作實施細則》) and the Reporting System of Significant Events (《重大事項報告制度》), etc., which set out clear division of duties and optimized the management system. A regular investigation and monitoring system for public relations was established in order to discover and identify reputational risks in a timely manner. The Bank also optimized response plan for various kinds of contingency and established early warning mechanism and procedures, assigned tasks for handling contingencies and set up reporting channels in order to strengthen the capability for, and level of, coping with contingency. Secondly, adhering to the principle of prevention, the Bank focused on improving the services based on customers' needs. Through strengthening the compliance of operation, regulating the product sales activities, issuing clear list of service charges and improving the service standards, the Bank prevented and reduced the occurrence of reputational risk events. Thirdly, the Bank enhanced trainings and education for its employees to develop reputational risk prevention awareness. The Bank implemented reputational risk management during the course of daily operation and management to enhance the initiative of relevant works.

(vi) Legal and compliance risk management

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

The Bank prioritizes legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In 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, smooth the system of compliance risk prevention and create a positive compliance culture. Secondly, the Bank commenced various campaigns under the "Year of Developing Internal Control and Compliance Management" (內控合規管理建設年) in accordance with regulatory requirements to further consolidate and extend the results of market chaos rectification, enhance internal compliance management, and establish a sound and prudent operation 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.

(vii) IT risk management

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

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

In 2021, the Bank strengthened the identification, measurement, monitoring and control of IT risks through optimizing its IT risk management system, improving the network prevention and control level and strengthening business continuity management. The Bank also established a comprehensive IT risk management mechanism covering all periods and aspects. Firstly, the Bank optimized its IT risk management system. The Bank refined the IT Risk Management Measures (《信息科技風險管理辦法》) and further enhanced risk management to prevent IT risk and secure the safe and stable operation of information system effectively. The Bank passed the annual certification of PCI-DSS and the operation of international card payment business was safe and stable. In order to improve the information security and operation system, the Bank carried out assessment on information security level protection and 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. To enhance the IT risk management capacity, the Bank further standardized its financial services. The Bank issued the Security Management Standards for Mobile Finance Client-side APP (《移動金融客戶端應用軟件安全管理規範》) which set out the corporate standards of mobile client-side APP. The development of fin-tech and risk prevention and control level of the Bank continued to grow. 21 sets of IT rules, such as project management standards 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 organized 4 publicity and educational campaigns featuring the Science and Technology Week (科技活動週), the Fourth Anniversary of the Cybersecurity Law (網絡安全法施行四週年), Cybersecurity Week (網絡安全宣傳週) and financial standards to promote and publicize the laws and regulations related to cybersecurity and knowledge of financial standards, which has effectively raised the awareness of information security. Capitalizing on internet college, a learning platform, the Bank organized network safety knowledge training to raise the awareness on network safety and risk prevention and control capability of employees. Secondly, the Bank refined its network prevention and control system. 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 and supported the quick launch of the rapidly growing business systems. The Bank developed an integrated intelligent platform for the security, operation and maintenance of big data and adopted various cybersecurity equipment such as IPS/AV, WAF, ADS, antivirus gateway and firewall. The Bank performed intelligent analysis and research on massive security alerts and security events were handled automatically. The security strategies were refined and an intelligent security operation system was established. In order to establish an effective security protection system, 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 strengthened its business continuity management. 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 and system stability was significantly enhanced. The Bank implemented ISO27001 information security management system and ISO22301 business continuity management system to facilitate the development, implementation, operation, monitoring, evaluation, maintenance and improvement of the business continuity of the Bank, so as to mitigate and avoid impacts of disaster events on the Bank and its customers. Based on the analysis of business impacts, the Bank modified various contingency plans and formulated emergency drill plans. In 2021, the Bank organized 12 emergency drills, including power system of server room, fire safety, air conditioning, telecommunication networks, internet, databases, information system and contingent events, 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, triad-organized crime, terrorism, smuggling, corruption and bribery, breaking the order of financial management and financial fraud.

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

In 2021, adhering to the risk-oriented principle and in strict compliance with the regulatory requirement, the Bank duly performed its responsibilities in anti-money laundering and anti-terrorism financing, strengthened internal control and management and continued to enhance the anti-money laundering risk management. Firstly, the Bank improved its working systems for anti-money laundering and consolidated the basic management. The Bank carried out assessment and timely rectified the deficiencies in its systems and procedures in order to strengthen the effectiveness and comprehensiveness of its systems and further improve the efficiency of anti-money laundering management. Secondly, the Bank refined its anti-money laundering working system by improving the regulations of anti-money laundering departments. Regular meetings and reporting system for anti-money laundering were set up. Joint meetings of anti-money laundering were held on a regular basis to facilitate more effective coordination among different departments and ensure the performance of anti-money laundering tasks in high quality. Thirdly, the Bank enhanced the risk prevention and control of anti-money laundering. The Bank implemented risk management and control in early stage with effective customer identification measures in order to prevent anti-money laundering risks from the source. Fourthly, the development of anti-money laundering team was strengthened by organizing internal and external trainings to enhance its duty performance. Fifthly, 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. Sixthly, 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 awareness and participation in anti-money laundering, thereby creating a good social atmosphere valuing anti-money laundering.

(ix) Internal audit

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

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

The Bank has adopted a vertical internal audit organizational system, 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 the standardization of operation and management activities, effectively preventing operation risks, implementation of case prevention and control, the authenticity and effectiveness of internal control evaluation, and correcting violations in a timely manner.

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

(b) Risk Management of the Subsidiaries

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

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

(i) Credit risk management

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

(ii) Market risk management

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

(iii) Operational risk management

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

(iv) Liquidity risk management

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

(v) Reputational risk management

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

(vi) Legal and compliance risk management

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

(vii) IT risk management

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

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

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

(ix) Internal audit

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

4.6 Analysis on Capital Adequacy Ratio

All commercial banks in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 10.1%, 10.5%, 10.5%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 8.1%, 8.5%, 8.5%, 8.5% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 7.1%, 7.5%, 7.5%, 7.5% and 7.5%, respectively, as of December 31, 2017, 2018, 2019, 2020 and 2021.

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

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2021	December 31, 2020
Core capital		
Paid-up capital	**4,612.9**	4,393.2
Qualifying portion of capital reserve	**5,050.5**	4,921.3
Surplus reserve	**1,058.2**	915.5
General risk reserve	**2,322.0**	2,077.9
Investment revaluation reserve	**94.7**	10.4
Retained earnings	**1,436.8**	1,353.2
Qualifying portions of non-controlling interests	**1,854.2**	1,475.3
Core tier-one capital deductions[1]	**(532.6)**	(554.4)
Net core tier-one capital	**15,896.7**	14,592.4
Other tier-one capital[2]	**238.2**	158.3
Net tier-one capital	**16,134.9**	14,750.7
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	**2,640.0**	1,840.0
Surplus reserve for loan impairment	**1,686.3**	1,377.2
Eligible portion of non-controlling interests	**480.8**	358.0
Net capital base	**20,942.0**	18,325.9
Total risk-weighted assets	**180,086.9**	161,211.1
Core tier-one capital adequacy ratio (%)	**8.83%**	9.05%
Tier-one capital adequacy ratio (%)	**8.96%**	9.15%
Capital adequacy ratio (%)	**11.63%**	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 Report of the Board of Directors

The Board is pleased to present the Report of the Board of Directors together with the audited financial statements of the Group for the year ended December 31, 2021. All relevant sections of this report referred to in this Report of the Board of Directors form part of this Report of the Board of Directors. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the IFRS.

I. Business Review

The Bank is a rural commercial bank in Northeast China. As at December 31, 2021, the Bank was the holding company of 15 majority-owned subsidiaries, 19 non-majority-owned subsidiaries and one non-majority-owned financial leasing company, each of which operates autonomously with its own brand name, IT, human resource, risk management and internal control systems.

The Group is engaged in a range of banking services and related financial services. The information on business review of the Group for the year ended December 31, 2021 is set out in "Management Discussion and Analysis" of this annual report.

II. Issuance of H Shares and Listing on the Hong Kong Stock Exchange

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on January 12, 2017. The global offering of the Bank comprised 759,000,000 H Shares (including over-allotment Shares and H Shares converted from Domestic Shares). The offer price was HK$4.56 per H Share. The net proceeds from the global offering received by the Bank, after deduction of (i) the net proceeds from the sale of the sale shares under the global offering by the selling shareholders, and (ii) the underwriting commissions and other estimated expenses payable by the Bank in connection with the global offering, is approximately HK$2,979.55 million. The Bank has used all net proceeds from the global offering to strengthen the core capital base of the Bank to support the growth of business.

III. Relationship between the Group and its Employees

The Group adheres to the people-oriented philosophy and endeavors to build stable and harmonious employment relations. The Group always treasures employees as its most valuable assets. The Group endeavors to create a harmonious and comfortable working environment, provide sound welfare and compensation system and reasonable career promotion channel for its employees.

The Group attracts and retains talents through efficient recruitment, attractive remuneration packages, advanced training system and optimal employee assessment system and promotion mechanism. Its employees are young and energetic with high education level. The Bank has set up a training center and an internal training team to enhance the operation skills of its employees. The Bank has also provided its employees with various opportunities of internal selections for their career development. The Bank has also attracted external quality talents, such as experienced key and management personnel from large commercial banks. It encourages regular communication between its senior management and employees. It also organizes different types of activities to enhance the sense of belonging of the employees.

The Bank believes that its continuous growth depends on the strengths and contributions of its employees. It has developed an assessment and training system which integrates the development strategies of the Bank with the career development of its employees. The Bank has also established an appraisal system to determine the remuneration of employees based on their positions and performance. The Bank contributes to the social insurance of employees and provides other employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance and housing funds, according to the laws and regulations and applicable requirements of China.

The Bank and each subsidiary have a labour 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 the Group's subsidiaries had experienced any labour strikes or other labour disturbances that materially affected the Group's operations or public image.

IV. Relationship between the Bank and its Customers

Retail Customers

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee and commission-based products and services. As of December 31, 2021, the Group had 67,155 retail borrowers with total loans and advances to customers of RMB26,594.9 million. In addition, the Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. As of December 31, 2021, the Group's retail deposits totalled RMB143,412.8 million.

Corporate Customers

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 departments and non-profit organisations. As of December 31, 2021, the Group had approximately 3,620 corporate borrowers with loans and advances totalling RMB130,255.3 million.

In addition, the Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationship. As of December 31, 2021, the Group had 2,806 SME customers with loans and advances totalling approximately RMB103,631.4 million.

V. Profits and Dividend

The Group's revenue for the year ended December 31, 2021 and the Group's financial position as of the same date are set out in "the Consolidated Financial Statements" of this annual report.

The declaration of a dividend is subject to the discretion of the Board, which will take into account the following factors when considering the payment of a dividend: (a) the financial results of the Group; (b) the cash flow situation and future cash requirements of the Group; (c) the general business conditions and strategies of the Group; (d) the statutory and regulatory restrictions; and (e) any other factors the Board may deem relevant. Given the fluctuating nature of earnings or loss of the Group, the Board does not recommend setting a target dividend payout ratio, or maintaining a consistent dividend payment over time. There can be no assurance that a dividend will be proposed or declared in any specific period. The Board will review the dividend policy from time to time.

The Board does not recommend the distribution of final dividend for the year ended December 31, 2021. The Board will propose the abovementioned resolution at the 2021 annual general meeting for approval. The Bank will issue an announcement separately if there are any changes in the arrangement of the abovementioned distribution of dividend.

VI. Plan of Capital Reserve Capitalization

The Board proposed to issue new Shares by way of capitalization of capital reserve to the holders of Domestic Shares and H Shares whose names appear on the share register of the Bank at the close of business on Thursday, June 30, 2022 on the basis of 10 new Shares for every 100 existing Shares held by the Shareholders (the "Proposed Capitalization Issue"). Based on the 4,612,901,427 Shares of the Bank in issue as at December 31, 2021, the total number of new Shares to be issued by way of capitalization of capital reserve would be 461,290,142 Shares, including 373,426,405 Shares to be issued to holders of Domestic Shares and 87,863,737 Shares to be issued to holders of H Shares. Upon completion of the Proposed Capitalization Issue, the total number of Shares in issue of the Bank will be 5,074,191,569 Shares, including 4,107,690,457 Domestic Shares and 966,501,112 H Shares.

In order to ascertain the H Shareholders entitled to receive the new H Shares under the Proposed Capitalization Issue, the H share register of the Bank will be closed from Saturday, June 25, 2022 to Thursday, June 30, 2022 (both days inclusive), during which period no transfer of H Shares will be registered. In order to entitle the new H Shares, share certificates accompanied by transfer documents must be lodged by holders of H Shares with the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, June 24, 2022.

Fractional Domestic Shares arising from the Proposed Capitalization Issue will be aggregated and one new share will be issued to each of the holders of Domestic Shares in descending order based on the decimal number of their fractional Domestic Shares, until the actual number of Domestic Shares issued equals the total number of Domestic Shares issued under the Proposed Capitalization Issue. If the number of holders of Domestic Shares with the same decimal number of fractional Domestic Shares exceeds the remaining Shares, such remaining Shares shall be randomly allotted by computer, which shall be conclusively evidenced by the results announced by China Securities Depository and Clearing Co., Ltd. The H Shares under the Proposed Capitalization Issue shall be issued on a pro rata basis and any fractional Shares will be rounded down to the nearest whole number. Fractional H Shares will not be issued and allotted, but will be aggregated and sold for the benefit of the Bank. The Proposed Capitalization Issue shall be subject to the approval by way of special resolution at the annual general meeting, the Domestic Share class meeting and the H Share class meeting, the approval of the Hong Kong Stock Exchange for the listing and trading of H Shares to be issued under the Proposed Capitalization Issue and the approval of the CBIRC. The Bank shall also comply with the relevant legal procedures and regulations according to the Company Law of the PRC.

The Board also proposed to change its registered capital and amend its Articles of Association to reflect the change in registered capital as a result of the Proposed Capitalization Issue. The change in the registered capital and amendments to the Articles of Association of the Bank shall be subject to the approval of the annual general meeting by way of special resolution.

The circular containing, among other things, detailed arrangements regarding the Proposed Capitalization Issue (including, but not limited to, the timing, book close and the arrangements for fractional Shares and overseas Shareholders) together with the notices of the 2021 annual general meeting and the first H Share Class Meeting of 2022 has been despatched to the holders of H Shares of the Bank in due course.

VII. 2021 Annual General Meeting and the First H Share Class Meeting of 2022 and Book Closure Date

The 2021 annual general meeting and the first H Share Class Meeting of 2022 will be held on Friday, June 17, 2022. In order to determine the holders of H Shares who are eligible to attend the 2021 annual general meeting and/or the first H Share Class Meeting of 2022, the H share register of the Bank will be closed from Wednesday, May 18, 2022 to Friday, June 17, 2022 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to qualify for attending the 2021 annual general meeting and/or the first H Share Class Meeting of 2022, share certificates accompanied by transfer documents must be lodged with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on

Tuesday, May 17, 2022. Holders of H shares of the Bank who are registered with Computershare Hong Kong Investor Services Limited on Friday, June 17, 2022 are entitled to attend the 2021 annual general meeting and/or the first H Share Class Meeting of 2022.

A Shareholder or his/her proxy should present proof of identity when attending the 2021 annual general meeting and/or the first H Share Class Meeting of 2022. If a Shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such Shareholder may attend the 2021 annual general meeting and/or the first H Share Class Meeting of 2022 by providing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such person to attend the meeting(s).

VIII. Changes in the Reserves

Details of the Group's changes in the reserves and the distributable profit reserve for the year ended December 31, 2021 are set out in "Consolidated Statement of Changes in Equity" of this annual report. As at December 31, 2021, the distributable profit reserve of the Bank amounted to RMB1,204,028,000.

IX. Summary of Financial Information

The summary of the operating results and assets and liabilities of the Group for the year ended December 31, 2021 is set out in "Financial Highlights" of this annual report.

X. Donations

For the year ended December 31, 2021, the Group made charity and other donation of RMB24.6 million in aggregate.

XI. Property and Equipment

Details of the changes in property and equipment of the Group for the year ended December 31, 2021 are set out in "Note 27 to the Consolidated Financial Statements" of this annual report.

XII. Retirement Benefits

Details of the retirement benefits provided by the Group to employees are set out in "Notes 3 and 38 to the Consolidated Financial Statements" of this annual report.

XIII. Substantial Shareholders

Particulars of the substantial Shareholders as of December 31, 2021 are set out in "Changes in Share Capital and Particulars of Shareholders — II. Particulars of Shareholders — (II) Interests and Short Positions of Substantial Shareholders and Other Persons" of this annual report.

XIV. 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.

XV. Pre-emptive Rights

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to the Shareholders.

XVI. Major Customers and Major Suppliers

As of December 31, 2021, the Group's five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits and gross loans and advances to customers.

The Bank does not have any major supplier due to the nature of our business.

XVII. Share Capital

Please refer to the section headed "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the share capital of the Bank.

XVIII. Members of the Board

During the Reporting Period and up to the Latest Practicable Date, the Board comprises:

Executive Directors:

Mr. Gao Bing

Mr. Liang Xiangmin

Mr. Yuan Chunyu

Non-executive Directors:

Mr. Cui Qiang

Mr. Zhang Yusheng

Mr. Wu Shujun

Mr. Zhang Lixin

Ms. Wang Ying

Independent Non-executive Directors:

Ms. Zhang Qiuhua

Mr. Fong Wai Kuk Dennis

Ms. Han Lirong

Ms. Jin Xiaotong

Mr. Sun Jiafu

Particulars of the Bank's member of the Board are set out in "Directors, Supervisors, Senior Management, Employees and Organisations" of this annual report.

XIX. Confirmation of Independence by the Independent Non-Executive Directors

The Bank has received from each of its independent non-executive Directors the annual confirmation of his independence, and was of the view that all of its independent non-executive Directors are independent pursuant to the independence guidelines set out in Rule 3.13 of the Hong Kong Listing Rules.

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

Save as disclosed below, as at December 31, 2021, none of the Directors, Supervisors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to be held under such provisions of the SFO), or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange or which would be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of Domestic Shares[1] (%)	Percentage of the total share capital of the Bank[1] (%)
Gao Bing	Chairman and Executive Director	Domestic Shares	Beneficial owner	347,288(L)[2]	0.01	0.01
Yuan Chunyu	Executive Director, vice president, Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	55,286(L)[2]	0.00[3]	0.00[3]
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	379,766,198(L)[2]	10.17	8.23
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	128,004,721(L)[2]	3.43	2.77
Hu Guohuan	External Supervisor	Domestic Shares	Beneficial owner	3,638,139(L)[2]	0.10	0.08

Notes:

(1) As of the Latest Practicable Date, the Bank had a total of 4,612,901,427 Shares in issue, including 3,734,264,052 Domestic Shares and 878,637,375 H Shares.

(2) L represents long position.

(3) The percentage is rounded to two decimals.

XXI. Arrangements to Purchase Shares or Debentures

At no time during the Reporting Period and up to the Latest Practicable Date was the Bank or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors (including their spouses and children under the age of 18) of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

XXII. Interests of Directors and Supervisors in Material Transactions, Arrangements or Contracts and Service Contracts

Saved as disclosed in this annual report, none of the Directors or Supervisors (or their connected entities) had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance of the Bank or its subsidiaries subsisting during or at the end of the Reporting Period. None of the Directors and Supervisors has entered into a service contract with the Bank that cannot be terminated by the Bank or its subsidiaries within one year without payment of compensation (other than statutory compensation).

XXIII. Management Contract

Save for the service contracts entered into with the Directors, Supervisors and senior management members of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

XXIV. Interests of Directors and Supervisors in Competing Businesses

None of the Directors and Supervisors has any interest in a business that competes, or is likely to compete, either directly or indirectly, with the business of the Bank under Rule 8.10(2) of the Hong Kong Listing Rules.

XXV. Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. Details of the Group's corporate governance are set out in the section headed "Corporate Governance Report" of this annual report.

XXVI. Connected Transactions

Pursuant to Chapter 14A of the Hong Kong Listing Rules, transactions between the Bank and its connected persons (as defined in the Hong Kong Listing Rules) will constitute connected transactions of the Bank. However, such connected transactions can be exempted from compliance with relevant reporting, annual review, announcement and independent shareholder approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all the connected transactions and confirmed that it has complied with the disclosure requirement under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24 "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. The details of the related party transactions conducted by the Bank in the ordinary and usual course of business are set out in "Note 49 to the Consolidated Financial Statements" of this annual report. The related party transactions set out in "Note 49 to the Consolidated Financial Statements" of this annual report also constitute connected transactions as defined in the Hong Kong Listing Rules, but none of them constitute a disclosable connected transaction as required by the Hong Kong Listing Rules.

XXVII. Remuneration Policies for Directors, Supervisors and Senior Management Members

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. Please refer to "Note 12 to the Consolidated Financial Statements" in this annual report for the details of the remuneration of the Directors and Supervisors.

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.

XXVIII. 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.

XXIX. Tax Relief

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

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

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

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

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60) (《國家税務總局關於發佈〈非居民納税人享受税收協定待遇管理辦法〉的公告》 (國家税務總局公告2015年第60號)) (the "Tax Convention Announcement"), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual Shareholders whose names appear on the H Share register ("Individual H Shareholder(s)") in the distribution of final dividend. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the

tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified Shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H Share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or under other circumstances, the Bank will withhold and pay the individual income tax at the rate of 20% in the distribution of final dividend.

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

XXX. Auditors

As the length of service of ShineWing Certified Public Accountants LLP had reached the maximum pursuant to the requirement of the Ministry of Finance of the PRC regarding the prescribed length of service for an auditing firm, it ceased to be the domestic external auditor of the Bank from the date of the 2020 annual general meeting of the Bank. As considered and approved by the Shareholders at the 2020 annual general meeting, the Bank has appointed CAC CPA Limited Liability Partnership as the auditor for the PRC GAAP financial statements of the Bank for 2021 and will continue to engage SHINEWING (HK) CPA Limited as the auditor for the IFRS financial statements of the Bank for 2021. Save as disclosed above, there was no change in the auditor of the Bank in the past three years.

Please also refer to the section headed "Corporate Governance Report — IX. External Auditors and Remuneration of Auditors" of this annual report for the information on the auditors' remuneration.

XXXI. Permitted Indemnity Provision

The Bank has arranged appropriate insurance covering possible legal liabilities of the Directors and the senior management arising from corporate activities to third parties.

XXXII. Major Risks and Uncertainties

Major risks and uncertainties faced by the Group include credit risk, operational risk, market risk and liquidity risk. By promoting comprehensive risk management, continuously refining the systems, enriching working and operating means and improving technologies, the Group has effectively enhanced its risk management capability. Please refer to the section headed "Management Discussion and Analysis — 4.5 Risk Management" of this annual report.

XXXIII. Future Development of Business

Please refer to the section headed "Management Discussion and Analysis — 4.1 Environment and Outlook" and "Management Discussion and Analysis — 4.2 Development Strategies" of this annual report for further details.

XXXIV. Key Financial Performance Indicators and Analysis

As of December 31, 2021, according to the financial data prepared under the IFRS, the total assets of the Group amounted to RMB234,140.2 million, representing a year-on-year increase of 16.9%; total loans and advances to customers amounted to RMB156,850.2 million, representing a year-on-year increase of 20.6%; the non-performing loan ratio was 1.88%, representing a year-on-year increase of 0.25 percentage points; total deposits from customers amounted to RMB193,106.2 million, representing a year-on-year increase of 28.9%; the total operating income of the Group amounted to RMB6,362.3 million, representing a year-on-year increase of 14.7%; and the net profit of the Group amounted to RMB1,290.0 million, representing a year-on-year increase of 7.5%. As of December 31, 2021, the Group's capital adequacy ratio, tier one capital adequacy ratio and core tier one capital adequacy ratio was 11.63%, 8.96% and 8.83%, respectively. The gearing ratio of the Group, calculated by dividing the total liabilities by total assets, as of December 31, 2021 was 92.41%.

XXXV. Environmental, Social and Governance Report

The Group places great emphasis on its own environmental and social performance by integrating the operation and management with social responsibilities, actively promoting inclusive finance and supporting green credit business in order to facilitate the regional social and economic development through various aspects. The Group communicates with stakeholders proactively through various communication channels to understand their expectations and requirement for the Group. In 2021, the Bank has complied with the "comply or explain" provisions set forth in the Environmental, Social and Governance Reporting Guide. For details of the above, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

The Bank continuously refined its rules and systems as well as the internal control and management system, and all departments could duly discharge their respective duties and responsibilities, so that the internal control system became more comprehensive, practicable and efficient. During the Reporting Period, the Bank has fully complied with substantially all provisions contained in the Code of Corporate Governance, save for the deviation from the former code provision A.5.1 (currently Rule 3.27A of the Hong Kong Listing Rules) requiring that the Nomination Committee shall comprise a majority of independent non-executive Directors. Half of the members of the Nomination Committee under the Board were independent non-executive Directors before the qualification of Mr. Fong Wai Kuk Dennis as Director was approved. The majority of the members of the Nomination Committee of the Bank has been independent non-executive Directors when the qualification of Mr. Fong Wai Kuk Dennis as Director was approved on September 18, 2021, which is in compliance with the former code provision A.5.1 (currently Rule 3.27A of the Hong Kong Listing Rules).

For details of the governance of the Bank, please refer to "Corporate Governance Report" of this annual report.

XXXVI. Compliance with Laws and Regulations

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. For the year ended December 31, 2021, to the best knowledge of the Board, the Group has complied in all material respects with all applicable laws and regulations which could materially affect the Group.

Legal and compliance risk management of the Bank

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

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system.

The Bank's legal compliance department is in charge of compliance management and monitoring of the Bank, including timely update on laws and regulations issued by governmental departments and financial regulatory authorities, adjustment of the policies and documents of compliance management and internal control of the Bank when appropriate, integration and supervision of compliance operations of branches, regular report on the implementation and development of compliance management to senior management. It also handles communications with the PBOC and the CBIRC and its agencies, including daily contact, data delivery and implementation of specific regulatory inspection.

The Bank's legal compliance department is also responsible for legal risk management arising from business operations of the Bank, including drafting and reviewing legal documents such as contracts, legal risk analysis of mergers and acquisitions and new products and suggestion of solutions. The legal compliance department is also responsible for management and guidance on litigation relating to non-contentious legal issues and the provision of legal consulting services to all business departments and branches through internal legal training and other methods. To better manage and control legal risk, the Bank has appointed external legal counsel to provide professional legal support for its daily operations and management as well as professional legal services for its major business conflicts and litigations.

The Bank has established branch level internal control and compliance positions as needed which are in charge of the management of compliance and legal risks of branches under the leadership of the legal compliance department of the head office of the Bank. The Bank also conducts regular training programs and provides guidance on specific legal compliance operations to further improve legal and compliance risk management level at branches.

The Bank has established an anti-money laundering steering group under the Bank's finance and accounting department, which is mainly responsible for convening meetings of anti-money laundering steering group, taking actions against rules violations or negligent conduct during anti-money laundering operations and reducing or controlling related risks by strengthening and improving the Bank's steering group process and rules. The Bank has established systems and implemented rules to identify, assess, monitor, control and report on money laundering risks. The Bank has also set up an anti-money laundering information monitoring and reporting system to report large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis. It also reports all suspected money laundering activities to the local branch of the PBOC and cooperate in anti-money laundering investigations. The Bank provides anti-money laundering training and related promotional activities and inspections and requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

Legal and compliance risk management of subsidiaries

The respective policies of each subsidiary provide for the management of legal and compliance risk through (1) regular compliance training, and (2) a whistle-blower system to encourage employees to report non-compliance events.

Each subsidiary has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC 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 reports suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center individually as a separate legal entity in accordance with the relevant regulatory requirements.

XXXVII. License Requirements

As of the Latest Practicable Date, the Bank and each subsidiary have obtained necessary business qualifications required for their business operations.

XXXVIII. Legal Proceedings

The Bank and each subsidiary 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 subsidiaries were involved in any material pending lawsuits as a defendant.

During the Reporting Period and up to the Latest Practicable Date, none of the Bank's Directors, Supervisors, or senior management was involved in any litigation or arbitration, nor had any of them been subject to any administrative penalty.

XXXIX. Capital Reserve Capitalization

As resolved by the Board and considered and approved by Shareholders at the 2020 annual general meeting, 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, 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. Immediately following the completion of the Capitalization Issue, the total number of Shares in issue of the Bank

is 4,612,901,427 Shares, including 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 have 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 its registered capital and amended its Articles of Association to reflect the change in registered capital as a result of the Capitalization Issue.

XL. Issuance of Bonds

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

The Bank issued the First Tranche of Tier-two Capital Bonds of Jilin Jiutai Rural Commercial Bank Corporation Limited for 2016 (the "Bonds") in the national inter-bank bond market on October 18, 2016 by way of book building. The Bonds, with the total issuing size of RMB0.9 billion, are conditionally redeemable by the issuer at the end of the fifth year with a coupon rate of 4.20%. The Bank fully redeemed the Bonds on October 20, 2021 in accordance with the terms of prospectus.

As resolved by the Board and considered and approved by Shareholders at the 2018 annual general meeting of the Bank held on June 20, 2019, the Bank proposes to issue capital supplementary bonds of up to RMB4 billion (including capital bonds with no fixed term and tier-two capital bonds). The initial term of the capital supplementary bonds shall be no less than 5 years, and the capital bonds with no fixed term shall have no fixed expiry date before the Bank exercises its redemption right. The actual interest rate of the issuance will be determined based on market rates. Proceeds from the issuance of bonds will be used to replenish other tier-one capital or tier-two capital of the Bank. As of March 30, 2021, the Bank received the "Approval for the issuance of tier-two capital bonds by Jilin Jiutai Rural Commercial Bank Corporation Limited Approval No. 87 by the CBIRC Jilin Bureau[2021]" (關於同意吉林九台農村商業銀行股份有限公司發行二級資本債券的批覆(吉銀保監覆[2021]87號)) from the CBIRC Jilin Bureau, which approved the issuance of tier-two capital bonds of up to RMB 2 billion.

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 on July 20, 2021 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%. The proceeds from the Bonds will be used to replenish the tier-two capital of the Bank in accordance with the applicable laws and approval from the regulatory authorities.

XLI. Equity-linked Agreement

During the Reporting Period and up to the Latest Practicable Date, the Bank did not enter into any equity-linked agreement.

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

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

(1) Private Placement of Domestic Shares

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

(2) Non-public Issuance of H Shares

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

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 held on September 5, 2018. The validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was extended by resolutions adopted at the first extraordinary general meeting of 2019, the second domestic class meeting of 2019 and the second H share class meeting of 2019 held on October 24, 2019. The validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was further extended by resolutions adopted at the first extraordinary general meeting of 2020, the second domestic class meeting of 2020 and the second H share class meeting of 2020 held on October 22, 2020. As the validity period of the issue plans and relevant authorizations for the

Private Placement of Domestic Shares and the Non-public Issuance of H Shares expired on October 21, 2021, 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 for 12 months was considered and approved at the Board meeting of the Bank held on March 30, 2021 as well as the 2020 annual general meeting, the first domestic share class meeting of 2021 and the first H share class meeting of 2021 held on June 18, 2021. The resolutions regarding the adjustment and update of issue price and other matters under the Plans on the Private Placement of Domestic Shares and the Non-public Issuance of H Shares based on market conditions and actual situation of the Bank were considered and approved at the Board meeting held on August 30, 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, March 30, 2021, August 30, 2021 and September 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.

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

(1) Significant acquisitions and disposals

From January 1, 2021 to December 31, 2021, the Bank had not conducted any significant acquisition or disposal of assets/businesses of its subsidiaries or associates/corporate mergers.

(2) Other acquisitions and disposals

1. Disposal of equity interests 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.

2. Disposal of equity interests of Liaoyuan Rural Commercial Bank

The Bank previously held 105,450,000 shares of Liaoyuan Rural Commercial Bank. On December 30, 2021, the Bank entered into equity transfer agreements with Jilin Xingchen Logistics Co., Ltd. (吉林省興辰物流有限公司) ("Xingchen Logistics") and Jilin Yanao Trading Co., Ltd. (吉林省燕奧商貿有限公司) ("Yanao Trading"), all being independent third parties, respectively, pursuant to which 10,500,000 shares and 10,500,000 shares of Liaoyuan Rural Commercial Bank held by the Bank were sold to Xingchen Logistics and Yanao Trading for a consideration of RMB38.535 million and RMB38.535 million. The two transactions above were completed during the Reporting Period. Upon the completion of the two transactions, the Bank still holds 84,450,000 shares of Liaoyuan Rural Commercial Bank, accounting for 34.36% of the total issued share capital of Liaoyuan Rural Commercial Bank.

3. Disposal of shares of Jilin Jiuyin Financial Leasing

The Bank previously held 315,000,000 shares of Jilin Jiuyin Financial Leasing, accounting for 60% of the total issued shares of Jilin Jiuyin Financial Leasing. On December 30, 2021, the Bank entered into an equity transfer agreement with Shenzhen Shenshang Hi-Tech Industrial Co., Ltd. (深圳市深商高科實業有限公司) ("Shenshang Hi-Tech"), an independent third party, pursuant to which 26,000,000 shares of Jilin Jiuyin Financial Leasing held by the Bank were sold to Shenshang Hi-Tech for a consideration of RMB78.0 million. On December 30, 2021, the Bank entered into an equity transfer agreement with Shenzhen Guomin Yunli Technology Group Co., Ltd. (深圳市國民運力科技集團有限公司) ("Guomin Yunli"), an independent third party, pursuant to which 26,000,000 shares of Jilin Jiuyin Financial Leasing held by the Bank were sold to Guomin Yunli for a consideration of RMB78.0 million. On December 30, 2021, the Bank entered into an equity transfer agreement with Jilin Longwang Fuel Co., Ltd. (吉林省隆旺燃料物資有限公司) ("Longwang Fuel"), an independent third party, pursuant to which 26,000,000 shares of Jilin Jiuyin Financial Leasing held by the Bank were sold to Longwang Fuel for a consideration of RMB78.0 million. On December 30, 2021, the Bank entered into an equity transfer agreement with Jilin Jiaou Agricultural Technology Co., Ltd. (吉林省嘉偶農業科技有限公司) ("Jiaou Agricultural"), an independent third party, pursuant to which 26,000,000 shares of Jilin Jiuyin Financial Leasing held by the Bank were sold to Jiaou Agricultural for a consideration of RMB78.0 million. On December 30, 2021, the Bank entered into an equity transfer agreement with Jilin Yingdehui Environmental Protection Technology Co., Ltd. (吉林市盈德匯環保科技有限公司) ("Yingdehui"), an independent third party, pursuant to which 26,000,000 shares of Jilin Jiuyin Financial Leasing held by the Bank were sold to Yingdehui for a consideration of RMB78.0 million. On December 30, 2021, the Bank entered into an equity transfer agreement with Jilin Zunjue Metal Materials Co., Ltd. (吉林尊爵金屬材料有限公司) ("Zunjue Metal"), an independent third party, pursuant to which 26,000,000 shares of Jilin Jiuyin Financial Leasing held by the Bank were sold to Zunjue Metal for a consideration of RMB78.0 million. The six transactions above were completed during the Reporting Period. Upon the completion of the six transactions, the Bank still holds 159,000,000 shares of Jilin Jiuyin Financial Leasing, accounting for 30.29% of the total issued share capital of Jilin Jiuyin Financial Leasing.

4. Disposal of shares of Shanxi Houma Rural Commercial Bank Co., Ltd. (山西侯馬農村商業銀行股份有限公司) ("Shanxi Houma Rural Commercial Bank").

The Bank previously held 56,100,000 shares of Shanxi Houma Rural Commercial Bank, accounting for 8.90% of the total issued shares of Shanxi Houma Rural Commercial Bank. On December 30, 2021, the Bank entered into an equity transfer agreement with Jilin Jiawo Agricultural Development Co., Ltd. (吉林省嘉沃農業發展有限公司) ("Jiawo Agricultural"), an independent third party, pursuant to which 100,000 shares of Shanxi Houma Rural Commercial Bank held by the Bank were sold to Jiawo Agricultural for a consideration of RMB0.30 million. The transaction above was completed during the Reporting Period. Upon the completion of the transaction, the Bank still holds 56,000,000 shares of Shanxi Houma Rural Commercial Bank, accounting for 8.89% of the total issued share capital of Shanxi Houma Rural Commercial Bank.

Disposal of shares of Daxinganling Rural Commercial Bank, Liaoyuan Rural Commercial Bank, Jilin Jiuyin Financial Leasing and Shanxi Houma Rural Commercial Bank Co., Ltd. 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 transactions, individually or in aggregate, are below 5%.

XLIV. Review of Annual Results

CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited have audited the consolidated financial statements of the Group prepared in accordance with the PRC GAAP and IFRS, respectively, and issued standard unqualified auditors' reports. The Board of Directors and the Audit Committee have reviewed and adopted the results and financial report of the Bank for the year ended December 31, 2021.

XLV. Publication of 2021 Annual Report

The Bank has prepared its 2021 annual 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) and website of the Bank (www.jtnsh.com).

XLVI. Effect of the Novel Coronavirus Pneumonia

In 2021, the COVID-19 pandemic in China witnessed a trend of sporadic outbreaks in many places. The Bank has strictly implemented various measures with specific plans and tasks for pandemic prevention and control and remained highly alert. In order to maintain regular pandemic prevention and control, the Bank promoted "no-contact" services and provided diversified financial services to customers through e-banking, self-service equipment and other channels. In addition, the Bank has put great efforts in accomplishing the tasks of "six stability" and "six guarantees". In order to support SMEs affected by the pandemic to tide over difficulties and provide strong financial support for recovery and development of local economy, the Bank adopted proper polices, took special measures, established green channel and offered preferential interest rate.

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

XLVII. Miscellaneous

(1) As of the Latest Practicable Date, the Bank was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.

(2) As of the Latest Practicable Date, none of the Directors waived or agreed to waive the related remuneration arrangements.

(3) During the Reporting Period and up to the Latest Practicable Date, there were no collateral and pledges of significant assets of the Bank.

(4) The Bank did not implement any equity incentive plan during the Reporting Period and up to the Latest Practicable Date.

(5) The Bank did not implement any employee stock ownership scheme during the Reporting Period and up to the Latest Practicable Date.

(6) From the end of the Reporting Period and up to the Latest Practicable Date, the Group did not have any significant event.

On behalf of the Board
Gao Bing
Chairman

Chapter 6 Report of the Board of Supervisors

In 2021, the Board of Supervisors complied with laws and regulations of the PRC and overseas and related normative documents and the Articles of Associations to perform their supervising duties on the matters related to the strategic development goals and major business of the Bank. It also prudently implemented regulatory requirements, regulated supervisory tasks and monitored major policies and initiatives. The Board of Supervisors diligently performed its supervising role and function through various initiatives in a scientific manner to safeguard the legal interests of the Bank, shareholders, customers and employees.

I. Summary of the Works of the Board of Supervisors of 2021

(I) Scientific supervisory structure as supervision basis. 2021 was the first working year of the fifth session of the Board of Supervisors. The Board of Supervisors is composed of seven Supervisors, three employee Supervisors and four non-employee external Supervisors (including one Shareholder Supervisor). The Board of Supervisors had the Supervisory Committee and the Nomination Committee. Both committees are comprised of three Supervisors and are chaired by external Supervisors. The Board of Supervisors has established an office of the Board of Supervisors. The Board of Supervisors performed their duties in accordance with the Articles of Association and supervised the decision-making on strategies, major business activities and other matters in accordance with laws.

(II) Performing supervisory duty as top priority. The Board of Supervisors formulated practical work plan to determine its major tasks and performed the supervisory duties by participating in decision making and supporting business management. Firstly, the Board of Supervisors supported the decision making of operation and carried out supervision throughout the process. The Board of Supervisors fulfilled its duties according to the policy documents and relevant laws and regulations as well as the strategic decisions, business policies and management philosophies of the Board and the senior management. The Board of Supervisors provided reasonable suggestions or supervisory opinions during decision-making process and carried out comprehensive supervision on different affairs throughout the whole process of operation and management. The Board of Supervisors duly supervised the financial positions of the Bank by considering and reviewing the annual financial budget, profit distribution proposals and remuneration packages. The Board of Supervisors also prepared and implemented its plans for the supervision and inspection of the Bank's financial activities. The Board of Supervisors had audited the truthfulness of the operating results for the year and the annual financial statements in accordance with laws and raised its audit opinions. The Board of Supervisors duly supervised the internal control and risk control. The Board of Supervisors assessed the internal control of the Bank through the audit department by focusing on the internal control environment and its measures and effectiveness. The Board of Supervisors duly supervised all aspects of the compliance operation of the Bank with focus on the control systems, asset quality, operation process, validity, legality and risks of new business development to ensure the smooth operation of the Bank. Secondly, the Board of Supervisors attended various meetings to strengthen supervision. In 2021, the Board of Supervisors attended 3 general meetings and class meetings, and assigned Supervisors to attend 7 board meetings. Its duties were performed effectively. Thirdly, the Board of Supervisors carried out supervision on major areas to prevent operational risks. In order to maintain the asset quality at a reasonable level, the Board of Supervisors monitored, organized and coordinated the prevention and solution of credit risk, and urged the operation management to improve the post-loan management as well as the risk prevention and monitoring system.

(III) Standardizing performance assessment as major task. Firstly, the Board of Supervisors assessed the performance of the Board and the Directors and the senior management in 2020. The Board of Supervisors standardized the approach, content and procedure for performance assessment of the Directors and senior management. Through investigation and interviews with the Directors and senior management and reviewing various business reports and the work summaries, presentations and work reports of the Directors and senior management, the Board of Supervisors understood their duty performance and conducted scientific and effective performance assessment so as to support their diligent performance. Based on the requirement of performance assessment, the Board of Supervisors conducted objective assessment on whether the business philosophies, values and development strategies were in line with the policies and financial strategies of the government. An assessment report was prepared and submitted to the Shareholders' general meeting. Secondly, the Board of Supervisors performed self-assessment effectively. According to the requirement of the relevant documents and the actual situation of the Bank, the Board of Supervisors coordinated the self-assessment scientifically, which covered 8 aspects, namely organizational structure, supervision and inspection, performance assessment, suggestions and risk alerts, convention of meetings, daily management, system construction and business risk management. An assessment report was prepared and submitted to the Shareholders' general meetings.

(IV) Conducting in-depth researches to support supervision. In 2021, the Board of Supervisors actively conducted various researches and provided advice and suggestions in a prudent manner. A regular research system and the research culture were established and researches on employees and customers with selective questions and topics were carried out. Supervisors arranged meetings with the frontline staff and customers to understand the problems in relation to the frontline management, and provided opinions and suggestions to improve the operation and management of the Bank. During the year, based on the development strategies, market positioning and management approach of the Bank, the Board of Supervisors conducted researches selectively on aspects including the marketing strategy, corporate culture, liquidity risk management, anti-money laundering and the support on economic development as well as the major worries and concerns of our Shareholders. Research reports and proposals were then prepared and submitted to the Board and the management in a timely manner as a reference for the business decisions of the Bank.

(V) Special inspection as a management and control measure. In order to strengthen the supervision and enhance its efficiency, the Board of Supervisors carried out special inspections to improve the risk management and control of the Bank. The Board of Supervisors fully exercised their rights and responsibilities and further standardized its professional management so as to support the compliance operation and sustainable and sound development of the Bank.

(VI) Issuing risk alerts as standard procedure. Based on the daily supervision, the data and information reported monthly by departments of the Bank, study reports and special inspections as well as the report of the audit department, the Board of Supervisors performed the internal control and risk prevention procedure, conducted risk prediction and issued notices of the Board of Supervisors to all management and frontline staff as risk alerts regarding the emerging risks so as to effectively prevent operational risks through the forecast mechanism.

(VII) The Supervision of external Supervisors as scientific a method. During the Reporting Period, external Supervisors actively acquired details of operation management of the Bank, issued their opinions and made recommendations on important matters by attending the meetings of the Board of Supervisors, holding meetings of the special committees of the Board of Supervisors, attending the meetings of the Board of Directors or other operation and management meetings and other meetings as observers and conducting collective and independent studies. During the adjournment of the meetings of the Board of Directors and the Board of Supervisors, external Supervisors were able to access various documents and reports of the Bank and promptly made judgement on the findings and came up with solutions. The Board of Supervisors also exchanged views with the Board of Directors and the management.

(VIII) Strict compliance in daily management. Firstly, the Board of Supervisors conducted meetings in strict compliance with the rules. During the year, 8 meetings of the Board of Supervisors were convened and 123 resolutions were considered and approved. The Supervisory Committee had convened 4 meetings and approved 62 resolutions. The Nomination Committee had convened 6 meetings and approved 20 resolutions. All of the Supervisors, external Supervisors and Shareholder Supervisor attended meetings in person and provided supervisory opinions and suggestions when reviewing the legality of the resolutions and the decisions made by the Bank. Secondly, the Board of Supervisors actively participated in training courses. In order to improve the theoretical level and practical ability of its members, the Board of Supervisors organized business conferences and training programs for the Supervisors and other officers of the Board of Supervisors regularly to further improve their capability of identifying and preventing different business risks during the operation and management of the Bank. Latest announcements issued by the CBIRC were distributed to all Supervisors during the meetings of the Board of Supervisors to facilitate their understanding of the latest trends. Thirdly, preparation and management of files were standardized. According to the requirement of the filing system, the office of the Board of Supervisors organized, classified and filed relevant documents and information to ensure each category of documents was filed separately, and all paper and electronic documents were filed at the same time. The documentation and filing of the Bank have been further standardized.

II. Independent Opinions of the Board of Supervisors

(I) Supervisory opinions on the performance of the Board of Directors and the senior management. During the Reporting Period, the Board of Directors and the senior management diligently discharged their responsibilities in accordance with the Code of Corporate Governance of Banking and Insurance Institutions and the Articles of Association. The Board of Directors worked together diligently and prudently in respect of the development and major decision making of the Bank and led the Bank to achieve sound development. The senior management continued to improve the planning and implementation of strategies, duly formulated and executed operational measures to ensure the successful completion of the tasks of the year.

(II) Supervisory opinions on compliance operation. During the Reporting Period, the operation of the Bank complied with the relevant laws and regulations and the Articles of Association. Operational decisions and the decision-making procedures were legal and effective. Directors and members of senior management reasonably and duly performed their duties with caution during the course of operation and management. No material violation of laws, regulations and the Articles of Association or damage to the interests of the Bank and Shareholders by any Directors or senior management when performing their duties in the Bank was identified.

(III) Supervisory opinions on the financial report. SHINEWING (HK) CPA Limited has audited, in accordance with the IFRS, the financial report for the year of 2021 prepared by the Bank under the IFRS and issued a standard unqualified audit report thereon. The Board of Supervisors is of the view that the annual financial report of the Bank gave a true and fair view of the financial position and operational results and there were no material omission or false representation in the financial report.

(IV) Supervisory opinions on connected transactions. During the Reporting Period, the Related-party Transactions Control Committee of the Board and the relevant departments managed connected transactions in accordance with the relevant regulations. The identification, review and disclosure of connected transactions were in compliance with the laws and regulations of the PRC and the Articles of Association. No incident of damage to the interests of the Bank was identified.

(V) Supervisory opinions on internal control. During the Reporting Period, the Bank established an internal control system and structure comprised of the Board of Directors, Board of Supervisors, senior management, internal control department, internal audit department and business divisions with clear division of responsibilities and reporting lines. There were no material defects concerning the completeness and reasonableness of the internal control system of the Bank.

(VI) Supervisory opinions on the acquisition and disposal of assets. During the Reporting Period, as far as the Board of Supervisors is aware, there was no acquisition or disposal of assets of the Bank that would harm the interests of Shareholders or result in any loss of assets of the Bank.

(VII) Supervisory opinions on the implementation of resolutions of the Shareholder's general meetings. During the Reporting Period, the Board of Supervisors attended the Shareholders' general meetings and meetings of the Board, and reviewed the resolutions passed by the Board. The Board of Supervisors agreed to the reports and resolutions submitted by the Board for approval in the Shareholders' general meetings during the Reporting Period. The Board of Supervisors has supervised the implementation of resolutions adopted at the Shareholders' general meetings and is of the opinion that these resolutions were duly implemented by the Board of Directors with its responsibility fulfilled and value added. No damage to the interests of the Shareholders was identified.

(VIII) Supervisory opinions on information disclosure. During the Reporting Period, the Bank fulfilled the information disclosure responsibility of a listed company under the principles of openness, fairness and impartiality. The Bank has disclosed its information in a timely manner to ensure all Shareholders are able to obtain major information of the Bank.

Chapter 7 Changes in Share Capital and Particulars of Shareholders

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

As of December 31, 2021, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital (%)
Domestic Shares	3,734,264,052	81.0
H Shares	878,637,375	19.0
Total	**4,612,901,427**	**100.0**

There were no changes to the share capital of the Bank during the period from January 1, 2022 to the Latest Practicable Date.

II. Particulars of Shareholders

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

As of December 31, 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 December 31, 2021	Approximate percentage in the total issued share capital of the Bank at December 31, 2021 (%)	Pledged or frozen
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	443,289,245	9.61	443,289,245
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	379,766,198	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)	210,527,733	4.56	—
4	Yongtai Group Limited (永泰集團有限公司)	185,220,000	4.02	185,220,000
5	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	128,004,721	2.77	—
6	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	124,505,579	2.70	87,000,000
7	China Wood (Group) Co., Ltd. (中國木材 (集團) 有限公司)	116,169,984	2.52	116,169,984
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)	114,138,491	2.47	—
9	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	101,454,428	2.20	—
10	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	96,425,129	2.09	—
Total		**1,899,501,508**	**41.18**	**831,679,229**

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

To the best knowledge of the Bank, as at December 31, 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. The Bank issued new Shares by way of capitalization of capital reserve in 2021 on the basis of 5 new Shares for every 100 existing Shares held by the Shareholders. The number of Shares held by each Shareholder in the table below represents the number of Shares held after the Capitalization Issue in 2021.

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held[8]	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Domestic Shares					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	443,289,245(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	379,766,198(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	210,527,733(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)[1]	Interest in controlled corporation	Domestic Shares	210,527,733(L)	4.56	5.64
Song Yilin (宋一霖)[2]	Interest in controlled corporation	Domestic Shares	210,527,733(L)	4.56	5.64

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held[8]	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
H Shares					
China Create Capital Limited	Beneficial owner	H Shares	163,434,654(L)	3.54	18.60
Wang Tao[3]	Interest in controlled corporation	H Shares	163,434,654(L)	3.54	18.60
Suhang Investment Holdings Limited	Beneficial owner	H Shares	115,762,500(L)	2.51	13.18
Huarong Huaqiao Asset Management Co., Ltd. (華融華僑資產管理股份有限公司)[4]	Interest in controlled corporation	H Shares	115,762,500(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)[5]	Interest in controlled corporation	H Shares	115,762,500(L)	2.51	13.18
Longyuan International (Hongkong) Limited	Beneficial owner	H Shares	116,265,026(L)	2.52	13.23
Aurum Thrive Limited (金隆有限公司)	Beneficial owner	H Shares	52,029,456(L)	1.13	5.92
Zhang Dan (張丹)[6]	Interest in controlled corporation	H Shares	52,029,456(L)	1.13	5.92
Huijin Capital Limited	Beneficial owner	H Shares	54,697,781(L)	1.19	6.22
Mia Chen[7]	Interest in controlled corporation	H Shares	54,697,781(L)	1.19	6.22

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 the entire 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) Zhang Dan holds the entire issued share capital of Aurum Thrive Ltd. Aurum Thrive Ltd. directly holds 52,029,456 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Ltd.

(7) Mia Chen holds 100% equity interest in Huijin Capital Limited. Huijin Capital Limited directly holds 54,697,781 H Shares. According to the SFO, Mia Chen is deemed to be interested in the Shares held by Huijin Capital Limited.

(8) L represents long positions.

(9) 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 December 31, 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.

(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 Shareholders 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 8 Directors, Supervisors, Senior Management, Employees and Organisations

I. Information on Directors, Supervisors and Senior Management Members

As of December 31, 2021 and 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)	54	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)	56	Vice Chairman, Executive Director	April 2016	June 2024	Responsible for management of Human Resources Department and International Business Department, participate in making material business decisions and developing the business development strategy
Mr. Yuan Chunyu (袁春雨)	50	Executive Director, Vice President, 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 (崔強)	57	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 (張玉生)	72	Non-executive Director	April 2015	June 2024	Same as above
Mr. Wu Shujun (吳樹君)	63	Non-executive Director	December 2012	June 2024	Same as above
Mr. Zhang Lixin (張立新)	45	Non-executive Director	August 2021	June 2024	Same as above
Ms. Wang Ying (王瑩)	38	Non-executive Director	August 2021	June 2024	Same as above

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Ms. Zhang Qiuhua (張秋華)	59	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)	59	Independent Non-executive Director	August 2021	June 2024	Same as above
Ms. Jin Xiaotong (金曉彤)	58	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Sun Jiafu (孫甲夫)	50	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Fong Wai Kuk Dennis (方緯谷)	45	Independent Non-executive Director	September 2021	June 2024	Same as above

Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	50	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 Enjiu (王恩久)	53	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)	46	Employee Supervisor	December 2015	June 2024	Same as above
Ms. Dai Yundi (戴昀弟)	59	Non-employee Supervisor	June 2021	June 2024	Supervision of the Board of Directors and senior management
Mr. Liu Jianxin (劉建新)	52	Non-employee Supervisor	June 2021	June 2024	Same as above
Mr. Dong Shuaibing (董帥兵)	50	Non-employee Supervisor	June 2021	June 2024	Same as above
Ms. Hu Guohuan (胡國環)	59	Non-employee Supervisor	June 2021	June 2024	Same as above

Chapter 8 Directors, Supervisors, Senior Management, Employees and Organisations

Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Chen Xinzhe (陳新哲)	51	President	June 2021	June 2024	Responsible for the overall management of the business operations
Mr. Zhu Weidong (朱衛東)	57	Vice President	February 2011	June 2024	Responsible for the management of business operations of village and township banks
Mr. Li Guoqiang (李國強)	53	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)	57	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)	50	Executive Director, Vice President, 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)	54	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

II. Changes in Directors, Supervisors and Senior Management Members

(I) 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 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. 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. On September 18, 2021, the qualification of Mr. Fong Wai Kuk Dennis as an independent non-executive director of the Bank was approved by the regulatory authority, and he has officially become the independent non-executive director of the Bank and served 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, August 16, 2021 and September 24, 2021, respectively or "III. Biographies of Directors, Supervisors and Senior Management Members — (I) Biographies of Directors" in this chapter.

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

(II) 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 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. 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. 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 or "III. Biographies of Directors, Supervisors and Senior Management Members — (II) Biographies of Supervisors" in this chapter.

Save as disclosed above, there were no changes in the Bank's Supervisors 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 by the CBIRC Jilin Bureau, 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. After the approval by the CBIRC Jilin Bureau, Mr. Yuan Chunyu has served as the vice president of the Bank since October 25, 2021.

On April 16, 2021, the Board of the Bank resolved to appoint Mr. Du Ping as the assistant to the president of the Bank. After the approval by the CBIRC Jilin Bureau, Mr. Du Ping has served as the assistant to the president of the Bank since August 12, 2021.

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

III. Biographies of Directors, Supervisors and Senior Management Members

(I) Biographies of Directors

Executive Directors

Mr. Gao Bing (高兵) has been the Bank's chairman, executive Director and secretary of the party committee of the Bank since December 2008. Prior to joining the Bank and from June 1990 to September 2001, Mr. Gao held a number of positions at Luxiang Credit Cooperative in Shuangyang District, Changchun, including loan clerk, deputy head and head of the Cooperative and he was the deputy head of Shuangyang District Rural Credit Union in Changchun from September 2001 to November 2004. Mr. Gao joined the Bank's predecessor in December 2004, and was the head of Jiutai Rural Credit Cooperative Union from December 2004 to December 2008. Mr. Gao has been a part-time professor of Jilin University of Finance and Economics since June 2010, a distinguished professor of Changchun Finance College since June 2011, an off-campus postgraduate tutor of the School of Finance of Jilin University of Finance and Economics since April 2016, and a distinguished professor of Tonghua Normal University and a visiting professor of College of Optical and Electronical Information of Changchun University of Science and Technology since June 2017. In addition, Mr. Gao served as the honorary president of Jiutai Association of Commerce and Industry since October 2011, vice president of Tumenjiang International Cooperation Society of Jilin Province since May 2013, standing vice president of the Jilin Entrepreneurs Federation since July 2016 and standing vice president of Jilin Hong Kong Enterprises Association since June 2017. Mr. Gao graduated from a correspondence course at Changchun Finance College in December 1999, majoring in rural credit cooperative operations and management, and completed his postgraduate studies in accounting at Changchun Taxation College (currently known as Jilin University of Finance and Economics) in August 2002 and in economics and management from Party School of CPC Jilin Provincial Committee in July 2007. Mr. Gao is also a senior economist accredited by Bureau of Personnel of Jilin Province in October 2005. Mr. Gao was a "National Labor Model" (全國勞動模範), a "Top Labor Model in Jilin" (吉林省特等勞動模範) and named the "Best Leader of National Rural Cooperative Institutions in Serving Three Rurals and Supporting SMEs" (全國農合機構服務

三農和支持中小企業最佳領軍人物獎) by the China Banking Association, and was named as the "Innovative Sample of China 2016 (2016中國創新榜樣)" and "Innovative Sample of China 2018 (2018中國創新榜樣)". In October 2018, Mr. Gao was recognized as the "Jilin Poverty Alleviation Pioneer" (「吉林好人 • 脱貧攻堅先鋒」) jointly by the Jilin Provincial Party Committee Propaganda Department (吉林省委宣傳部), Jilin Provincial General Office of Guiding Cultural and Ethical Progress (吉林省文明辦) and Jilin Provincial General Office of Poverty Alleviation (吉林省扶貧辦), and won the "Contribution Award of Jilin Poverty Alleviation" (「吉林省脱貧攻堅獎 • 奉獻獎」) issued by Jilin Provincial Administration of Civil Service (吉林省公務員局) and Jilin Provincial General Office of Poverty Alleviation (吉林省扶貧辦). In April 2019, Mr. Gao won the nomination award of the "8th election of Moral Rectitude in Jilin Province and Person of the Year 2018 of Jilin" (「第八屆吉林省道德模範暨吉林好人2018年度人物」) granted by the Spiritual Civilization Development Steering Commission of Jilin Province (吉林省精神文明建設指導委員會). Mr. Gao won the title of "Outstanding Individual for Poverty Alleviation in China" (全國脱貧攻堅先進個人) by the CPC Central Committee and State Council in February 2021.

Mr. Liang Xiangmin (梁向民) has been the Bank's executive Director since April 2016 and the vice Chairman of the Bank since June 2019. He served as the deputy secretary of the Party Committee of the Bank from July 2019 to April 2021 and the President of the Bank from October 2019 to June 2021. Mr. Liang joined the Bank's predecessor in August 1985 and he was a credit clerk, a bookkeeper and an accountant for agricultural loans at Chunyang Credit Cooperative from August 1985 to July 1988 and from July 1990 to June 1993 respectively, a human resources inspector and a deputy head of the operations department at Jiutai Rural Credit Cooperative Union from June 1993 to August 1994 and from August 1994 to February 1996 respectively. He was deputy head and head of Longjiabao Credit Cooperative from February 1996 to April 2006, head of the business department of Jiutai Rural Credit Cooperative Union from April 2006 to October 2007, deputy head of the branch of Jiutai Rural Credit Cooperative Union in Changchun Development Zone from October 2007 to December 2008, an assistant to the Bank's president from December 2008 to August 2010, vice president of the Bank from August 2010 to October 2019, and chief operating officer of the Bank from December 2014 to October 2019. Mr. Liang completed his rural finance studies at Jilin Vocational Secondary School of Agricultural Bank of China in July 1990, and graduated from a correspondence course at the Changchun Finance College in January 2007, majoring in finance.

Mr. Yuan Chunyu (袁春雨) has been the Bank's executive Director and the secretary to the Board since December 2012 and the vice President of the Bank since October 2021. Prior to joining the Bank, Mr. Yuan was a staff member and division head of Jiutai Employment Service Bureau from July 1995 to August 2002 and head of Social Affairs Division (reserve cadre in training) in the Policy Research Office of Municipal Government of Jiutai Municipal Committee from August 2002 to February 2004. He was placed as deputy head of the Office of Jiutai Municipal Government from February 2004 to June 2007 for field practice and served as an assistant to head of the Office of Jiutai Municipal Government from June 2007 to October 2007 and deputy head of the Office of Jiutai Municipal Government from October 2007 to November 2010. Mr. Yuan joined the Bank in November 2010 and served as head of the General Office, general manager of the innovative business department and head of the Office of the Board. Mr. Yuan graduated from Hebei Geological Institute (currently known as Hebei GEO University) in July 1995, majoring in foreign economics and management.

Non-executive Directors

Mr. Cui Qiang (崔強) has been the Bank's non-executive Director since August 2019. He held various managerial positions at Jilin Province Trust Co., Ltd. since November 2011, including the chief risk officer from November 2011 to January 2017, the chief compliance officer and the general manager of compliance department from January 2017 to October 2018, and the chief investment officer and the general manager of investment department since October 2018. Mr. Cui Qiang served as a credit officer and the division head of Fusong Sub-branch of Industrial and Commercial Bank of China from August 1988 to December 1994; the director, the head of the accounting division and the vice president of Credit Cooperative of Fusong Sub-branch of China Construction Bank from December 1994 to September 1997; the president of Changbai Sub-branch of China Construction Bank from September 1997 to February 2000; the manager of planning and finance department of Baishan Branch of China Construction Bank from February 2000 to September 2006; the vice president of Tonghua Branch of China Construction Bank from September 2006 to October 2009; the vice president of Baishan Branch of China Construction Bank from October 2009 to November 2011. Mr. Cui Qiang graduated from Dongbei University of Finance and Economics in July 2002, majoring in quantitative economics. Mr. Cui Qiang was accredited as a professional manager in October 2006.

Mr. Wu Shujun (吳樹君) has been the Bank's non-executive Director since December 2012. Mr. Wu was project manager of Shuangyang District Construction Corporation from September 1997 to July 2001 and project manager of Changchun Wanxing Construction Co., Ltd. from August 2001 to February 2003. He has been legal representative and general manager of the Bank's shareholder, Changchun Dingxing Construction Co., Ltd. from March 2004 to December 2014 and one of its shareholders since January 2015. Mr. Wu graduated from a correspondence course in Changchun Institute of Technology in July 2001, majoring in civil engineering.

Mr. Zhang Yusheng (張玉生) has been the Bank's non-executive Director since April 2015. Mr. Zhang was secretary of Youth League Committee of Luxiang Town, Shuangyang District from August 1970 to October 1977, deputy secretary of the party committee of Sheling Village, Shuangyang District from November 1977 to March 1980, deputy secretary of the party committee of Luxiang Town, Shuangyang District from April 1980 to November 1983 and secretary of the party committee of Luxiang Town, Shuangyang District from December 1983 to June 1987. He was director of the Township Enterprise Bureau of Shuangyang District from June 1987 to September 1990, head of the mining and construction department of Changchun Township Enterprise Bureau from September 1990 to March 1993 and general manager of Changchun No. 4 Construction Company from March 1993 to May 2001. Mr. Zhang was the legal representative and general manager of the Bank's shareholder, Changchun Huaxing Construction Co., Ltd., from May 2001 to September 2010 and has been one of its shareholders since September 2010. Mr. Zhang has served as representative of Changchun People's Congress since December 2007. Mr. Zhang graduated from Liaoning Correspondence Party School in December 1993, majoring in economics; and from a correspondence course in Jilin University of Technology in July 1999, majoring in industrial and civil construction management. Mr. Zhang is also a senior economist accredited by Office of Personnel of Jilin Province in August 2003.

Mr. Zhang Lixin (張立新) has been the Bank's non-executive Director since August 2021. He is currently a member of the party committee, assistance to the general manager and chief financial officer of Jishi Media Co., Ltd. (吉視傳媒股份有限公司). Mr. Zhang served as the head of auditing of Jilin Yuanda Accounting Firm (吉林遠大會計師事務所) from July 2000 to December 2002, the head of audit department of Zhonghongxin Jianyuan Certified Public Accountants Co., Ltd. (中鴻信建元會計師事務所) from January 2003 to December 2005. Mr. Zhang worked for Jilin Province Television Broadcasting and Information Network Limited (吉林省廣播電視信息網絡集團有限責

任公司) and successively served as the deputy manager of the audit department (in charge), deputy manager of the planning and financial department (in charge) and the manager of the planning and financial department from January 2006 to November 2007. Mr. Zhang has served as the chief financial officer (concurrent), the assistance to general manager (concurrent), the member of the party committee of Jishi Media Co., Ltd. (吉視傳媒股份有限公司) since June 2011, May 2012 and January 2018, respectively. Mr. Zhang has served as the executive director and general manager of both Jishi Media and Culture Industry Investment Co., Ltd. (吉視傳媒文化產業投資有限責任公司) and Jilin Northeast Asia Big Data Start-up Services Co., Ltd. (吉林東北亞大數據創業服務有限公司) since August 2020. Mr. Zhang graduated from Changchun Taxation College (長春稅務學院) (currently known as Jilin University of Finance and Economics) in July 2000, majoring in accounting (Certified Public Accountants Specialized). Mr. Zhang obtained his qualification of Certified Public Accountant from the Ministry of Finance of the PRC and the qualification of senior accountant from the Department of Finance of Jilin Province in November 2002 and November 2018, respectively.

Ms. Wang Ying (王瑩) has been the Bank's non-executive Director since August 2021. She has served as a representative of securities affairs, the deputy secretary of the party branch and the chairman of the labor union of Yeal Electric Co., Ltd. (listed on the Growth Enterprise Market of the Shenzhen Stock Exchange, stock code: 300923) since November 2016. Ms. Wang Ying joined Changchun Yeal Electrical Appliance Co., Ltd. (長春研奧電器有限公司), the predecessor of Yeal Electric Co., Ltd., in April 2010. She served as the human resources specialist, the secretary to the board of directors, the deputy secretary of the party branch and the chairman of the labor union of Changchun Yeal Electrical Appliance Co., Ltd. from April 2010 to May 2016; and a representative of securities affairs, the deputy secretary of the party branch and the chairman of the labor union of Changchun Yeal Electrical Appliance Co., Ltd. from June 2016 to November 2016. Ms. Wang graduated from Changchun University of Technology with a master's degree in April 2010, majoring in sociology and human resources. Ms. Wang Ying obtained the securities practitioner qualification certificate of the Securities Association of China in October 2016; the professional qualification of board secretary from the Shenzhen Stock Exchange in July 2017; the PMP Project Management Qualification Certificate of the Project Management Institute of the United States in September 2019; the professional qualification of corporate human resources manager of the Ministry of Human Resources and Social Security in January 2020; and the certificate for completion of the follow-up training of the board secretary from the Shenzhen Stock Exchange in December 2020.

Independent Non-executive Directors

Ms. Zhang Qiuhua (張秋華), has been the Bank's independent non-executive Director since August 2019. Ms. Zhang is currently a professor at the School of Law of Jilin University of Finance and Economics, the leader of the first-level discipline of law, the director of Financial and Economic Law Research Center of Jilin University of Finance and Economics and a member of faculty committee of Jilin University of Finance and Economics. Ms. Zhang Qiuhua has been teaching at Jilin University of Finance and Economics (formerly known as Jilin Finance and Trade College and Changchun Taxation College) since July 1985, where she served as a lecturer and associate professor, mainly engaged in the teaching and research of economic law. From March 1999 to June 2012, she served as the director of the Department of Economic Law, and was hired as a professor in September 2011. From December 2013 to February 2014, as a senior visiting scholar, she went to the University of Würzburg, Germany to carry out research on cooperation project, focusing on comparison of company laws of China and Germany. Ms. Zhang Qiuhua is currently a standing member of the China Economic Law Research Institute, a member of the China Society Law Research Association, a member of the legal experts' pool of Jilin Provincial Party Committee, legal consultant of Jilin Provincial Government (term of office shall be April 2019 to December 2023), the president of the Corporate Law Research Association of the Jilin Law Society, the vice president of various research associations, including the Economic Law Research Association, Bankruptcy Law Research Association and Northeast Asian Law Research Association, of the Jilin Law Society, and an arbitrator of the Changchun Municipal Arbitration Commission. Ms. Zhang Qiuhua obtained a bachelor's degree in history from Northeast Normal University in July 1985, a master's degree in law from Jilin University in July 1997, and a doctorate degree in law from Jilin University in December 2008.

Mr. Fong Wai Kuk Dennis (方緯谷) has been the Bank's independent non-executive Director since September 2021. Mr. Fong is a managing partner of Llinks Law Offices, an admitted solicitor of Hong Kong and admitted solicitor in England and Wales (non-practising). Mr. Fong has extensive experience in corporate and commercial legal matters, specializing in mergers and acquisitions, capital market trading, corporate restructuring and general corporate financing and commercial matters, including acting as a legal advisor as to Hong Kong laws for the issuers or sponsors/ underwriters of initial public offerings and listings on the Main Board of the Hong Kong Stock Exchange and GEM (formerly known as Growth Enterprise Market). Before joining Llinks Law Offices, Mr. Fong worked for a number of large international law firms in Hong Kong. He is currently a member of Appeal Panel (Housing) under the Transport and Housing Bureau, a member of Lump Sum Grant Independent Complaints Handling Committee under the Social Welfare Department, a member of Disciplinary Tribunal Panel of Hong Kong Institute of Certified Public Accountants and a legal advisor of Little People of Hong Kong Foundation, a charity organization established for supporting children who suffer from skeletal dysplasia. Mr. Fong was a vice chairman of Rare Disease Hong Kong from 2014 to 2020 and an adjudicator of Registration of Persons Tribunal under

the Security Bureau from 2016 to 2020. Mr. Fong graduated from the University of Hong Kong with a bachelor's degree in law and obtained professional certificate in Laws in December 1999.

Ms. Han Lirong (韓麗榮) has been the Bank's independent non-executive Director since August 2021. Ms. Han is currently a professor and doctoral tutor of the Department of Accounting of the Business School of Jilin University. She worked in the Accounting Treatment Division of the Finance and Accounting Department (財會處方法科) of Changchun First Automobile Factory (長春第一汽車廠) (currently known as China First Automobile Group Co., Ltd.) as an assistant accountant from July 1988 to June 1991 and taught at Changchun Taxation College (長春稅務學院) (currently known as Jilin University of Finance and Economics) as a lecturer from July 1991 to December 1994. Ms. Han has taught at the Business School of Jilin University as a lecturer, associate professor and master tutor since January 1995, a professor since August 2006 and a doctoral tutor since January 2009 with research focus on auditing and internal control. Ms. Han obtained her qualification of Chinese Certified Public Accountant in April 1998 and is currently a non-practising member of the Chinese Institute of Certified Public Accountants. She served as a vice chairman of Jilin Auditing Society (吉林省審計學會) in October 2017 and was qualified as the senior member of Chinese Certified Public Accountant in December 2017. Ms. Han graduated from the Department of Economics of Jilin University with a bachelor's degree in national economic management in July 1985 and obtained a master's degree in national economic planning and management (accounting) from the Department of Economics of Jilin University in June 1988 and a doctorate degree in political economics from Jilin University in June 2005.

Ms. Jin Xiaotong (金曉彤) has been the Bank's independent non-executive Director since August 2021. Ms. Jin has taught at the Business School of Jilin University as a lecturer and associate professor since January 1995 and as a professor and doctoral tutor of Business School of Jilin University since December 2005 with a teaching and researching focus on business administration and marketing. Ms. Jin was a visiting scholar at Brock University in Canada from September 2005 to September 2006. She was awarded the special allowance from the State Council in 2016 and became the chief expert leading key research subjects of Philosophy and Social Sciences under the Ministry of Education (教育部哲學社會科學重大課題攻關項目) in 2017. Ms. Jin was named as the "Leading Professor" (「領軍教授」) of Jilin University in 2020. She is currently a vice chairman of Chinese Higher Education Institution Marketing Association (中國高等院校市場學會), a vice chairman of Jilin Commodity Circulation Society (吉林省商品流通學會), a member of the Marketing Committee of Chinese Management Society (中國管理學會市場營銷專業委員會), an expert for final review of visiting scholars project of Chinese Studying Abroad Scholarship Committee (國家留學基金委) (including scholarship program for post-doctoral/high-level post-graduate), an anonymous review expert for Chinese post-doctoral project and special scholarship project, and participates in the planning of "13th Five-Year Plan" and "14th Five-Year Plan" of the development of social science of Jilin as a management discipline expert.

Ms. Jin graduated from Changchun University with a bachelor's degree in industrial economics in July 1986 and obtained a master's degree in national economic planning and management from Jilin University in December 1991 and a doctorate degree in political economics from Jilin University in July 2003.

Mr. Sun Jiafu (孫甲夫) has been the Bank's independent non-executive Director since August 2021. Mr. Sun is currently a senior partner of Jilin Chuangyi Law Firm (吉林創一律師事務所). Mr. Sun was a senior partner of Jilin Jida Law Firm (吉林吉大律師事務所) from July 2001 to May 2014 and a director of Jilin Jida Law Firm from May 2014 to May 2018. He is currently a standing director of Commercial Law Research Association of Jilin Law Society (吉林省法學會商法學研究會), a standing director of Corporate Law Research Association of Jilin Law Society (吉林省法學會企業法治研究會) and a vice chairman and the chairman of legal committee of Jilin Commercial Association (吉商聯合會). Mr. Sun graduated from Jilin University with a bachelor's degree in June 2001, majoring in law. Mr. Sun obtained his qualification as an independent director from the Shanghai Stock Exchange in November 2018.

(II) Biographies of Supervisors

Mr. Luo Hui (羅輝) has been the chairman of the Bank's Board of Supervisors and an employee Supervisor since December 2008. Mr. Luo was head of Tongtai Credit Cooperative of Dehui Union from July 1999 to April 2003, division head of the Financial Division of Dehui Union from April 2003 to January 2006 and deputy head of Yushu Union from January 2006 to November 2008. Mr. Luo graduated from a correspondence course at Changchun Finance College in July 2001, majoring in finance and completed his postgraduate studies in economics and management at Party School of CPC Jilin Provincial Committee in July 2007. In addition, Mr. Luo obtained an intermediate economist qualification from Office of Personnel of Jilin Province in November 2003 and is a mid-level accountant jointly accredited by Jilin Accounting Professional Examination Office and Jilin Province Human Resources and Social Security Bureau in October 2012.

Mr. Wang Enjiu (王恩久) has been the Bank's employee Supervisor since December 2008. Mr. Wang joined the Bank's predecessor in December 1988 and worked as a bookkeeper and accountant at Jiutai Chunyang Credit Cooperative and Jiutai Erdaogou Credit Cooperative from December 1988 to August 1993 and he was an audit officer of the Jiutai Rural Credit Cooperative Union from August 1993 to January 1996. He was appointed as deputy head of Jiutai Xinglong Credit Cooperative in January 1996 and head of Jiutai Erdaogou Credit Cooperative from February 2000 to March 2006. Mr. Wang was manager of the Human Resources Department of Jiutai Rural Credit Cooperative Union from March 2006 to December 2008, general manager of the Human Resources Department of the Bank from April 2009 to February 2011, vice president of Da'an Huimin Village and Township Bank from February 2011 to November 2011, chairman of the board of supervisors of Anci District Huimin Village and Township Bank from November 2011 to December

2013, and has been the chairman of Anping Huimin Village and Township Bank from December 2013 to August 2019. Mr. Wang served as the vice general manager of the village and township bank management department of the Bank since October 2019. Mr. Wang graduated from a part-time course at Central Radio and Television University (currently known as Open University of China) in April 2004, majoring in finance and financial direction and from a correspondence course at Jilin University of Finance and Economics in July 2011, majoring in finance. He is also a mid-level economist accredited by Jilin Professional Examination Office in November 2003.

Mr. Liu Xiangjun (劉向軍) has been the Bank's employee Supervisor since December 2015. Mr. Liu was a teacher at Dehui No. 20 Middle School from August 2000 to November 2002. He served in Songhuajiang Credit Cooperative in Dehui Union from November 2002 to April 2003, the Party Committee Office of Dehui Union from May 2003 to December 2003, and the Office of Nong'an Union from February 2004 to February 2011. He was a staff member seconded to the Department of Party Work of Jilin Province Rural Credit Cooperative Union from March 2011 to April 2013. He joined the Bank in May 2013 and was a staff member of the Education and Training Department of the Bank until December 2013. Mr. Liu has been an administrator of the website of the Bank since January 2014 and a staff member of the Office of the Board of Supervisors of the Bank since January 2015. Mr. Liu graduated from Changchun University in July 2000, majoring in education in Chinese literature, and completed the self-study examination in Han language literature at Northeast Normal University in December 2000.

Ms. Dai Yundi (戴昀弟) has been the Bank's non-employee Supervisor since June 2021. Ms. Dai is currently a professor and deputy dean of the School of Management of Changchun University of Finance and Economics (長春財經學院). Ms. Dai was a teacher of the Department of Economics and Management of Jilin Agricultural Science and Technology College (吉林農業科技學院) from July 1987 to March 1991, and a teacher and teaching assistant of the School of Food Engineering of Jilin Agricultural University (吉林農業大學) from April 1991 to February 1997. She served as a general manager of Jilin Agricultural University Food Technology Development Company (吉林農業大學食品科技開發公司) from March 1997 to September 2004 and an associate professor of the School of Economics and Management of Jilin Agricultural University from October 2004 to December 2007, a professor of the School of Economics and Management of Jilin Agricultural University from January 2008 to December 2012 and a professor of the School of Management of Changchun University of Finance and Economics from March 2013 to December 2019. She has served as a professor and deputy dean of the School of Management of Changchun University of Finance and Economics since January 2020. Ms. Dai is currently the vice chairman of the Jilin Logistics and Supply Chain Society (吉林省物流與供應鏈學會), a director of the Jilin Finance Society (吉林省財政學會), the head of the first-class undergraduate courses in Jilin (吉林省一流本科專業), and the evaluation expert of degree of the Ministry of Education. Ms. Dai obtained a doctorate degree in agricultural economic management from Jilin Agricultural University in June 2014.

Ms. Hu Guohuan (胡國環) has been the Bank's non-employee Supervisor since June 2021. Ms. Hu served as a teacher in the Economic Management Department of Jilin Agricultural Reclamation Specialty College (吉林農墾特產專科學校) from July 1987 to August 1988. She was a teacher in the cadre secondary professional school of Jilin Agricultural Bank (吉林省農業銀行幹部中等專業學校) from August 1988 to June 2007 and worked for Jilin Agricultural Bank from June 2007 to July 2018. Ms. Hu graduated from Jilin Agricultural University with a bachelor's degree in agricultural economic management in July 1987.

Mr. Liu Jianxin (劉建新) has been the Bank's non-employee Supervisor since June 2021. Mr. Liu is currently the head of quality control of Tianjin branch of Daxin Certified Public Accountants (Special General Partnership) (大信會計師事務所 (特殊普通合夥) 天津分所). Mr. Liu served as an accountant in charge of the financial department of Tianjin International Trust and Investment Company (天津市國際信託投資公司) from September 1993 to August 2001, the project manager and department deputy manager of the Tianjin branch of RSM China Certified Public Accountants (Special General Partnership) (中瑞岳華會計師事務所 (特殊普通合夥) 天津分所) from August 2001 to December 2011 and the senior manager and department manager of the Tianjin branch of ShineWing Certified Public Accountants (Special General Partnership) (信永中和會計師事務所 (特殊普通合夥) 天津分所) from January 2012 to September 2019. Mr. Liu obtained his qualification of accountants with an approval of Ministry of Personnel of the People's Republic of China in May 1997 and obtained the qualification of a Chinese certified public accountant with the approval of the Tianjin Institute of Certified Public Accountants in November 2001. Mr. Liu graduated from Xidian University with a bachelor's degree in industrial management engineering in July 1993.

Mr. Dong Shuaibing (董帥兵) has been the Bank's non-employee Supervisor since June 2021. Mr. Dong is currently an officer of Hainan Hengyou Law Firm (海南衡佑律師事務所). Mr. Dong was a staff member of the Jiutai Justice Bureau (九台市司法局) from July 1992 to July 1995 and the division-chief judge of the Jiutai People's Court (九台市人民法院) from August 1995 to August 2009. He served as a senior partner of Jilin Jindian Law Firm (吉林今典律師事務所) from September 2009 to April 2014, a senior partner of Jilin Yili Law Firm (吉林義理律師事務所) from May 2014 to January 2018, and a senior partner of Jilin Weiyue Law Firm (吉林維岳律師事務所) from February 2018 to December 2020. Mr. Dong graduated from Jilin University with a bachelor's degree in economic law in December 2000.

(III) Biographies of Senior Management Members

Mr. Chen Xinzhe (陳新哲) has been the Bank's President since June 2021. Prior to joining the Bank, Mr. Chen held a number of positions at several branches of at the Bank of China, including credit approval clerk and manager of corporate department of Jilin Branch of the Bank of China from July 1991 to January 2003, manager of corporate department of Changchun Xinmin Street

Sub-branch of the Bank of China from January 2003 to September 2004, the vice president of Changchun Development Zone Sub-branch of the Bank of China from September 2004 to March 2009, the president of Changchun Jinyu Sub-branch of the Bank of China from March 2009 to May 2011, and secretary of the party committee and president of Siping Branch of the Bank of China from May 2011 to August 2014. Mr. Chen joined the Bank in August 2014 as the deputy general manager of the extraterritorial branches management department. He was the chairman of the board of Jilin Chuncheng Rural Commercial Bank from September 2015 to July 2019, the marketing director of Changchun Branch of the Bank since February 2018, the vice president of the Bank from July 2019 to June 2021 and has been the deputy secretary of the Party Committee of the Bank since April 2021. Mr. Chen graduated from Changchun Finance College in July 1991, majoring in finance, and completed his undergraduate and post graduate studies in accounting at Changchun Taxation College (currently known as Jilin University of Finance and Economics) in June 1999 and July 2005, respectively, and his postgraduate studies in business management at Northeast Normal University in September 2008. He obtained a Master of Business Administration majoring in business administration from Asia International Open University (Macau) in December 2008, and is a mid-level economist accredited by Ministry of Personnel of the PRC in November 1998.

Mr. Zhu Weidong (朱衛東) has been the Bank's vice president since February 2011. Between March 1988 and April 1997, Mr. Zhu held various positions at Gongnong Lake Office of Qian'an County Sub-branch of ABC, including credit officer, bookkeeper, accountant and head of the office. He was head of the Rangzi Business Office of Qian'an County Sub-branch of ABC from April 1997 to October 1998 and was an assistant to president, member of the party committee and vice president of Qianguo County Sub-branch of ABC from October 1998 to January 2001. He was the vice president of Ningjiang District Sub-branch of ABC in Songyuan from January 2001 to May 2002, secretary of the party committee and head of the business department of Songyuan Branch of ABC from May 2002 to February 2003 and manager of the personal business department of Songyuan Branch of ABC from February 2003 to March 2003. Mr. Zhu was president of Qianguo County Sub-branch of ABC from March 2003 to March 2006, vice president of Songyuan Branch of ABC from March 2006 to June 2007, general manager of Songyuan Urban Credit Union from June 2007 to October 2008, vice president of Songyuan Branch of Jilin Bank from November 2008 to February 2009 and president and secretary of the party committee of Songyuan Branch of Jilin Bank from March 2009 to November 2010. Mr. Zhu graduated from China Agricultural Broadcasting School with a secondary diploma in April 1987, majoring in agriculture and from Changchun Taxation College (currently known as Jilin University of Finance and Economics) in December 1994, majoring in accounting. He completed his correspondence undergraduate studies in economics and management at Party School of CPC Jilin Provincial Committee in February 2000, his postgraduate studies in economics at Northeast Normal University in August 2002 and in economics and management at Party School of CPC Jilin Provincial Committee in July 2010 respectively. Mr. Zhu is also a mid-level economist accredited by the Jilin Professional Examination Office in November 1999.

Mr. Li Guoqiang (李國強) has been the Bank's vice president since December 2008. Mr. Li was an agent of Bajilei Credit Cooperative in Nong'an County from March 1988 to July 1995, deputy head of Fulongquan Credit Cooperative in Nong'an County from July 1995 to December 1999 and head of Fulongquan Credit Cooperative in Nong'an County from January 2000 to January 2003. He was deputy head of Shuangyang Rural Credit Cooperative Union from January 2003 to April 2008. Mr. Li joined the Bank in March 2008, and was deputy head of Jiutai Rural Credit Cooperative Union from March 2008 to November 2008. Mr. Li graduated from Changchun Finance College in December 2000, majoring in finance, and completed his correspondence undergraduate studies in finance at Changchun Taxation College (currently known as Jilin University of Finance and Economics) and the economic management international CEO course at Yangtze Delta Region Institute of Tsinghua University in August 2003 and September 2012, respectively. In addition, Mr. Li is an assistant economist accredited by Office of Personnel of Jilin Province in June 1999.

Mr. Gao Zhonghua (高中華) has been the Bank's vice president since February 2015. Mr. Gao was a loan clerk at Gongzhulin Qinjiatun Credit Cooperative from May 1991 to November 1997. He was head of Gongzhuling Shiwu Credit Cooperative from October 1997 to November 2000, a loan clerk in the business department of Changchun Huancheng Credit Cooperative Union from November 2000 to February 2001, and head of Sandao Credit Cooperative, Yinxing Credit Cooperative and Nanjiao Credit Cooperative of Changchun Huancheng Credit Cooperative Union from February 2001 to January 2002, from January 2002 to January 2004 and from January 2004 to May 2004 respectively. Mr. Gao was head of Sandao Credit Cooperative, Quannong Cooperative and Yutan Credit Cooperative of Changchun Huancheng Credit Cooperative Union from May 2004 to December 2007, from December 2007 to February 2009 and from February 2009 to June 2010 respectively, and vice president of Shuangcheng Huimin Village and County Bank from June 2010 to December 2010. Mr. Gao joined the Bank in December 2010 and was deputy secretary of the party committee of the Bank until February 2015. Mr. Gao completed his undergraduate studies in accounting at Changchun University of Science and Technology in January 2006.

Mr. Yuan Chunyu (袁春雨) has been the Bank's secretary to the Board of Directors since December 2012 and the Bank's vice president since October 2021. For Mr. Yuan's biography, please refer to "III. Biographies of Directors, Supervisors and Senior Management Members — (I) Biographies of Directors — Executive Directors" of this chapter.

Mr. Du Ping (杜平) has been the Bank's assistant to the President since August 2021. Mr. Du worked for the Kaoshan business office of Changchung branch and was a shift supervisor of Qingshan business office of Agricultural Bank of China from March 1992 to May 2001. He was an officer of Gaojiadian business office of Jilin branch of Agricultural Bank of China from May 2001 to April 2002 and successively served as the deputy head, head and manager of the planning and finance department of Nong'an sub-branch of Jilin branch of Agricultural Bank of China from April 2002 to

August 2007. He was the vice president of Nong'an sub-branch of Jilin branch of Agricultural Bank of China from August 2007 to May 2011 and the president of Dehui sub-branch of Jilin branch of Agricultural Bank of China from May 2011 to October 2012. Mr. Du joined the Bank in November 2012 and served as the head of the Nong'an Sub-branch and was the president of the Nong'an Sub-branch from August 2013 to October 2016. He served as the assistant to the president of Changchun Branch and the president of Nong'an Sub-branch from October 2016 to June 2019, the vice president of Changchun Branch and the president of Nong'an Sub-branch from June 2019 to July 2021, the vice president of Changchun Branch from July 2021 to August 2021 and has been the president of the Bank's Changchun Branch since September 2021. Mr. Du completed his correspondence undergraduate studies in accounting at Changchun Taxation College (currently known as Jilin University of Finance and Economics) in June 2004. He is an intermediate economist accredited by Office of Personnel of Jilin Province in November 1997.

(IV) Biographies of Joint Company Secretaries

Mr. Yuan Chunyu (袁春雨) has been the Bank's secretary to the Board of Directors since December 2012 and the Bank's joint company secretary since December 2015. For Mr. Yuan's biography, please refer to "III. Biographies of Directors, Supervisors and Senior Management Members — (I) Biographies of Directors — Executive Directors" of this chapter. As Mr. Yuan does not possess the qualifications as stipulated under Rules 3.28 and 8.17 of the Hong Kong Listing Rules, the Bank has applied for and has been granted a waiver by the Hong Kong Stock Exchange from strict compliance with those Hong Kong Listing Rules.

Mr. Lau Kwok Yin (劉國賢) has been the joint company secretary of the Bank since May 2018. Mr. Lau is the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). He has over 10 years' experience in corporate secretarial services, finance and banking operations. He holds a Bachelor of Business Administration degree in Accounting and Finance from the University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants, a Chartered Financial Analyst charterholder and a fellow of The Chartered Governance Institute and The Hong Kong Chartered Governance Institute.

IV. Remuneration Policies for Directors, Supervisors and Senior Management

The remuneration of the Directors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans shall be reviewed by the Remuneration Committee under the Board of Directors and then submitted to the Board of Directors for review. Upon approval by the Board of Directors, such plan shall be implemented after being submitted to the Shareholders' general meeting of the Bank for approval.

The remuneration of the Supervisors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans shall be reviewed by the Nomination Committee under the Board of Supervisors and then submitted to the Board of Supervisors for review. Upon approval by the Board of Supervisors, such plan shall be implemented after being submitted to the Shareholders' general meeting of the Bank for approval.

The Bank's appraisal on the senior management is based on their performance in completing the decisions, strategic targets and plans of the Board of Directors and whether they are actively and effectively protecting the interests of the Bank and the Shareholders, and it is implemented by the Board of Directors.

The incentive and restraint mechanism of the Bank is mainly embodied in the remuneration mechanism for the senior management. The remuneration of the senior management is linked to the appraisal indicators of the Board of Directors, in order to combine the target incentive with responsibility restraint, ensure the alignment of the remuneration payment with the long-term interests of the Bank, and better encourage the senior management to contribute to the steady and sustainable development of the Bank.

V. Compensation of Directors and Supervisors and Five Individuals with the Highest Emoluments in the Bank

For detailed compensation of Directors and Supervisors and five individuals with the highest emoluments in the Bank, please refer to "Notes 12 and 13 to the Consolidated Financial Statement" of this annual report.

VI. 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.

VII. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As of December 31, 2021, the Group had 6,632 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	3,066	46.23
Management	824	12.42
Finance and accounting	920	13.87
Corporate banking	864	13.03
Risk management, internal audit and legal and compliance	212	3.20
Treasury operations	91	1.37
Information technology	71	1.07
Others	584	8.81
Total	**6,632**	**100.00**

As of December 31, 2021, more than 60% of the Group's employees had a bachelor's degree or higher.

In addition to full-time employees, as of December 31, 2021, the Group also had 254 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.

(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 employee training. Through internal selection in various ways, the Bank trains outstanding management personnel and provides employees with opportunities to enhance professional knowledge and develop professional 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.

VIII. 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)	Block 2, Zone C, Jinxiu Hua Cheng, North Baochanshan Road, Huanfeng Town, Hanshan County, 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, Juanshui 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)	No. 1567, Kangcheng Street East, Chaoyang Street, Gaomi Town, Weifang City, Shandong Province, PRC	8 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, Anhiu 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	4 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	4 sub-branches

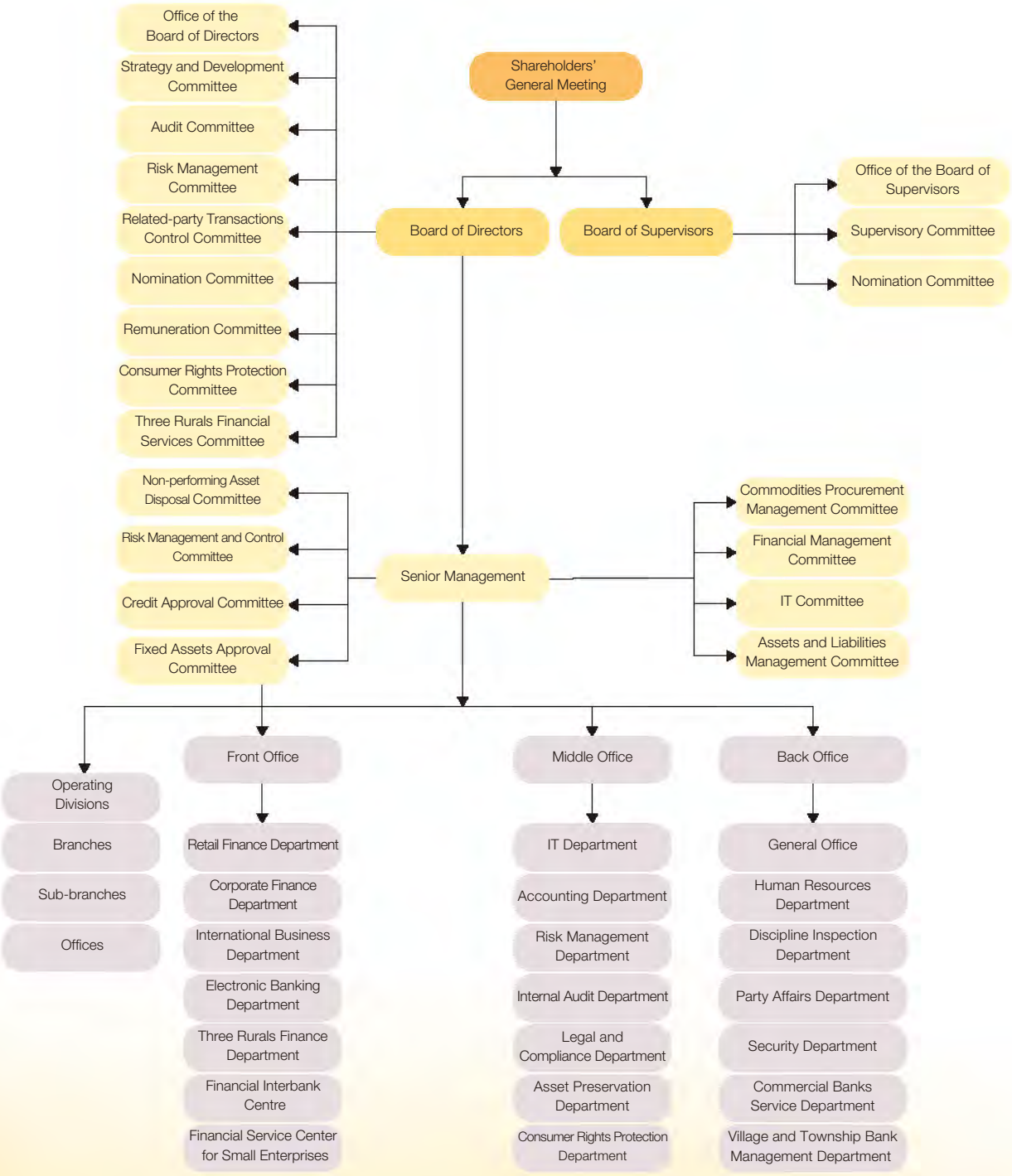
Subsidiaries	Places of business	Remarks
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	Unit 101, Block 10, Unit 201, Block 10 and Unit 201, Block 12, Kehui 4th Street, Huangpu District, Guangzhou, PRC	3 sub-branches
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North of East Section, Fenghuang West Road, Heyang County, Weinan City, Shaanxi Province, PRC	4 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, Huandian 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	9 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)	West of Min'an Road and North of Gucheng South Street, 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

Subsidiaries	Places of business	Remarks
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
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)	No. 102, Erheng Road, Binhe South, 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	4 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 9 Corporate Governance Report

I. Corporate Governance Structure

The following chart sets forth the Bank's principal organisational and management structure as of the Latest Practicable Date:



II. Corporate Governance

Overview

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality corporate governance is one of the key factors to improve its core competitiveness and to build a modern rural commercial bank. Therefore, the Bank focuses on high quality of corporate governance, abides by the best domestic and international corporate governance practice, to ensure the rights and interests of Shareholders and improve the value of the Bank.

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 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 Code of Corporate Governance and the Corporate Governance Guidelines for Banking and Insurance Institutions (the "Guidelines") issued by the CBIRC into the Bank's governance structure and polices. The Code of Corporate Governance and the Guidelines are well reflected in the Articles of Association and the rules of procedure for the Shareholders' general meeting, meetings 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 substantially all applicable provisions contained in the Code of Corporate Governance, save for the deviation from the former code provision A.5.1 (currently Rule 3.27A of the Hong Kong Listing Rules) requiring that the Nomination Committee shall comprise a majority of independent non-executive Directors. Half of the members of the Nomination Committee under the Board were independent non-executive Directors before the qualification of Mr. Fong Wai Kuk Dennis as Director was approved. The majority of the members of the Nomination Committee of the Bank has been independent non-executive Directors when the qualification of Mr. Fong Wai Kuk Dennis as Director was approved on September 18, 2021, which is in compliance with the former code provision A.5.1 (currently Rule 3.27A of the Hong Kong Listing Rules). 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.

Chapter 9 Corporate Governance Report

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

The Director Nomination Policy and the Board Diversity Policy

The Bank understands and believes that the diversity of the members of the Board of Directors could improve the performance of the Bank. It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development and its strategies and maintain good corporate governance. In respect of appointing the Directors, the Bank will consider their qualifications, skills and experience, and also the diversity of the members in various aspects, including but not limited to gender, age, cultural and educational background, region, professional experience, skills, knowledge, service term and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board of Directors.

The Nomination Committee of the Board is responsible for reviewing the structure, number of members, and composition (including the skills, knowledge and experience) of the Board of Directors. The Nomination Committee makes recommendations to the Board of Directors relating to the size and composition of the Board of Directors based on the Bank's strategic plans, business operations, asset scale and shareholding structure. The Nomination Committee also discusses and reviews the selection standard, the nomination and appointment process, and makes recommendations to the Board of Directors.

The Board Diversity Policy shall be complied with when the Nomination Committee makes recommendations on the candidates. The Nomination Committee is responsible for monitoring the implementation of the diversity policy and reviewing the policy regularly to ensure its effectiveness. The Nomination Committee will discuss any amendments to the diversity policy and make recommendations to the Board of Directors for approval.

To ensure the effective implementation of the Board diversity policy, the following measurable objectives have been established:

The Board shall ensure that there is no gender limitation in selecting Directors;

At least one third, and no less than three in total, of the Board members are independent non-executive Directors;

Board members shall possess knowledge and skills in different areas; and

At least one Board member is a professional in finance or accounting.

Members of the fifth session of the Board have extensive experience in legal compliance, financial reporting and auditing, strategic management and risk prevention and control, innovative financing and three rural financial services. The diversified composition of members of the fifth session of the Board is as follows:

Sex		Age		
Male	Female	Below 49	50–59	60 or above
9 persons	4 person	3 persons	8 persons	2 persons

Position			Tenure		
Executive Directors	Non-executive Directors	Independent non-executive Directors	Up to 5 years	6–10 years	More than 10 years
3 persons	5 persons	5 persons	8 persons	4 persons	1 person

The Nomination Committee of the Board and the Board consider that the Board members have generally achieved diversity in different aspects.

III. General Meeting

During the Reporting Period and up to the Latest Practicable Date, the Bank convened a total of three Shareholders' general meetings, the details of which are set out as follows:

Annual General Meeting for 2020

The annual general meeting of the Bank for 2020 was convened on June 18, 2021, at which the following resolutions were considered and approved by the Shareholders:

Ordinary resolutions

1. to consider and approve the work report of the Board of Directors for 2020;
2. to consider and approve the work report of the Board of Supervisors for 2020;
3. to consider and approve the annual report for 2020;
4. to consider and approve the final financial report for 2020;

5. to consider and approve the profit distribution proposal for 2020;

6. to consider and approve the annual financial budget for 2021;

7. to consider and approve the engagement of external auditing firms for 2021;

8. to consider and approve the resolutions regarding the election of directors of the fifth session of the board of directors of the Bank

   8.1 to consider and approve the resolution regarding the election of Mr. Gao Bing as an executive director of the fifth session of the board of directors of the Bank;

   8.2 to consider and approve the resolution regarding the election of Mr. Liang Xiangmin as an executive director of the fifth session of the board of directors of the Bank;

   8.3 to consider and approve the resolution regarding the election of Mr. Yuan Chunyu as an executive director of the fifth session of the board of directors of the Bank;

   8.4 to consider and approve the resolution regarding the election of Mr. Cui Qiang as a non-executive director of the fifth session of the board of directors of the Bank;

   8.5 to consider and approve the resolution regarding the election of Mr. Zhang Yusheng as a non-executive director of the fifth session of the board of directors of the Bank;

   8.6 to consider and approve the resolution regarding the election of Mr. Wu Shujun as a non-executive director of the fifth session of the board of directors of the Bank;

   8.7 to consider and approve the resolution regarding the election of Mr. Zhang Lixin as a non-executive director of the fifth session of the board of directors of the Bank;

   8.8 to consider and approve the resolution regarding the election of Ms. Wang Ying as a non-executive director of the fifth session of the board of directors of the Bank;

   8.9 to consider and approve the resolution regarding the election of Ms. Zhang Qiuhua as an independent non-executive director of the fifth session of the board of directors of the Bank;

8.10 to consider and approve the resolution regarding the election of Mr. Fong Wai Kuk Dennis as an independent non-executive director of the fifth session of the board of directors of the Bank;

8.11 to consider and approve the resolution regarding the election of Ms. Han Lirong as an independent non-executive director of the fifth session of the board of directors of the Bank;

8.12 to consider and approve the resolution regarding the election of Ms. Jin Xiaotong as an independent non-executive director of the fifth session of the board of directors of the Bank;

8.13 to consider and approve the resolution regarding the election of Mr. Sun Jiafu as an independent non-executive director of the fifth session of the board of directors of the Bank;

9. to consider and approve the resolutions regarding the election of non-employee supervisors of the fifth session of the board of supervisors of the Bank

9.1 to consider and approve the resolution regarding the election of Ms. Dai Yundi as a non-employee supervisor of the fifth session of the board of supervisors of the Bank;

9.2 to consider and approve the resolution regarding the election of Ms. Hu Guohuan as a non-employee supervisor of the fifth session of the board of supervisors of the Bank;

9.3 to consider and approve the resolution regarding the election of Mr. Liu Jianxin as a non-employee supervisor of the fifth session of the board of supervisors of the Bank;

9.4 to consider and approve the resolution regarding the election of Mr. Dong Shuaibing as a non-employee supervisor of the fifth session of the board of supervisors of the Bank;

10. to consider and approve the proposal regarding the remuneration for the relevant directors of the fifth session of the board of directors during their terms of office;

11. to consider and approve the proposal regarding the remuneration for the relevant supervisors of the fifth session of the board of supervisors during their terms of office;

Special resolutions

12. to consider and approve the Capitalization Issue of the Bank;

13. to consider and approve the change of registered capital of the Bank;

14. to consider and approve the amendments to certain articles in the articles of association of the Bank;

15. to consider and approve the proposed 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 of the Bank.

The First Domestic Share Class Meeting of 2021 and the First H Share Class Meeting of 2021

The first Domestic Share class meeting of 2021 and the first H Share class meeting of 2021 of the Bank were convened on June 18, 2021, at which the following resolution was considered and approved by the Shareholders:

Special resolutions

1. to consider and approve the Capitalization Issue of the Bank;

2. to consider and approve the proposed 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 of the Bank.

IV. Board of Directors

The Board of Directors is core to the Bank's corporate governance and is accountable to the Shareholders as a whole. The Board of Director is an independent decision-making body, which is responsible for implementing the resolutions of the Shareholders' general meeting, formulating the Bank's major strategy, policy and development plan, approving the operation plan, investment plan and internal management setup of the Bank, formulating the annual financial budget, final accounts and profit distribution plan and appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene in specific daily affairs. The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Code of Corporate Governance.

The Board of Directors emphasizes similarity in both externality and internality in system establishment and practical operation, making the Board's decision more scientific and reasonable through the establishment of a diversified Board structure, improving the Board's efficiency through the operation of various committees. Constantly strengthening balanced, sound and sustainable development concept, the Board of Directors ensures the rapid, sustainable and sound development of the Bank through effective management of the strategies, risks, capital, compensation and audit.

(I) Composition of the Board of Directors

As of the Latest Practicable Date, the fifth session of the Board consisted of 13 members, including:

- Mr. Gao Bing (chairman, executive Director)
- Mr. Liang Xiangmin (vice chairman, executive Director)
- Mr. Yuan Chunyu (executive Director, vice president, secretary to the Board and joint company secretary)
- 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)
- Mr. Fong Wai Kuk Dennis (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)

The number of Directors and the composition of the Board of Directors are in compliance with applicable laws and regulations. The decision making, authorization and voting procedures strictly follow the relevant rules and regulations of regulatory authorities and the Articles of Association. During the Reporting Period, the Board of Directors discharged its duties diligently, carefully reviewed all matters that were significant to the Bank's future development, improved the Board operation mechanism, strengthened the corporate governance framework, implemented organisational changes, facilitated prudent decision making, ensured operational stability and protected the interests of the Bank and its Shareholders.

(II) Appointment, re-election and removal of Directors

According to the Articles of Association, Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. The term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of their term of office. Subject to the relevant laws and administrative regulations, a Director whose term of office has not expired may be removed by Shareholders' ordinary resolution at a Shareholders' general meeting, without prejudice to any claim which may be instituted under any contract.

The term of service of non-executive Directors and independent non-executive Directors shall be the same as that of other Directors and they may be re-elected and re-appointed upon the expiration of their terms of office, provided that such term of office of independent non-executive Directors shall not be more than six years on an accumulative basis.

The Directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association. The Nomination Committee is responsible for discussing and reviewing the qualification and experience of each candidate for Director and recommending the suitable candidates to the Board of Directors. After the approval from the Board of Directors, the selected candidates will be recommended for further approval by the Shareholders at a general meeting. As a banking institution regulated by the CBIRC, the qualification of a candidate for the Bank's Directors shall also be approved by the CBIRC.

(III) Relationships among Directors, Supervisors and senior management members

The Directors, Supervisors and senior management members of the Bank are not related to one another in respect of financial business, family or other material/relevant relationships.

(IV) Changes of Directors

For changes of Directors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Organisations — II. Changes in Directors, Supervisors and Senior Management Members" of this annual report.

(V) Operation of the Board of Directors

According to the Articles of Association, the Board of Directors shall convene at least four meetings per year and at least one meeting per quarter. The meetings of the Board of Directors are divided into regular meetings and extraordinary meetings. The regular meetings of the Board of Directors are convened by the chairman and a notice in writing shall be delivered to all Directors and Supervisors 14 days prior to the date of convening the meeting. The notice of extraordinary meeting of the Board of Directors shall be dispatched to the Directors five business days prior to the date of convening the meeting. In emergency circumstances where an extraordinary meeting of the Board of Directors is required to be convened as soon as possible, the notice of meeting may be issued through telephone or other verbal means, but the convener shall give an explanation at the meeting. The meetings (including video conference) of the Board of Directors generally conduct voting by way of a show of hands and voting by registered ballot.

Provided that sufficient protection is ensured for the expression of opinions by Directors, the Directors may pass resolutions at an extraordinary meeting of the Board of Directors by communication voting and the resolutions shall be signed by the participating Directors. The conditions and procedures of communication voting are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors.

The Board of Directors shall record the decisions on matters considered at the meetings in the minutes of meetings and the participating Directors and the recorder of minutes shall sign on such minutes. Directors attending the meeting are entitled to request an explanation on record to be made in respect of their verbal comments in the meetings.

The relevant senior management members are invited to attend meetings of the Board of Directors from time to time to provide explanations and answer queries from the Directors. In the meetings of the Board of Directors, the Directors may express their opinions freely, and important decisions should be made after detailed discussions. If any Director has a conflict of interest in a matter to be considered by the Board of Directors, the relevant Director shall abstain from the discussion of and voting on the relevant resolution, and such Director shall not be counted as quorum in voting for that particular resolution.

The Board of Directors has established an office as its operating arm, which is responsible for preparation of general meetings, meetings of the Board of Directors and meetings of Board committees, information disclosure and other daily matters.

(VI) Powers of the Board of Directors

The Board of Directors exercises the following powers:

(1) to convene general meetings and report its work to the general meetings;

(2) to implement the resolutions approved by the Shareholders at general meetings;

(3) to decide on the business plans and investment plans of the Bank;

(4) to prepare the annual financial budgets and final accounts of the Bank;

(5) to prepare the capital replenishment plan, risk capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank;

(6) to prepare plans for increase or reduction of the registered capital of the Bank;

(7) to prepare plans for issue and listing of bonds or other securities of the Bank;

(8) to prepare plans for merger, division, dissolution or liquidation or alteration of corporate form of the Bank;

(9) to prepare plans for repurchase of any Shares of the Bank;

(10) to approve the establishment of any corporate bodies, material acquisitions, material external investments, material connected transactions, purchase and disposal and write-off of material assets and material external guarantees of the Bank;

(11) to decide on the establishment of any internal management structure and the reform plan for the operation and management affecting the Bank as a whole;

(12) to appoint or remove the president of the Bank and the secretary to the Board of Directors; and based on the nomination by the president of the Bank, to appoint or remove the deputy presidents and senior officers (such as the persons in charge of finance, credit and audit) of the Bank and other persons whom the Board of Directors believes should be appointed or removed by the Board of Directors and to determine their remunerations and rewards and penalties;

(13) to formulate the basic management system of the Bank (including but not limited to human resources, finance and remuneration) and internal control policies;

(14) to formulate any amendment proposals to the Articles of Association, the rules of procedure for general meetings and meetings of the Board of Directors;

(15) to formulate the information disclosure system of the Bank and to manage information disclosure of the Bank;

(16) to propose the appointment or removal of the Bank's auditors to the general meeting;

(17) to receive the work report and examine the work of the president of the Bank;

(18) to prepare the operation and development strategy and capital planning of the Bank and monitor the implementation of such strategy; and

(19) other duties and powers as provided in the laws, rules and regulations and the Articles of Association or conferred by the general meetings.

(VII) Responsibilities of Directors

During the Reporting Period, all the Directors are prudent, earnest, and diligent to exercise their rights granted by the Bank and domestic and overseas regulatory authorities. The Directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of the Bank's operation with laws, regulations and the requirements of national economic policies. The Directors have treated all the Shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, and performed other diligence obligations required by laws, administrative regulations, departmental rules and the Articles of Association.

The independent non-executive Directors make full use of their respective professional expertise to provide professional and independent advice on the corporate governance, operation and management of the Bank.

The Bank also pays attention to the ongoing training of Directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities authorized by the relevant laws and regulatory requirements and the Articles of Association. The Bank has purchased the director liability insurance for all Directors.

(VIII) Responsibilities assumed by the Directors in the preparation of financial statements

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended December 31, 2021. The Directors are responsible for reviewing and confirming the financial statements for each accounting period to ensure that the financial statements truly and fairly reflect the financial conditions, operating results and cash flows of the Bank. In preparing the consolidated financial statements of the Bank for the year ended December 31, 2021, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made. The Directors were not aware of any material uncertainty or circumstances that might have significant effect on the ability of sustainable operation of the Bank.

(IX) Meetings of the Board of Directors

During the Reporting Period, the Bank has convened seven meetings (including teleconference) of the Board of Directors. Attendance of Directors at the meetings of the Board of Directors, meetings of Board committees and general meetings of the Bank are set out in the table as follows:

	Number of meetings attended in person/attended by proxy/should be attended									
Members of the Board of Directors	Board of Directors	Strategy and Development Committee	Audit Committee	Related-party Transactions Control Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	Consumer Rights Protection Committee	Three Rurals Financial Services Committee	General Meeting (actual attendance /number of meetings)
Mr. Gao Bing	7/0/7	4/0/4							1/0/1	3/3
Mr. Liang Xiangmin	7/0/7				4/0/4	4/0/4		2/0/2		1/3
Mr. Yuan Chunyu	7/0/7	4/0/4								3/3
Mr. Cui Qiang	6/0/7						1/0/1			1/3
Mr. Zhang Yusheng	7/0/7					4/0/4		2/0/2		1/3
Mr. Wu Shujun	7/0/7			4/0/4						1/3
Mr. Zhang Lixin	4/0/4			2/0/2						–
Ms. Wang Ying	4/0/4		2/0/2							–
Ms. Zhang Qiuhua	7/0/7				4/0/4	4/0/4	1/0/1		1/0/1	1/3
Ms. Han Lirong	4/0/4	3/0/3	2/0/2	2/0/2						–

	Number of meetings attended in person/attended by proxy/should be attended									
Members of the Board of Directors	Board of Directors	Strategy and Development Committee	Audit Committee	Related-party Transactions Control Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	Consumer Rights Protection Committee	Three Rurals Financial Services Committee	General Meeting (actual attendance /number of meetings)
Ms. Jin Xiaotong	4/0/4	3/0/3	2/0/2	2/0/2						–
Mr. Sun Jiafu	4/0/4			2/0/2		1/0/1		1/0/1		–
Mr. Fong Wai Kuk Dennis	4/0/4	3/0/3			2/0/2	1/0/1				–
Mr. Zhang Xinyou	3/0/3			2/0/2					1/0/1	0/3
Mr. Wang Baocheng	3/0/3		2/0/2							0/3
Mr. Chung Wing Yin	3/0/3	1/0/1			2/0/2	3/0/3				0/3
Mr. Yang Jinguan	3/0/3	1/0/1	2/0/2	2/0/2						0/3
Mr. Jiang Ning	3/0/3	1/0/1	2/0/2	2/0/2						0/3
Dr. Fu Qiong	3/0/3			2/0/2		3/0/3	1/0/1	1/0/1		0/3

(X) Independent Non-executive Directors

The Board of Directors consists of five independent non-executive Directors and the qualification, number and proportion are in accordance with the regulations of the CBIRC, the China Securities Regulatory Commission and the Hong Kong Listing Rules. The five independent non-executive Directors are not involved in any conflict with the independence issue described in Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive Directors the annual confirmation in respect of his independence. Therefore, the Bank confirms that all the independent non-executive Directors have complied with the provisions of the Hong Kong Listing Rules in respect of independence.

The independent non-executive Directors represent the majority of the Bank's Strategy and Development Committee, Audit Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. They also serve as the chairman of the Audit Committee, Related-party Transactions Control Committee, Nomination Committee and Remuneration Committee.

The independent non-executive Directors kept in touch with the Bank's management through various means such as attending meetings. They earnestly participated in meetings of the Board of Directors and the Board committees and actively provided their opinions and emphasized the interests of minority Shareholders of the Bank. The independent non-executive Directors have fully discharged their responsibilities.

(XI) Continuing professional development plan for Directors

All newly appointed Directors have been provided with comprehensive relevant materials at the first time when they were nominated to ensure they have proper understanding of the operation and business of the Bank and fully understand the duties and responsibilities of Directors under the Hong Kong Listing Rules and the applicable laws and regulations.

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. The Bank will provide briefings on the latest development of the Hong Kong Listing Rules and other applicable regulatory requirements to the Directors from time to time to ensure that the Directors are aware of the latest regulatory development.

During the Reporting Period, the Directors participated in the following training programs:

Training program for the Directors

No.	Training program	Participants
1	Annual Review on the Compliance and Supervision of Hong Kong Listed Companies (香港上市公司合規監管年度觀察)	All Directors
2	Development of Information Disclosure and Supervision of Hong Kong Listed Companies (香港上市公司信息披露與監管動態)	All Directors
3	Regulatory Regulations and News Brief Presentation on the Capital Market of Hong Kong (香港資本市場監管法規和新聞簡報)	All Directors
4	Updates on Corporate Governance and Regulation of Listed Companies (上市企業管治及監管事宜更新)	All Directors
5	Ongoing Obligations and Supervising Obligations of the Compliance of Transactions under the Listing Rules (上市規則下持續責任及規管交易合規責任)	All Directors
6	New Requirements under the Environmental, Social and Governance (ESG) Reporting Guide and Sustainable Development (《環境、社會及管治 (ESG) 報告指引》新規要求與可持續發展)	All Directors
7	Highlights of Laws on Commercial Banks (商業銀行法規速遞)	All Directors
8	Continuing Education for Non-practicing Members of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會非執業會員後續教育) The Tenth International Symposium of Quantitative Economics for 2021 (2021 年第十屆數量經濟學國際學術會議) 2021 Annual Conference of Audit Committee of Accounting Society of China (2021 年中國會計學會審計專業委員會學術年會)	Ms. Han Lirong

No.	Training program	Participants
9	Labor Law Symposium (勞動法專題研討會) Special Training on Civil Code (民法典專題培訓) China Law Society: Xi Jinping's Rule of Law Ideology Forum (中國法學會：習近平法治思想論壇)	Ms. Zhang Qiuhua
10	2021 Academic Annual Conference of China University Marketing Research Association (2021 年中國高等院校市場學研究會學術年會) 2021 International Workshop on Quantitative Economics (2021 年數量經濟學國際講習班) Advanced Forum on Country and Regional Studies in Northeast Asia (東北亞國別與區域研究高端講壇)	Ms. Jin Xiaotong
11	Seminar on Anti-Money Laundering (打擊洗黑錢專題講座) Seminar on Anti-Market Misconduct (反市場不當行為專題講座) Seminar on Code on Takeovers and Mergers (收購與合併守則研討會) Special Training on Convertible Bonds (可轉換債券專題培訓)	Mr. Fong Wai Kuk Dennis
12	Exchange Forum: Decision-making and Management Methods and Approaches for State-owned Enterprises on "Major issues, Major Personnel Appointments and Dismissals and the Use of Large Amount of Capital" (交流論壇：國有企業「三重一大」事項決策管理方法與途徑) Seminar on "Corporate Control" Analysis from the Perspective of Investment Banks (投行視角下「公司控制權」問題解析研討會) Seminar on "Formulation of Articles of Association and Issues related to Company Law" (《公司章程條款設計與公司法相關問題》研討會)	Mr. Sun Jiafu

(XII) Corporate governance functions of the Board of Directors

The Board of Directors is responsible for the establishment of sound corporate governance practice and procedures for the Bank. During the Reporting Period and up to the Latest Practicable Date, the Board of Directors has:

(1) developed and reviewed the Bank's policies and practices on corporate governance;

(2) reviewed and monitored the training and continuing professional development of Directors and senior management;

(3) reviewed and monitored the Bank's policies and practices on compliance with legal and regulatory requirements;

(4) developed, reviewed and monitored the code of conduct for Directors; and

(5) reviewed the Bank's compliance with the Code of Corporate Governance and disclosure in the corporate governance report.

(XIII) Board Committees

The Board of Directors delegates certain responsibilities to various committees. In accordance with relevant PRC laws, the Articles of Association and the Hong Kong Listing Rules, the Bank has formed eight Board committees, namely the Strategy and Development Committee, Audit Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination Committee and Remuneration Committee, Consumer Rights Protection Committee and Three Rurals Financial Services Committee.

1. Strategy and Development Committee

As at the end of the Reporting Period, the Bank's Strategy and Development Committee consists of two executive Directors, namely Mr. Gao Bing and Mr. Yuan Chunyu, and three independent non-executive Directors, namely Mr. Fong Wai Kuk Dennis, Ms. Han Lirong and Ms. Jin Xiaotong. Mr. Gao Bing is the chairman of the committee.

The principal responsibilities of the Strategy and Development Committee include but are not limited to:

- to formulate the business objectives and long-term development strategies;
- to supervise and review the execution of annual business plan and investment plan;
- to review regularly the capital management and capital plans and provide advices, particularly on any material investment proposals beneficial to share capital; and
- to discuss the operations and risk management with senior management, assess the implementation of the corporate governance policies and provide advices to the Bank on their improvement.

During the Reporting Period, the Strategy and Development Committee held four meetings in total, a total of 16 resolutions including the Outline Development Plan of Key Task for 2021, the 14th Five-Year Development Plan Outline and the Resolutions regarding the Extension of the Validity Period of the Issuance Plans for Private Placement of Domestic Shares and Non-public Issuance of Foreign Shares Listed Overseas (H Shares) and Authorizations for Related Matters were considered and approved.

2. Audit Committee

As at the end of the Reporting Period, the Bank's Audit Committee consists of one non-executive Director, namely Ms. Wang Ying, and two independent non-executive Directors, namely Ms. Han Lirong and Ms. Jin Xiaotong. Ms. Han Lirong is the chairman of the committee, and has the appropriate professional qualifications in accounting or relevant financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules.

The principal responsibilities of the Audit Committee include but are not limited to:

- to review the accounting policy, internal control policy, financial reporting procedure, compliance and risk management systems and financial condition;
- to consider major investigation findings on internal control matters and discuss the internal control system with senior management to ensure that management has performed its duty to establish an effective internal control system, covering topics such as capital adequacy ratio, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions;
- to review and ensure the accuracy and completeness of the financial statements and audit reports submitted to the Bank's Board of Directors for approval and disclosure to Shareholders and the general public;
- to advise on the appointment of external auditors, review the scope of engagement, remuneration and independence of external auditors;
- to review the external auditor's management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response and ensure that the Bank's Board of Directors provides a timely response to the issues raised in the external auditor's management letter;

- to ensure coordination between any internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and to review and monitor its effectiveness; and

- to report to the Board of Directors on matters covered by the corporate governance requirements in the Hong Kong Listing Rules.

During the Reporting Period, the Audit Committee held four meetings in total, a total of 52 resolutions including the Final Financial Report for 2020, the Profit Distribution Proposal for 2020, the Annual Results Announcement for 2020, the Financial Budget for 2021, the Resolutions regarding the Appointment the External Auditor for 2021 and the Internal Audit Report for 2020 were considered and approved. The Audit Committee is of the view that the internal audit function of the Bank was effective during the Reporting Period.

Overview of the annual audit work of the Bank:

CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited carried out the 2021 audit on the Bank by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited fully conducted an audit on internal control, and carried out internal control test at the Bank's level and business process level to evaluate the effectiveness of the internal control design and assess whether it has been consistently and effectively implemented during the audit. Through interviews, CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited understood the Bank's control environment, the main operation conditions, business innovation, system updates and fraud risk. CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited conducted a preliminary analysis and audit on major subjects of financial statements, such as financial instruments, operating income, investment income and other subjects. CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited also tested and evaluated the main information system used by the Bank and discussed promptly the findings of preliminary audit with the Bank's management. In the year-end audit stage, CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited followed up the findings on the preliminary audit stage and conducted detailed audit procedures for all major subjects, and communicated the findings of year-end audit with the Bank's management.

In order to successfully complete the audit work in 2021 and issue relevant audit reports as scheduled, the Audit Committee of the Board of Directors arranged the finance department of the Bank to discuss with CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited about the planning of audit work, audit progress, scope of consolidation, timing of initial draft and final draft of the audit report, etc. During the audit period, the Audit Committee made multiple rounds of supervision. On March 30, 2022, CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited issued the standard unqualified audit report to the Bank within the scheduled time.

The Audit Committee reviewed the independence and objectivity of CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited and the effectiveness of their audit procedures to ensure that the financial reports issued give a true and fair view. CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited have taken the necessary protective measures in accordance with the relevant requirements of professional ethics to prevent any possible threats to independence.

3. Related-party Transactions Control Committee

As at the end of the Reporting Period, the Bank's Related-party Transactions Control Committee consists of two non-executive Directors, namely Mr. Wu Shujun and Mr. Zhang Lixin, and three independent non-executive Directors, namely Ms. Han Lirong, Ms. Jin Xiaotong and Mr. Sun Jiafu. Ms. Jin Xiaotong is the chairman of the committee.

The principal responsibilities of the Related-party Transactions Control Committee include but are not limited to:

- to identify and manage the collection of information regarding related parties and report to the Board of Directors and the Board of Supervisors;
- to manage, review and approve connected transactions in a timely manner and conduct an annual assessment on connected transactions and their management process;
- to control the risks of connected transactions and assess the information disclosure of connected transactions;
- to formulate the policies and management procedures regarding connected transactions; and
- to supervise and review the control of connected transactions, and report to the Bank's Board of Directors and competent regulatory authorities.

During the Reporting Period, the Related-party Transaction Control Committee held four meetings in total, a total of 20 resolutions including the Report on the Connected Transactions for 2020, the List of Related Parties for 2021 and the Proposal on Pledge of Equity Interests by Shareholders were considered and approved.

4. Risk Management Committee

As at the end of the Reporting Period, the Bank's Risk Management Committee consists of one executive Director, namely Mr. Liang Xiangmin, and two independent non-executive Directors, namely Ms. Zhang Qiuhua and Mr. Fong Wai Kuk Dennis. Mr. Liang Xiangmin is the chairman of the committee.

The principal responsibilities of the Risk Management Committee include but are not limited to:

- to control, manage, supervise and assess the risks through continuous assessment of the effectiveness of the risk management and internal control systems;
- to formulate the strategies, policies and targets for the risk management and control for the Board's approval;
- to supervise senior management on the control of risks such as credit risks, market risks, operating risks and liquidity risks and conduct regular evaluation on the risk management status and risk tolerance level;
- to provide advices on improvement of risk management and internal control and raise any material issues in risk management to the attention of Board of Directors;
- to undertake the duties of anti-money laundering of the Bank, and to organize and guide the anti-money laundering works in accordance with the authorization of the Board of Directors and be accountable to the Board of Directors; to supervise and provide guidance to the anti-money laundering steering group; to discuss important issues of anti-money laundering works and review work reports on anti-money laundering; to be authorized and obligated to make decisions on and handle substantial or sensitive issues in relation to anti-money laundering;
- to discuss the risk management and internal control system with the management to ensure that the management has performed its duties by developing an effective system, and the discussion shall cover the adequacy of resources, qualification and experience of employees, training of employees and the relevant budget for accounting, internal audit and financial reporting of the Bank; and

- to review the following special issues at least once a year:

  - ➢ the changes of the nature and extent of major risks, and the capabilities of the Bank in dealing with the changes of its businesses and the external environment since the review of last year;

  - ➢ the scope and quality of the works of the management for continuous monitoring of the risk and internal control system as well as (if applicable) the internal audit functions and the works of other assurers;

  - ➢ the extent and frequency that the supervision results were reported to the Board of Directors, which may facilitate the assessment of the Board of Directors on the effectiveness of the supervision and risk management of the Bank;

  - ➢ substantial supervision faults incurred and material supervision weaknesses identified during the period and the seriousness of the unforeseeable consequences or critical situations, as well as the significant influences which have been, might have been or will be caused by such consequences or situations on the financial performance or position of the Bank;

  - ➢ the effectiveness of the procedures of the Bank in relation to financial reporting and compliance with the requirements of the Hong Kong Listing Rules.

During the Reporting Period, the Risk Management Committee held four meetings in total, a total of 34 resolutions including the Report on Risk Management for 2020, the Work Report on Case Prevention for 2020, the Statement on Risk Preference for 2021 and the Work Report on Anti-Money Laundering and Anti-Terrorist Financing for 2021 were considered and approved.

5. Nomination Committee

As at the end of the Reporting Period, the Bank's Nomination Committee consists of one executive Director, namely Mr. Liang Xiangmin, one non-executive Director, namely Mr. Zhang Yusheng, and three independent non-executive Directors, namely Ms. Zhang Qiuhua, Mr. Fong Wai Kuk Dennis and Mr. Sun Jiafu. Mr. Sun Jiafu is the chairman of the committee.

The principal responsibilities of the Nomination Committee include but are not limited to:

- to review the structure and composition of the Bank's Board of Directors and senior management and advise on any changes to be made to the Board of Directors to complement the strategies;
- to formulate the selection procedures and criteria for Directors and senior management;
- to conduct preliminary review and examination of and advise the Board of Directors on the qualifications and suitability of candidates for Directors and senior management and the appointment and re-appointment of Directors; and
- to assess the independence of independent non-executive Directors.

During the Reporting Period, the Nomination Committee held four meetings in total, a total of 13 resolutions including the Work Report of the Nomination Committee for 2020, the Resolution regarding the Evaluation of Independence of Independent Non-executive Directors, the Resolution regarding the Evaluation of the Structure, Composition and Diversity Policy of the Board of Directors and the Resolution on the Nomination of the Candidates for Directors of the Fifth Session of the Board of Directors were considered and approved.

6. Remuneration Committee

As at the end of the Reporting Period, the Bank's Remuneration Committee consists of one non-executive Director, namely Mr. Cui Qiang, and two independent non-executive Directors, namely Ms. Zhang Qiuhua and Mr. Sun Jiafu. Ms. Zhang Qiuhua is the chairman of the committee.

The principal responsibilities of the Remuneration Committee include but are not limited to:

- to establish and review a reasonable and transparent remuneration system and policy for the Bank;
- to make recommendations to the Bank's Board of Directors on remuneration system and policy and supervise the implementation of the scheme;

- to assess and approve the fair and reasonable compensation for loss of office of Directors and senior management;

- to review the performance of Directors and senior management and review and advise on the remuneration for Directors and senior management with reference to the rates of remuneration of other comparable banks; and

- to review the duty performance of Directors and the senior management and to carry out annual appraisal.

During the Reporting Period, the Remuneration Committee held one meeting in total, a total of three resolutions namely the Work Report of the Remuneration Committee for 2020 and the Administrative Measures on Remuneration for 2021 and the Resolution regarding the Remuneration for the Relevant Directors of the Fifth Session of the Board of Directors during their Terms of Office were considered and approved. In particular, the Remuneration Committee assessed the performance of executive Directors and approved the terms of executive Directors' service contracts.

7. Consumer Rights Protection Committee

As at the end of the Reporting Period, the Bank's Consumer Rights Protection Committee consists of one executive Director, namely Mr. Liang Xiangmin, one non-executive Director, namely Mr. Zhang Yusheng and one independent non-executive Director, namely Mr. Sun Jiafu. Mr. Liang Xiangmin is the chairman of the committee.

The principal responsibilities of the Consumer Rights Protection Committee include but are not limited to:

- to determine the strategies, policies and objectives for protection of the rights of financial customers of the Bank and supervise the senior management for implementation of the same and relevant work; to receive regularly the special reports on protection of rights of financial customers as prepared by the senior management and to disclose such reports as important information;

- to supervise the protection of rights of financial customers and evaluate the completeness, timeliness and effectiveness of the protection works of the Bank; and to review the duty performance of the senior management in this regard; and

- to review other matters in relation to the protection of customers' rights or authorized by the Board.

During the Reporting Period, the Consumer Rights Protection Committee held two meetings in total, and two resolutions including the Work Report on Consumer Rights Protection for 2020 and Work Plan for 2021 and the Consumer Rights Protection Work Plan for the First Half of 2021 and Word Plan for the Second Half of 2021 were considered and approved.

8. Three Rurals Financial Services Committee

As at the end of the Reporting Period, the Bank's Three Rurals Financial Services Committee consists of one executive Director, namely Mr. Gao Bing, one non-executive Director, namely Mr. Zhang Lixin and one independent non-executive Director, namely Ms. Zhang Qiuhua. Mr. Gao Bing is the chairman of the committee.

The principal responsibilities of the Three Rurals Financial Services Committee include but are not limited to:

- to formulate the development strategy plan, policies and basic management systems of "three rurals" business in accordance with the general development strategy plan of the Bank and make recommendations to the Board;

- to determine the risk strategy plan and other important matters in relation to "three rurals" business development in accordance with the general development strategy plan of the Bank;

- to consider the important factors having impact on the development of the "three rurals" business of the Bank with reference to changes of government policy and financial market conditions in relation of "three rurals" and to make recommendations to the Board for the changes to the development strategy plan of "three rurals" business in a timely manner;

- to supervise the implementation of the development strategy plan, policies and basic management systems of "three rurals" business of the Bank;

- to evaluate the results of "three rurals" services and to propose suggestions to the Board accordingly;

- to review the "three rurals" business plan in accordance with the business plan of the Bank and to make recommendations to the Board; and

- to review other matters in relation to "three rurals" business or authorised by the Board.

During the Reporting Period, the Three Rurals Financial Services Committee held one meeting in total, and two resolutions namely the Report of the Three Rurals Financial Services for 2020 and the Three Rurals Financial Services Plan for 2021 were considered and approved.

V. Board of Supervisors

The Board of Supervisors, which is the Bank's supervisory body, is committed to protecting the legitimate interests of the Bank, Shareholders, employees, depositors and other stakeholders, and has the obligation to oversee the Bank's financial activities, risk management and internal control, discharge of duties by the Board and its members and the senior management, and is accountable to the Shareholders as a whole.

The term of office of the Supervisors shall be three years. Upon expiry of the current term of office, a Supervisor is eligible for re-election and re-appointment. The cumulative term of office for an non-employee Supervisor of the Bank shall be no more than six years. Shareholder Supervisors and non-employee Supervisors shall be elected, removed or replaced by the general meeting. Employee Supervisors shall be elected, removed or replaced by the employee representative meeting of the Bank.

(I) Composition of the Board of Supervisors

According to the Articles of Association, the Board of Supervisors shall comprise Shareholder Supervisors, employee Supervisors and non-employee Supervisors. The number of the employee Supervisors of the Bank shall not be less than 1/3 of the total number of the Supervisors.

As at the Latest Practicable Date, the Board of Supervisors consists of seven members, including:

- Mr. Luo Hui (chairman of the Board of Supervisors)

- Mr. Wang Enjiu

- Mr. Liu Xiangjun
- Ms. Dai Yundi
- Mr. Liu Jianxin
- Mr. Dong Shuaibing
- Ms. Hu Guohuan

(II) Chairman of the Board of Supervisors

Mr. Luo Hui is the chairman of the Board of Supervisors. The chairman of the Board of Supervisors shall have the following duties and powers:

- to convene and preside over meetings of the Board of Supervisors;
- to report work to the general meetings on behalf of the Board of Supervisors;
- to organize the Board of Supervisors to perform its duties;
- to sign reports of the Board of Supervisors and other important documents; and
- other duties and powers as provided for in laws, regulations and the articles of association of the Bank.

(III) Changes of Supervisors

For changes of Supervisors, please refer to the section headed "Directors, Supervisors, Senior Management, Employees and Organisations — II. Changes in Directors, Supervisors and Senior Management Members" of this annual report.

(IV) Responsibilities of the Board of Supervisors

The Board of Supervisors is a supervising organ of the Bank and accountable to the Shareholders as a whole. The Board of Supervisors shall exercise the following powers:

(1) to examine and supervise the Bank's financial affairs;

(2) to supervise the duty performance of the Board of Directors and senior management;

(3) to monitor the Directors, president of the Bank and other senior management in performing their duties;

(4) to demand rectification from a Director, the president of the Bank and any other senior management of the Bank when the acts of such persons are detrimental to the interests of the Bank;

(5) to conduct special and departure audits in respect of any Directors and senior management of the Bank;

(6) to conduct audits in respect of the operation policy, risk management and internal controls of the Bank and to provide guidance with respect to such internal audits of the Bank;

(7) to make inquiries to any Directors, the chairman of the Board and senior management of the Bank;

(8) to propose the convening of extraordinary general meetings;

(9) to propose to general meetings to remove any Directors, president of the Bank or Supervisors who have failed to perform their duties or violated any laws, administrative regulations or the Articles of Association;

(10) to review the financial reports, operation reports and profit distribution plans to be submitted by the Board to general meetings; if any queries arise or any abnormality is found in operations of the Bank, to conduct investigations; and when necessary, to engage such professionals as accounting firms or law firms to assist in the work, at the expenses of the Bank;

(11) to propose any remuneration (or allowance) arrangement of Supervisors; and

(12) other duties and powers as provided in laws, rules and regulations, department regulations, normative documents and the Articles of Association or conferred by the general meetings.

The Board of Supervisors fulfills their supervisory responsibilities mainly in the following manners:

- convening regular meetings of the Board of Supervisors;
- attending general meetings and the meetings of the Board of Directors;
- attending the relevant meetings of the senior management;
- reviewing various documents and materials provided by the senior management and listening to the work report prepared by the senior management;
- evaluating annual performance of the Directors and senior management;
- conducting on-site inspections of the Bank's branches and subsidiaries; and
- conducting departure audits of the Bank's executive Directors and senior management.

Through the above works, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management, internal controls, and the performance of the Board of Directors and senior management.

(V) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened 8 meetings and there was no objection to the matters under the supervision of the Board of Supervisors. The following table sets forth the attendance of Supervisors at meetings during the Reporting Period:

Members of the Board of Supervisors	Number of meetings attended in person/attended by proxy/should be attended		
	Attendance in Person	Attendance by Proxy	No. of Required Attendance
Mr. Luo Hui	8	0	8
Mr. Wang Enjiu	8	0	8
Mr. Liu Xiangjun	8	0	8
Ms. Dai Yundi	4	0	4
Mr. Liu Jianxin	4	0	4
Mr. Dong Shuaibing	4	0	4
Ms. Hu Guohuan	4	0	4
Mr. Fan Shuguang	4	0	4
Mr. Gao Pengcheng	4	0	4
Mr. Wang Zhi	4	0	4
Mr. Zhang Ruibin	4	0	4

(VI) Attendance at the general meetings

During the Reporting Period, the Board of Supervisors designated representatives to attend the annual general meeting of the Bank. The Board of Supervisors presented its report on work and results of performance appraisal of Supervisors, which were approved at the annual general meeting.

(VII)Attendance at the meetings of the Board of Directors and senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend the meetings of the Board of Directors and supervised legal compliance of the meetings, procedures of voting, attendance, speech and voting of the Directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised implementation of resolutions by the Board of Directors.

(VIII) Committees of the Board of Supervisors

The Board of Supervisors has established the Nomination Committee and the Supervisory Committee. The committees operate in accordance with their respective terms of reference formulated by the Board of Supervisors.

1. Nomination Committee

The Nomination Committee consists of three Supervisors, being Ms. Dai Yundi, Ms. Hu Guohuan and Mr. Liu Xiangjun. The chairman of the Nomination Committee is Ms. Dai Yundi.

The principal responsibilities of the Nomination Committee include:

(1) to make recommendations to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors in accordance with the Bank's operation, scale of assets and shareholding structure;

(2) to review the procedures and criteria for selecting and appointing Supervisors and making recommendations to the Board of Supervisors;

(3) to search for qualified candidates for the Supervisors;

(4) to perform preliminary review of the qualifications and credentials of candidates for the Supervisors nominated by the Bank's Shareholders in accordance with applicable laws and regulations;

(5) to supervise the process of election and appointment of Directors;

(6) to supervise and examine the discharge of responsibilities and duties of the Supervisors during their term of office as authorized by the Board of Supervisors;

(7) to take the lead in conducting a comprehensive assessment and evaluation of the discharge of responsibilities and duties by the Board of Directors, the Board of Supervisors and senior management and report the results to the Board of Supervisors;

(8) to draft the proposals related to removal of a Supervisor to be submitted by the Board of Supervisors;

(9) to make proposals related to award or sanction of Supervisors to the Board of Supervisors;

(10) to be responsible for the daily work of the Nomination Committee and liaise with the members of the Nomination Committee under the guidance of the chairman of the Nomination Committee;

(11) to be responsible for the preparatory works in relation to the election of the members of the Board of Supervisors;

(12) to supervise scientificity and reasonableness of remuneration system and policies of the Bank and remuneration proposals of the senior management; and

(13) other matters authorized by the Board of Supervisors.

The Nomination Committee held a total of six meetings during the Reporting Period, and 20 resolutions including the Resolution on the Nomination and Election of the Candidates for Supervisors of the Fifth Session of the Board of Supervisors and the Resolution on the Remuneration for the Relevant Supervisors of the Fifth Session of the Board of Supervisors during their Terms of Office were considered and approved.

2. Supervisory Committee

The Supervisory Committee consists of three Supervisors, being Mr. Liu Jianxin, Ms. Hu Guohuan and Mr. Wang Enjiu. The chairman of the Supervisory Committee is Mr. Liu Jianxin.

The principal responsibilities of the Supervisory Committee include:

(1) to formulate plans on supervising and examining the Bank's financial activities;

(2) to formulate plans of specific audits of the Directors and senior management and perform departure audit of the Directors and senior management;

(3) to formulate and implement audit plans of the Bank's business decision-making, risk management and internal controls;

(4) to perform audit related to the authenticity of the financial results of the Bank in the last financial year;

(5) to supervise compliance with applicable laws, regulations, financial policies and the Articles of Association by the Directors and senior management in discharging their respective duties and responsibilities;

(6) to make proposals in relation to engagement or change of external auditors;

(7) to provide guidance to the Bank's internal audit and supervise the Bank's internal audit policies and implementation of these policies;

(8) to liaise with internal auditors and external auditors;

(9) to review the financial information of the Bank and its disclosure;

(10) to review the internal control policies of the Bank; and

(11) other matters authorized by the Board of Supervisors.

The Supervisory Committee held a total of four meetings during the Reporting Period, and 62 resolutions including the Resolution regarding the Performance Evaluation Report of the Board of Supervisors and Supervisors for 2020 and the Resolution regarding the Evaluation Report of the Board of Directors and Senior Management of the Supervisory Committee for 2020 were considered and approved.

(IX) Work performed by Non-employee Supervisors

The chairmen of the Nomination Committee and the Supervisory Committee are served by non-employee Supervisors, which strengthen the role of non-employee Supervisors in performing assessment, internal control and other aspects of independent oversight functions, and play a positive role in improving the Bank's management quality and governance structure.

During the Reporting Period, non-employee Supervisors actively participated in meetings, carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of sustainable development of the Bank and protection

of its Shareholders' interests, carefully provided their independent opinions, and fulfilled the responsibilities of non-employee Supervisors in compliance with applicable laws and regulations.

VI. Senior Management

The Bank establishes a system under which the president is fully accountable to the Board of Directors. According to the Articles of Association, the Bank shall have one president, three to seven vice presidents and other senior management to assist the president in carrying out his/her duties if necessary. The president, vice president and assistant to the president shall be appointed and removed by the Board of Directors after their qualifications have been approved by competent authorities.

The senior management is the executive organisation of the Bank, and is responsible to the Board of Directors and supervised by the Board of Supervisors. The division of powers between the senior management and the Board of Directors strictly complies with the corporate governance documents, including the Articles of Association.

As at the Latest Practicable Date, the senior management of the Bank consists of six members, including:

- Mr. Chen Xinzhe (president)
- Mr. Zhu Weidong (vice president)
- Mr. Li Guoqiang (vice president)
- Mr. Gao Zhonghua (vice president)
- Mr. Yuan Chunyu (executive Director, vice president, secretary to the Board of Directors and joint company secretary)
- Mr. Du Ping (assistant to the president)

The president of the Bank is responsible to the Board of Directors and has the following powers and duties:

(1) to manage the business operations of the Bank and report work to the Board of Directors;

(2) to organize the implementation of resolutions passed by the Board of Directors, the annual business plans and investment plans of the Bank;

(3) to prepare plans for the establishment of internal management organisations;

(4) to establish the basic management system of the Bank;

(5) to formulate detailed regulations of the Bank;

(6) to propose to the Board of Directors for the appointment or removal of such senior management members of the Bank as the vice president and persons in charge of finance, credit and audit;

(7) to appoint or remove the management personnel other than those required to be appointed or removed by the Board of Directors;

(8) to determine the salary, welfare, reward and punishment of employees of the Bank and to decide on the appointment and dismissal of employees of the Bank;

(9) to propose to convene interim meetings of the Board of Directors;

(10) to decide on the set-up and cancellation of any branches of the Bank and to authorize presidents of any sub-branches to manage daily business and operation;

(11) in the event of emergencies (such as a run on the Bank), to take contingency measures and report immediately to the banking regulators under the State Council, the Board of Directors and the Board of Supervisors; and

(12) other duties and powers provided by laws, regulations, departmental regulations, normative documents, regulators and the Articles of Association and conferred by the Board of Directors.

The president shall, as required by the Board of Directors or the Board of Supervisors, report to the Board of Directors or the Board of Supervisors any conclusion and performance of material contracts, use of fund and profits and losses, as well as the relevant guarantees, and ensure the truthfulness of such reports.

The remuneration paid to the senior management (excluding the members of senior management who are also Directors) for the year ended December 31, 2021 is set out as follows:

Remuneration bands	Number of Persons
Less than RMB1.5 million	1
RMB1.5 million–RMB1.7 million	2
More than RMB1.7 million	2

VII. Chairman of the Board and the President

The roles and duties of the chairman of the Board of Directors and the president of the Bank are assumed by different persons, with their respective responsibilities clearly delineated and in compliance with the requirements under the Hong Kong Listing Rules.

Mr. Gao Bing, an executive Director, is the chairman of the Board of Directors, who is responsible for the overall strategic planning and management of the Board of Directors to ensure that the Board of Directors operates efficiently and that all Directors are aware of the current issues so as to discuss any issues in a timely and effectively manner. To assist the Board of Directors to discuss all important or other related matters, the chairman of the Board of Directors works with the Bank's senior management to ensure that all Directors promptly receive appropriate, complete and reliable information for their consideration and review.

Mr. Chen Xinzhe is the president of the Bank, who is responsible for business operations, implementing the Bank's strategies and carrying out the business plans. The president of the Bank, being nominated by the chairman of the Board of Directors and appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the Articles of Association and within the authorization by the Board of Directors.

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 members of the senior management of the Bank, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

IX. External Auditors and Remuneration of Auditors

As approved at the annual general meeting of 2020, The Group engaged CAC CPA Limited Liability Partnership and reappointed SHINEWING (HK) CPA Limited as its domestic and international auditors for 2021, respectively. The fees as agreed to be paid by the Group for the domestic and overseas audit of the financial statements for the year ended December 31, 2021 are RMB1.6 million and RMB2.17 million, respectively, and for the non-audit service (i.e. interim review) are RMB1.33 million.

The Audit Committee of the Board of Directors is of the view that CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited could properly complete various tasks as required by the Bank, stick to the principles of independence, objectiveness and impartiality and comply with the applicable account principles and ethical requirements for accountants, and conduct the audit work in a prudent and flexible manner. The responsibility statement in respect of the financial report made by SHINEWING (HK) CPA Limited is included in the financial report set out in this annual report. During the Reporting Period, there was no occasion where the Board of Directors did not agree with the opinions of the Audit Committee on the selection and appointment of external auditors.

X. Joint Company Secretaries

Mr. Yuan Chunyu, an executive Director, vice president and the secretary to the Board of Directors, and Mr. Lau Kwok Yin, the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, are the current joint company secretaries of the Bank. The key contact person between Mr. Lau Kwok Yin and the Bank is Mr. Yuan Chunyu.

During the Reporting Period, the joint company secretaries have complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

XI. Communication with Shareholders

The Bank places great importance on its Shareholders' opinions and suggestions and has enhanced understanding and interaction with the Shareholders through a wide range of channels such as the general meetings, reception for visitors, on-site visits and telephone consultations.

General enquiries

For enquiries made to the Board of Directors by the Shareholders and potential investors, please contact:

Office of the Board of Directors of Jilin Jiutai Rural Commercial Bank Corporation Limited

No. 2559 Wei Shan Road, High-tech Zone

Changchun City, Jilin Province, the PRC

Telephone: +86 (431) 8925 0628

Facsimile: +86 (431) 8925 0628

Place of Business in Hong Kong: Room 15, 11th Floor, Tower 2, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

Investors may view this annual report on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

Enquiries on matters relating to the H Shares

If the Shareholders have any enquiries on matters relating to the H Shares held by them, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

Computershare Hong Kong Investor Services Limited

17M Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong

Telephone: (852) 2862 8555

Facsimile: (852) 2865 0990

Enquiries on matters relating to the Domestic Shares

If the Shareholders have any enquiries on matters relating to the Domestic Shares held by them, such as share transfer, change of address, reporting for loss of share certificates and dividend warrants, etc., please send the enquiries in writing to the following address:

Office of the Board of Directors of Jilin Jiutai Rural Commercial Bank Corporation Limited

No. 2559 Wei Shan Road, High-tech Zone

Changchun City, Jilin Province, the PRC

Telephone: +86 (431) 8925 0628

Facsimile: +86 (431) 8925 0628

XII. Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and internal controls to provide timely, accurate and fair information for the investors. During the Reporting Period and up to the Latest Practicable Date, no insider dealing was identified.

In accordance with the requirements of the "Measures for the Information Disclosure of Commercial Banks" and the "Notice on Standardizing the Contents of Annual Reports of Joint Stock Commercial Banks", the Bank continuously improves the timeliness, accuracy and completeness of information disclosure.

The Bank has also formulated the Measures for Information Disclosure, which provide for the basic principles of information disclosure, including the principles of disclosure of the Bank's prospectus, offering circulars, listing documents, regular reports and interim reports. The Board of Directors is primarily responsible for the information disclosure of the Bank and the chairman is the primary person-in-charge of the information disclosure of the Bank.

XIII. Procedures and Regulatory Measures related to Inside Information

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality, maintain fairness with regard to information disclosure and protect the legitimate interest of investors, the Bank has formulated the Measures for Information Disclosure and the Measures for Registration of Insiders and Management of Confidential Information pursuant to applicable laws, regulations, the Hong Kong Listing Rules and other regulatory requirements.

The Bank's Measures for Information Disclosure and the Measures for Registration of Insiders and Management of Confidential Information provide for the scope of inside information and the definition of insiders possessing inside information, detailed requirements on the management of insiders and inside information, confidentiality of such information and sanction measures for divulgence of inside information.

XIV. Amendment to the Articles of Association

The Bank amended the relevant articles of the Articles of Association in relation to its registered capital and share structure to reflect such changes to be made following 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 approved by the CBIRC Jilin Bureau on July 26, 2021 and became effective from the same date. For details of the amendments, investors may refer to the circular of the Bank dated May 7, 2021 posted on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

XV. Rights of Shareholders

(I) Convening of extraordinary general meeting at the request of Shareholders

The Shareholders of the Bank who individually or jointly hold more than 10% of the total voting Shares of the Bank (the "Relevant Shareholders") may request the Board of Directors in writing to convene an extraordinary general meeting (the shareholding percentage shall be calculated based on the shareholding of the Relevant Shareholders on the date when such written request is made). The Board of Directors shall hold an extraordinary general meeting within two months from the date when the Relevant Shareholders make such request.

Where the Relevant Shareholders propose to the Board to convene an extraordinary general meeting, the topic to be considered at the meeting and the proposals with complete contents shall be submitted to the Board in writing. The Relevant Shareholders shall ensure the proposals are in compliance with the provisions of laws, rules and regulations, and the Articles of Association.

For the purpose of any proposal submitted in writing by the Relevant Shareholders to convene a general meeting, the Board shall decide whether to convene such meeting in accordance with laws, rules and regulations, and the Articles of Association. The decision of the Board shall be given to the Relevant Shareholders within 15 days upon receipt of such written proposal.

Where the Board agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given and the consent of the Relevant Shareholders shall be obtained in respect of any changes to the original proposals stated in such notice. After the notice is given, the Board shall neither propose any new proposals nor change or postpone the time for convening the general meeting without the consent of the Relevant Shareholders.

Where the Board does not agree to convene an extraordinary general meeting or does not respond within 15 days upon receipt of the request, the Relevant Shareholders shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting and make such proposal in writing to the Board of Supervisors. Where the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days upon receipt of such request and the consent of the Relevant Shareholders shall be obtained in respect of any changes to the original proposal stated in such notice.

Where the Board of Supervisors does not give a notice of the general meeting, the Board of Supervisors shall be deemed not to agree to convene and preside over the general meeting. The Shareholders holding more than 10% of the Shares for consecutive 90 days individually or in aggregate may convene and preside over a general meeting.

Where the Shareholders convene and preside over a general meeting due to the failure on the part of the Board to hold such meeting as required, any reasonable expenses incurred shall be borne by the Bank and deducted from any amount due from the Bank to the Directors in default.

(II) Proposing resolutions at Shareholders' general meetings

When the Bank convenes a general meeting, the Board, the Board of Supervisors and the Shareholders individually or jointly holding more than 3% of the voting Shares of the Bank are entitled to propose new proposals to the general meeting in writing. The Bank shall include in the agenda of the meeting any matters in the proposals that fall within the scope of powers of the general meeting.

The Shareholders who individually or jointly hold more than 3% of the total voting Shares of the Bank may nominate candidates for Directors and Supervisors to the Board of Directors and the Board of Supervisors, respectively, but the number of candidates must be in compliance with the provisions of the Articles of Association and shall not be more than the number of Directors and Supervisors to be elected and appointed.

The Shareholders who individually or jointly hold more than 1% of the total voting Shares of the Bank may nominate candidates for independent non-executive Directors to the Board of Directors and such independent non-executive Directors shall be elected at the general meeting.

A Shareholder who has nominated a candidate for Director shall not nominate any candidate for independent non-executive Director and the same Shareholder can only nominate one candidate for independent non-executive Director. No Shareholder can concurrently nominate a candidate for independent non-executive Director and a candidate for non-employee Supervisor.

The Shareholders who individually or jointly hold more than 1% of the total voting Shares of the Bank may nominate candidates for non-employee Supervisors.

(III) Making inquiries to the Board of Directors

The Shareholders of the Bank are entitled to supervise the business activities of the Bank, and make recommendations or inquiries to the Board of Directors.

(IV) Inspection rights of the Shareholders

The Shareholders are entitled to access to the following information in accordance with applicable laws, regulations, departmental rules, normative documents, the relevant requirements of the securities regulatory authorities of the place where the Bank's Shares are listed and the Articles of Association, including:

1. a copy of the Articles of Association upon the payment of cost;

2. a copy of the following documents after a reasonable fee has been paid:

   a. all parts of the register of members of the Bank;

   b. the personal information of Directors, Supervisors, president and senior management of the Bank;

   c. status of the share capital of the Bank;

   d. reports on the aggregate par value, number, and highest and lowest prices of each class of Shares in relation to any repurchase by the Bank of its own Shares since the last financial year, as well as all the expenses paid by the Bank in relation to such repurchases;

e. minutes of the general meeting;

f. special resolutions of the Bank;

g. the latest audited financial statements and the reports of the Board, auditors and the Board of Supervisors; and

h. any annual report of the Bank that has been submitted to the State Administration for Industry & Commerce of China or other competent authorities for filing.

In accordance with the requirements of Hong Kong Listing Rules, the Bank shall make the documents referred to in items (a), (c), (d), (e), (f), (g) and (h) available for free inspection by the public and Shareholders of H Shares at the address of the Bank in Hong Kong, of which the documents referred to in item (f) shall be available for inspection by Shareholders only.

Copies of minutes of the meetings will be available for inspection by the Shareholders free of charge during the office hours of the Bank. If any Shareholder makes a request to obtain a copy of the relevant minutes from the Bank, the Bank shall send a copy of the requested minutes within seven days upon the receipt of a reasonable fee. The Bank may refuse to provide any documents if such documents or the copies thereof requested involve any business secrets and/or include inside information of the Bank.

Where a Shareholder of the Bank requests to review the relevant information above, such Shareholder shall provide written document to prove that he possesses any Shares of the Bank and the Bank shall make available such information required by the Shareholder after the identity of such Shareholder has been proved.

Chapter 10 Risk Management, Internal Control and Internal Audit

I. Overview

The Group emphasizes prudent business management and believes that effective risk management and internal control are critical to its sustainable business growth:

- The Bank has established a comprehensive risk management system covering its front, middle and back offices and all business procedures to monitor, evaluate and manage the risk exposure of its business activities. The Group has adopted different risk management strategies based on the risk characteristics of different industries. In particular, for sensitive industries such as real estate, the Group has adopted more stringent management measures and optimized its credit structure to lower concentration risks.

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

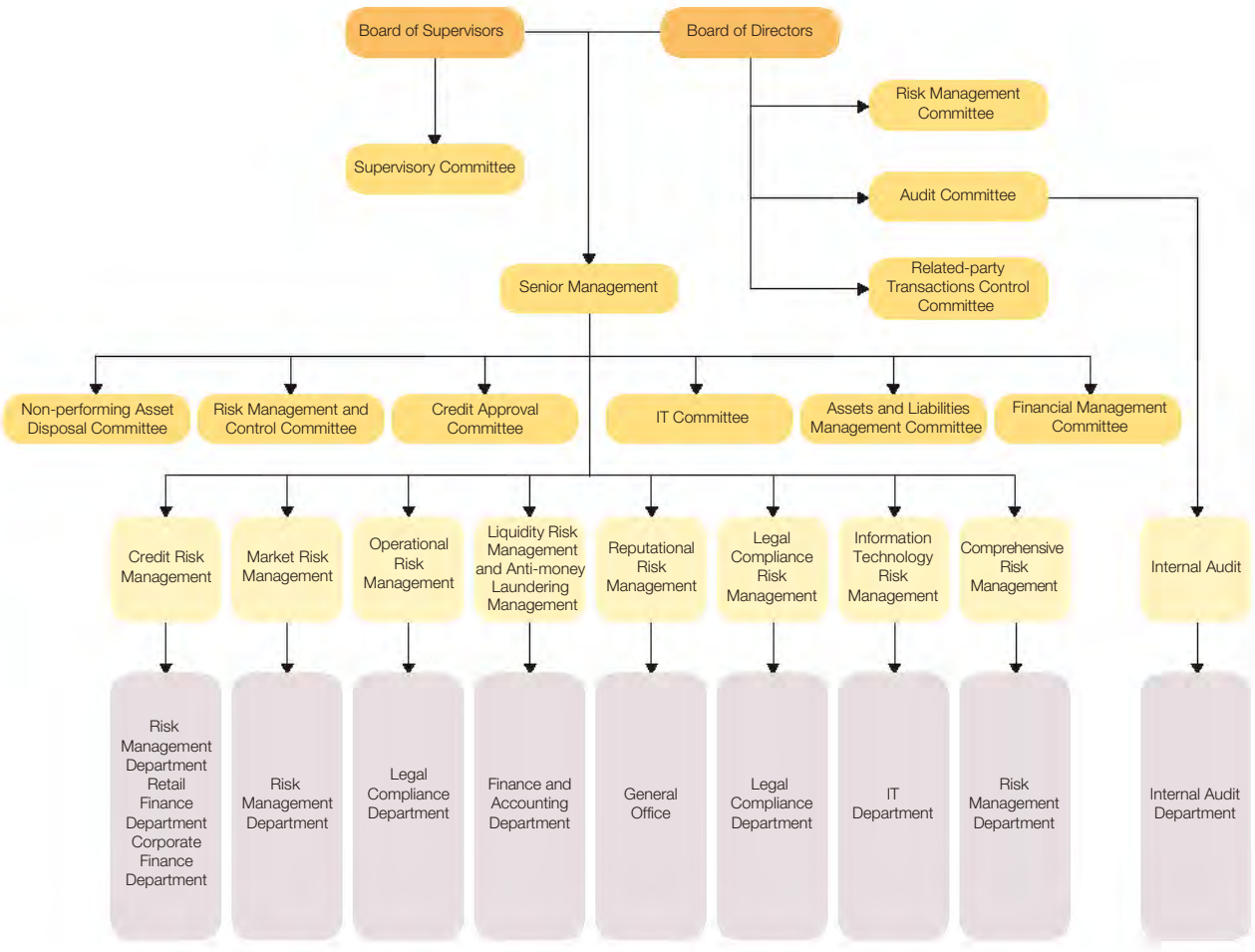
The Bank actively participates in formulating the risk management policies and strategies of the subsidiaries through the nomination of representatives to serve on their respective board of directors. The Bank also assists each subsidiary in formulating and reforming its risk management measures and processes, and supervises and monitors the implementation of the risk management measures and processes by sending or designating risk management personnel to each subsidiary or through the management department of village and township banks.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

II. Risk Management and Internal Control of the Bank

(I) Organisational System

As of the Latest Practicable Date, the organisational structure of the Bank's risk management was as follows:



Chapter 10 Risk Management, Internal Control and Internal Audit

Board of Directors and special committees of the Board of Directors

The Board of Directors is ultimately responsible for risk management and internal control of the Bank. The Board of Directors is responsible for (i) determining the Bank's overall risk appetite and risk tolerance level; (ii) approving risk management strategies, policies and procedures; (iii) requiring senior management to take necessary risk response measures; and (iv) monitoring and assessing the comprehensiveness and effectiveness of the Bank's risk management and internal control. The Bank has also established the Risk Management Committee, Audit Committee and Related-party Transactions Control Committee under the Board of Directors.

Risk Management Committee

The Bank's Risk Management Committee is primarily responsible for (i) controlling, managing, monitoring and evaluating risks and assessing its risk management system and internal control system; (ii) proposing risk management strategies, policies and targets for Board's discussion and approval; (iii) reviewing risk management measures; and (iv) reviewing risk management issues and making recommendations to improve its risk management and internal control.

Audit Committee

The Bank's Audit Committee is primarily responsible for (i) reviewing its accounting policies, financial position, financial reports, and risk and compliance conditions; (ii) proposing the engagement or replacement of external auditing firms; (iii) supervising its internal audit system; (iv) coordinating internal and external audits; and (v) ensuring the truthfulness, accuracy and completeness of its audited financial information.

Related-party Transactions Control Committee

The Bank's Related-party Transactions Control Committee is primarily responsible for (i) identifying related parties and monitoring and reviewing significant connected transactions; (ii) establishing, updating and overseeing the implementation of rules for connected transactions; and (iii) submitting regular reports on connected transactions to the Board of Directors.

Chapter 10 Risk Management, Internal Control and Internal Audit

During the Reporting Period, through the strengthening of bottom line thinking and in pursuit of synchronized improvement in business scale, quality and efficiency, the Bank promoted comprehensive risk management to ensure steady operation. In addition to license management and classified management, the Bank also implemented risk pre-warning and reporting system to constantly regulate its operation and management activities. Furthermore, it strengthened the inspection of key business lines to prevent and mitigate various risk exposures. Employee education and training programs were conducted, which effectively enhanced the competence of staff and their awareness of internal control and compliance. The supervisory functions of the business management departments, legal and compliance department and audit department in internal control were improved, which set up a supervision and inspection system covering all levels of institutions, different products and business procedures.

According to the regulatory requirements, the Board of Directors of the Bank conducts evaluation on the effectiveness of risk management and internal control on an annual basis. During the Reporting Period, the Bank maintained effective and adequate risk management and internal control in all material respects, and the Board of Directors was not aware of any significant or material defects in risk management and internal control.

Board of Supervisors and its Supervisory Committee

The Board of Supervisors monitors the compliance of the Board of Directors and senior management of the Bank with laws, regulations and internal policies related to risk management. It also examines and supervises the financial activities and internal control of the Bank. Additionally, the Board of Supervisors conducts departure audits on executive Directors and senior management.

The Supervisory Committee of the Board of Supervisors draws up supervisory plans for financial activities and conducts related inspections. It also oversees the implementation of the Bank's operating philosophy and development strategies. Additionally, the Supervisory Committee monitors and inspects the Bank's operational decisions, risk management and internal control while performing other duties as authorized by the Board of Supervisors.

Senior management and its special committees

Senior management implements risk management policies, strategies, plans and any policies determined by the Board of Directors and coordinates risk management activities. With the assistance of other senior management personnel, the Bank's president is ultimately responsible for risk management at the senior management level and reports directly to the Board of Directors.

Chapter 10 Risk Management, Internal Control and Internal Audit

The Bank has established six special committees with risk management functions, namely the Risk Management and Control Committee, Credit Approval Committee, IT Committee, Assets and Liabilities Management Committee, Financial Management Committee and Non-performing Asset Disposal Committee. These committees work together to organize, coordinate and review measures for risk management and their implementation.

Risk Management and Control Committee

The Bank's Risk Management and Control Committee is primarily responsible for (i) monitoring the daily risk management and internal control activities of the Bank; (ii) regularly assessing overall risk status of the Bank; and (iii) making recommendations for the improvement of risk management and internal control.

Credit Approval Committee

The Bank's Credit Approval Committee is mainly responsible for (i) reviewing and approving extension of credits; (ii) providing market knowledge for authorized approval officers; and (iii) ensuring the appropriate check and balance of approval rights exercised by authorized approval officers. The Credit Approval Committee reviews any credit business that exceeds the approval authority of vice presidents.

IT Committee

The Bank's IT Committee is responsible for (i) reviewing the IT development plans of the Bank; (ii) reviewing and coordinating work plans for IT development; (iii) evaluating information technology management standards, data standards and information management specifications; (iv) reviewing approvals and system requirements for bank-wide informatization development projects; (v) coordinating the development, testing and maintenance of IT systems; and (vi) reviewing the development plans and policies for information safety management system.

Assets and Liabilities Management Committee

The Bank's Assets and Liabilities Management Committee is primarily responsible for (i) centralized management of the size, structure and proportion of the Bank's asset and liability businesses; (ii) making appropriate adjustments to risk asset management plans in accordance with the Bank's business development strategies; and (iii) evaluating the Bank's internal and external pricing policies and strategies, pricing management mechanism and liquidity management system.

Financial Management Committee

The Bank's Financial Management Committee is responsible for (i) monitoring the implementation of the national policies and regulations; (ii) overseeing the accuracy, timeliness, truthfulness and completeness of financial information; (iii) evaluating the Bank's financial condition and operating performance; (iv) reviewing the financial inspections of the Bank by external institutions and preparing appropriate remediation plans; and (v) reviewing fixed asset purchases, construction and leasing as well as the feasibility of other bulk purchase plans.

Non-performing Asset Disposal Committee

The Bank's Non-performing Asset Disposal Committee is mainly responsible for: (i) assessing the compliance and feasibility of non-performing asset disposal proposal; (ii) conducting examining and risk assessment on the authenticity and necessity of disposal of non-performing asset; and (iii) being the Bank's approving and decision making authority of non-performing asset disposal.

Risk Management Department

A number of the Bank's business departments, such as the Risk Management Department, the Legal Compliance Department, the Corporate Finance Department and the Retail Finance Department, are also involved in the Bank's daily risk management.

(II) Risk Management System

1. Authorization management system

The Bank has established the Measures for Authorization Management to grant the annual basic authorization for the operation, finance, human resources and other affairs of the general and ordinary business within its statutory scope of business. The Bank may also grant a temporary special authorization for any businesses that exceed the scope of basic authorization, special financing business and new businesses. While the Bank's headquarters grants an authorization directly to specific personnel, such authorized personnel may delegate authority to other personnel within their scope of authority after proper approvals or reporting have been made.

The Bank grants and properly adjusts authorizations to different authorized personnel in accordance with their operational management performance, management role and employment status. The businesses and other affairs that are beyond the scope of authorization of the relevant personnel shall be reported to and obtained approval from the higher level pursuant to the Measures for Authorization Management.

2. Credit management system

The credit management system of the Bank has the following features:

- ***Credit management for all credit customers:*** in accordance with the CBIRC's requirements, the Bank determines the credit limit for each customer primarily based on factors such as (a) the operational and financial condition and repayment history of borrowers, (b) the intended purpose of loans, and (c) the collateral or guarantees for loans.

- ***Strengthening uniform credit management for group customers:*** in order to identify and control concentration risks arising from group customers, the Bank does not extend credit to any group customer in excess of 15% of its regulatory capital. The Bank uniformly determines the overall credit limits for group customers to prevent parallel credit extension from multiple branches.

- ***Separate systems for credit examination and approval:*** the investigation, assessment and decision of the Bank's credit business are carried out by different departments and personnel.

- ***Strengthening the management of credit business procedures:*** the Bank has formulated specific administrative measures for each stage of credit extension.

- ***Strengthening the management of the acceptance business:*** the Bank has formulated specific administrative measures for its acceptance bill business, discounted bill business and other bill businesses to ensure that its acceptance business complies with applicable laws and regulations and to prevent the use of false trading information or the use of loan proceeds for security deposits.

- ***Strengthening the management of loan classifications:*** the Bank has established refined loan classification measures based on the loan risk classifications formulated by the CBIRC to precisely evaluate its credit risks.

- ***Strengthening the management of corporate customers:*** the Bank has formulated a sophisticated management system for credit ratings of corporate customers to evaluate credit risks for each type of corporate customers.

- ***Strengthening the risk awareness of employees:*** the Bank has formulated stringent punishment measures targeted on the non-compliance with regulations and disciplines by working staff, as well as the punishment measures for the issues identified in its internal audits to increase the initiative of all employees to strictly implement the policies and rules relevant to risk management.

(III) Management of Different Types of Risks

The Bank has paid close attention to the development trend and directional changes of various risks and continued to improve its comprehensive risk management system, which effectively enhances its risk management ability.

For details of the management of various risks including credit, market, operating, liquidity, reputational, legal and compliance, and information technology risks, and anti-money laundering management, please refer to the section headed "Management Discussion and Analysis — 4.5 Risk Management — (a) Risk Management of the Bank" of this annual report.

III. Risk Management and Internal Control of Subsidiaries

As a separate legal entity, each subsidiary of the Bank has established risk management and internal control systems, in accordance with applicable regulatory requirements. The Bank participates in formulating the risk management policies and strategies of each subsidiary through the Bank's Board representatives. The Bank supervises and monitors the implementation of the risk management processes of its subsidiaries by sending or designating risk management personnel and through the management department of the Bank's village and township banks.

(I) Organisational System

Each subsidiary has established a multi-layer risk management organisational system that primarily consists of (1) the Board of Directors that is ultimately responsible for risk management, (2) various special committees under the Board of Directors, which are responsible for proposing risk management strategies, policies and targets and reviewing accounting policies, financial reports and risk and compliance conditions, (3) the Board of Supervisors, which is primarily responsible for monitoring the compliance by the Board of Directors and senior management with risk management laws, regulations and internal policies, and (4) senior management and various special committees, which are responsible for implementing the risk management policies, strategies, plans and any policies determined by the Board of Directors and coordinating risk management activities.

(II) Management of Different Types of Risks

For details of the management of various risks including credit, market and operating risks of each subsidiary, please refer to the section headed "Management Discussion and Analysis — 4.5 Risk Management — (b) Risk Management of the Subsidiaries" of this annual report.

IV. Internal Audit

(I) Internal Audit of the Bank

For details regarding the internal audit of the Bank, please refer to the section headed "Management Discussion and Analysis — 4.5 Risk Management — (a) Risk Management of the Bank — (ix) Internal audit" of this annual report.

(II) Internal Audit of Subsidiaries

Each subsidiary has designated auditors who perform the functions of audit, supervision, assessment and consultation independently.

V. Regulation of the Bank's Inside Information

The Bank attaches great importance to information disclosure and inside information management. In order to strengthen the inside information and confidentiality work, safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors, the Bank has formulated the Measures for Information Disclosure (《信息披露制度》) and the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank's Inside Information (《內幕信息知情人登記管理及保密制度》) in accordance with the PRC Company Law, the PRC Securities Law, the Hong Kong Listing Rules, and other applicable laws, regulations and normative documents. The following aspects are clearly provided for in the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank's Inside Information, including the coverage of the information that involves the Bank's operation and finance, or that may have significant impact on the market prices of the Bank's Shares and that has not been publicly disclosed on the information disclosure media designated by securities regulatory authorities, and the scope of insiders. In addition, the Bank has specified in detail the management of insiders and confidential information and the penalties for violating the internal measures governing insiders and inside information.

Chapter 10 Risk Management, Internal Control and Internal Audit

In accordance with the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank's Inside Information, the Office of the Board of Directors shall maintain a complete list of the persons that are involved in preparing, circulating, reviewing and disclosing the inside information of the Bank before such information is formally disclosed. The details of registration include the identities of insiders, number of their securities accounts, relationship between the insiders and the Bank, and timing and method of obtaining the inside information. The Office of the Board of Directors shall also conduct regular and ad hoc inspections of the securities transactions between the insiders and the Bank.

The Bank carries out information disclosure strictly according to regulatory requirements. In the Measures for Information Disclosure, the Bank has clearly defined the basic principles of information disclosure and the disclosure rules. In addition, the Bank has specified that the Office of the Board of Directors is responsible for developing and implementing the Measures for Information Disclosure, the Bank's chairman is the first responsible officer responsible for implementing the Bank's information disclosure system, the secretary to the Board of Directors is the designated contact person between the Bank and the CBIRC or its agencies, and the company secretary is responsible for submitting the required documents to the Hong Kong Stock Exchange. The Board of Supervisors is responsible for supervising the Bank's information disclosure and reporting to the general meeting of the Bank and the competent regulatory authorities about irregularities related to information disclosure involving the Bank's Directors, president or senior management.

Chapter 11 Environmental, Social and Governance Report

1. About this Report

This Environmental, Social and Governance Report (the "ESG Report" or this "Report") of Jilin Jiutai Rural Commercial Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group" or "we") summarizes the efforts in fulfilling our social responsibilities as well as the environmental and social performance (please refer to Appendix I: Sustainability Data Statements) in pursuit of sustainable development and operation.

Scope of Reporting

This Report elaborates the environmental and social performance of the core business of the Group from January 1, 2021 to December 31, 2021 (the "Year" or the "Reporting Period"). Key performance indicators have been consolidated in this Report in order to quantify the performance of the Group and reflect various aspects of its business development to stakeholders. Unless otherwise specified, this Report covers the businesses directly controlled by the Group, while the key environmental performance indicators include the Bank and its 35 subsidiaries.

Reporting Guidance

This Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited, the covering scope of which is in compliance with the "comply or explain" provisions and four reporting principles of "materiality, quantitative, balance and consistency" under the Guide. Readers can refer to the last section of this Report, ESG Reporting Guide Index, for quick reference. For details of corporate governance, please refer to the section headed "Corporate Governance Report" of this annual report of the Bank, which should be read in conjunction with this ESG Report in order to have a thorough understanding of the environmental, social and governance ("ESG") practices of the Group.

Materiality: This Report has identified and disclosed the process and criteria for material ESG issues, and the process and results of engagement of substantial stakeholders and stakeholders.

Quantitative: This Report has disclosed the statistical standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors for the reporting of key performance indicators.

Balance: The content of this Report reflects objective information, and discloses both positive and negative indicators.

Consistency: The statistical methodologies used for data disclosure in this Report are consistent with previous years. Any changes to the methods or key performance indicators, or any other relevant factors affecting a meaningful comparison will be clarified in the this Report.

Reporting Language

This Report is published in both Traditional Chinese and English. In the event of any discrepancy between the two versions, the Traditional Chinese version shall prevail.

Report Approval

Upon confirmation by the management, this Report was considered and approved by the Board of Directors on March 30, 2022.

Feedbacks

Your opinions on this Report are highly valued by the Group for continuous improvement of the disclosure in future reports. If you have any inquiry or suggestion, please email to the following address: jtnsyh@126.com.

2. Sustainable Development Management

2.1 Statement of the Board of Directors

The Group firmly believes that enterprises play a significant role in social development. We regard ESG management as part of the Group's responsibility and strive to take into account ESG in our decision-making process, in an effort to balance business development and corporate social responsibility. The Board of Directors is ultimately responsible for the Group's ESG matters. We have established an ESG governance structure, under which the ESG Task Force is set up to take full charge of the review of ESG strategies, material issues, risk management and performance. The progress in achieving environmental goals is also regularly reviewed to ensure quality and sustainable development.

2.2 Sustainable Development Strategies

The Group has stepped up its efforts to implement its existing development plans and actively assumed its responsibility for social and economic development as part of its commitment to promote social green development and prosperity of the community. Through adopting inclusive finance and carrying out the rural revitalization strategy, we have also contributed to the innovative, coordinated, green, open and shared development of the community.

We have formulated the Sustainable Development Policy to clearly implement the objectives and management policy of sustainable development. The policy covers five major areas, including environmental protection, operation management, employee interests, community investment and stakeholder engagement, which helps to promote the engagement of our business and stakeholders in sustainable development.

2.3 Environmental, Social and Governance Task Force

Based on the ESG practices of the Group, we have set up a comprehensive ESG governance structure. Under the leadership of the Board of Directors, we have established the Environmental, Social and Governance Task Force ("ESG Task Force") to carry out ESG work and integrate sustainable development into our daily operation.

We have adopted a top-down management approach to promote and implement various ESG policies. With the Board of Directors and senior management serving as the decision-makers, the ESG Task Force serves as the organizers while the relevant departments and branches of the Bank serve as the administrators. Under the authorization of the Board of Directors, the ESG Task Force comprises the Office of the Board of Directors and heads of relevant departments to effectively perform its functions.

ESG governance structure levels	Major duties
Decision-makers (Board of Directors and senior management)	• to evaluate and identify the Bank's ESG-related risks and opportunities, and determine the Bank's ESG management policies, strategies, plans and objectives; • to establish and supervise the ESG risk management and internal control system; • to regularly review and supervise the ESG performance and target achievement progress; • to review and approve the content of annual ESG reports; and • to delegate authority to the senior management and the ESG Task Force

ESG governance structure levels	Major duties
Organizers (ESG Task Force)	• to report ESG-related matters and progress to the Board of Directors and senior management in a timely manner; • to coordinate and promote the implementation of various ESG policies by all departments and branches, and monitor the ESG-related works of all departments and branches; • to carry out data collection of ESG-related performance indicators, collection of outstanding cases and other work; and • to collect, understand and respond to the opinions of stakeholders on major ESG issues through appropriate channels
Administrators (relevant departments and branches of the Bank)	• to promote and implement various ESG-related works in accordance with the Bank's ESG annual work and target requirements; • to collect and report ESG-related management initiatives and performance indicator data; and • to report the work progress to the ESG Task Force in a timely manner

2.4 Communication with Stakeholders

We have identified stakeholders from different sectors, including shareholders/investors, employees, customers, business partners, media, community/non-governmental organizations, government, regulatory authorities, suppliers, peers of the financial industry and the general public, and listen to and understand their areas of concern in an active and open-minded manner, in order to determine the appropriate scope of the ESG Report. We have also continuously communicated and

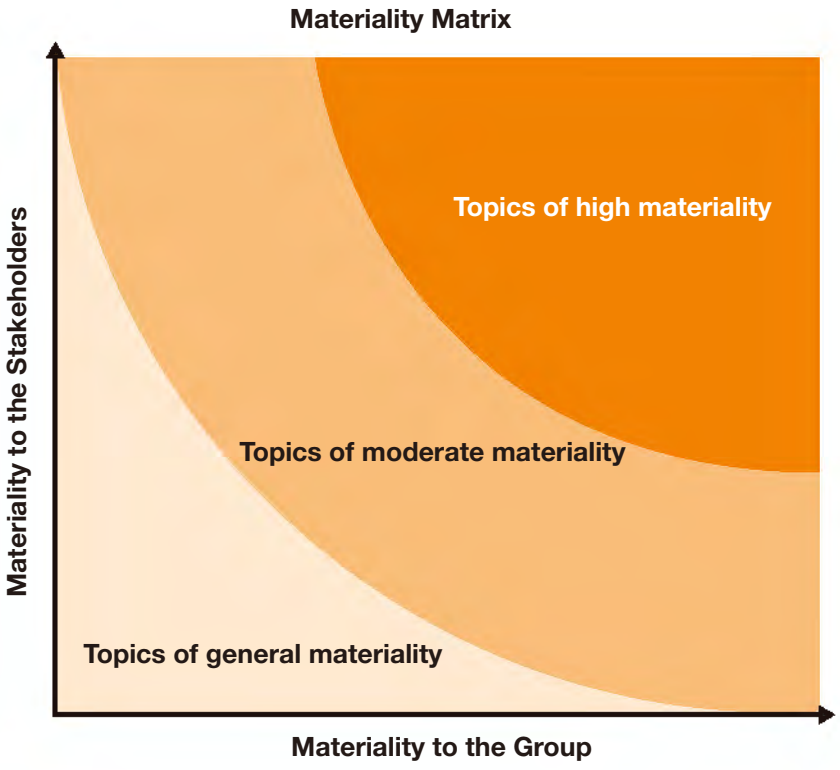
interacted with internal and external stakeholders to understand their opinions and expectations on the Group, and to build long-term mutual trust. The following sets forth the major communication methods of the Group with substantial stakeholders:

Major stakeholders	Major engagement methods
Shareholders/investors	• Annual general meetings and other shareholders' general meetings • Interim reports and annual reports • Corporate communications such as letters/circulars to shareholders and notices of meeting • Results announcement • Shareholders' visits
Employees	• Surveys on employees' opinions • Feedback forms and suggestion boxes for employees • Work performance appraisal • Group discussion • Conferences and face-to-face discussion • Business presentation • Volunteering activities • Employees newsletters • Employee communication meetings • Employee intranet
Customers	• Customer satisfaction surveys and feedback forms • Customer consultation groups • Customer service centers • Customer visits • Daily operation/interaction • Internet service platforms • Telephone and mailbox

Major stakeholders	Major engagement methods
Business partners	• Cooperation projects • Visits • Seminars
Media	• Press release • Senior management interviews • Results announcements
Community/ non-governmental organizations	• Community and volunteering activities • Donations • Community investment schemes
Government	• Policy documents and guidance • Working conferences • Reports • Seminars
Regulatory authorities	• Conferences • Written response to public consultation • Compliance reports • Regulatory policies
Suppliers	• Supplier management procedures • Supplier/contractor assessment systems • Conferences • On-site inspection
Peers of the financial industry	• Strategic cooperation projects

2.5 Materiality Evaluation

To further determine the key areas of ESG practices and disclosure of the Group, we have focused on making references to the disclosure obligations under the Guidelines issued by the Stock Exchange and materiality database of relevant industries of Sustainability Accounting Standards Board (SASB), and performed interbank benchmarking to consider common and material topics of the banking industry. We have also compared the prevalence of such topics in the banking industry and the Group's operation and ultimately summarized 23 material topics applicable to the business of the Group, including 10 topics of high materiality, 11 topics of moderate materiality and 2 topics of gerenal materiality. This Report will focus on elaborating on the following topics to reflect our ESG contribution.



Topics of high materiality	Topics of moderate materiality	Topics of gerenal materiality
• Compliance operation • Risk management enhancement • Customer privacy protection and information safety • Customer satisfaction and complaint handling • Service/product quality management • Employee training and development • Advocating green operation • Innovative financial products • Serving the real economy • Green finance	• Anti-corruption • Corporate governance • Labor rights • Employee health and safety • Responsible marketing and promotion • Public welfare and charity • Dealing with climate change • Promoting financial technology application • Universal financial knowledge • Inclusive finance • Facilitating strategic cooperation	• Sustainable supply chain management • Targeted poverty alleviation

3. Strengthening Compliance Operation

Compliance operation is the cornerstone of the Group's steady development. In strict compliance with relevant laws and regulations such as the Commercial Banking Law, and relevant policies, we have regulated various business management activities. According to relevant regulatory requirements, we have also taken our primary responsibility to establish a compliance management organizational system through coordination and joint management of the Board of Directors, Board of Supervisors, senior management and all departments. The Bank has proactively promoted and performed compliance obligation in its daily operation. It has established a regular supervision and inspection mechanism and formulated the Compliance Inspection Policy (《合規檢查制度》) to inspect the compliance of major aspects, levels, procedures and key areas of operation and management of various departments and branches, so as to ensure that its operating activities comply with laws, regulations, regulatory requirements and internal procedures.

3.1 Prevent Operational Risks

The Group has implemented a robust risk management mechanism. During the Reporting Period, we revised the Provisional Guidelines for Comprehensive Risk Management (《全面風險管理暫行辦法》) to improve risk management, and prevent, control, mitigate and handle risks that have occurred or may occur as well as ESG risks. The Board of Directors has established the Risk Management Committee, Strategy and Development Committee, Audit Committee, Related-party Transactions Control Committee and other committees to provide strategic guidance and development and operation plans for the Bank's business, in order to strengthen risk prevention and control. We have formulated a clear authorized operation management and multi-level risk responsibility mechanism. The responsible persons of the first-level risk management units shall be the chairman and president of the Bank, who are responsible for the risk management of the Bank, while the management of the head office shall be responsible for risks of their respective departments. Each department or branch is subdivided into second-level risk management units according to the organizational structure. The head of each risk management unit shall be the person-in-charge responsible for the risk management of the respective department. We require each department or branch to evaluate the risks encountered in each operating procedure, classify each risk, and formulate operational procedures for risk management. These initiatives ensure that all relevant persons of each procedure are held accountable for risk management, and an operation mechanism is in place for the coordination and effective checks and balances among departments.

We have established a mechanism of three defensive lines to monitor, reduce and eliminate identified risks through solid defensive lines. All business departments and branches are the first defensive line of the Bank, responsible for daily risk management of departments and organizations, including establishing comprehensive risk management awareness, clarifying employees' responsibilities in risk management, identifying various business risks of departments and organizations, implementing various risk prevention and control measures, and promoting the Bank's risk management philosophy. The Risk Management Department, Legal and Compliance Department and other relevant departments are the second defensive line for our comprehensive risk management. These departments are responsible for coordinating and supervising the overall risk management of the Bank, leading the daily management of risks and reporting issues related to risk management to the senior management for consideration. The audit department is our third defensive line. As an independent department managing and supervising risks, the Audit Department reports directly to the Audit Committee and the Board based on the principles of independence and objectivity, and is primarily responsible for formulating internal audit procedures, assessing risk exposures and management and implementing audit work plans for the Year.

The Group regards anti-money laundering and anti-terrorism financing management as one of the essential components for its comprehensive risk management system. Our employees are required to strictly abide by the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), Provisions on Anti-money Laundering of Financial Institutions (《金融機構反洗錢規定》), Guidelines for the Risk Management of Money Laundering and Terrorist Financing of Corporate Financial Institutions (《法人金融機構洗錢和恐怖融資風險管理指引》) and Administrative Measures for Reporting of High-value Transactions and Suspicious Transactions of Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》) and other relevant laws and regulations as well as various requirements of the Bank on anti-money laundering. The anti-money laundering steering group has been established and the Anti-money Laundering Management Measures (《反洗錢管理辦法》) has been in place to ensure the consistent implementation of anti-money laundering management decisions made by the regulatory authorities and the Bank. The Group has adopted a prevention-focused approach and continues to optimize its internal control system to prevent any case of money laundering, corruption and fraud. The Group has also formulated administrative measures on customer identification, customer risk rating, maintaining customer identity information and transaction history, money laundering risk assessment, reporting of high-value transactions and suspicious transactions and other aspects of anti-money laundering.

3.2 Creating Culture of Integrity

The Group attaches great importance to the business ethics of all employees and strictly abides by the Commercial Banking Law (《商業銀行法》), Guidelines on Compliance Risk Management of Commercial Banks (《商業銀行合規風險管理指引》) and other laws of the PRC applicable to banking business activities.

Understanding that the creation of culture of integrity is a task demanding long-term and continuous efforts, we comprehensively reviewed our policies and established a sound system in the year. We formulated the Work Plan for Assessing and Inspecting Corruption Risk Exposures (《廉政風險點梳理排查工作方案》) and put great efforts in inspecting corruption risk exposures with the focus on the potential corruption risk exposures arising from the performance of duties of all positions such as transaction management, human resource and property management, financial credit approval, material procurement, bidding and other aspects. We have clearly defined the duties and powers of all positions to determine the number of key positions that may have control on the operation of the Bank. For identified corruption risk exposures, we have formulated corresponding initiatives and reviewed existing policies and measures, so as to regulate the exercise of power, strengthen supervision and create the culture of integrity through stringent supervision, balance of power and accountability system.

In order to introduce the concept of integrity and compliance and professional ethics to our employees, we strengthened our education and supervision on the management at all levels and formulated the Anti-corruption Education System for Management of All Levels (《各級管理人員廉政談話教育制度》), which enhanced the integrity of our employees. We have adopted the zero-tolerance approach against all unethical business practices such as bribery, extortion and fraud. We have formulated the Employee Compliance Manual (《員工合規手冊》) and the Administrative Measures on the Supervision of Activities of Employees after Eight Hours of Work (《員工八小時以外活動監督管理辦法》) to clearly instill in employees the obligations of being honest and law-abiding. Employees are prohibited from having improper interaction with customers and providing financial services, such as loans, investments, guarantees, financing, settlements, and cash withdrawals, to their relatives, friends and other related persons in violation of regulations.

Moreover, we require cadres and employees of the Group to change any bad habits, and resist extravagant and luxurious ways of celebration. They are also forbidden to accept any gifts or money in the excuse of offering study opportunity for children, and illegally organize "graduation banquets", "teacher appreciation banquets" and other luxurious celebrations. During festivals, we do not allow the acceptance of banquet invitations, high-end consumption, private use of public vehicles, consumption with public funds, misuse of money and materials, or receipt of valuable gifts. These efforts reflect our commitment to create the culture of integrity at the time of festivals. Through open and discreet investigations, special inspections and random inspections, the Discipline Inspection Department conducts special inspections on key procedures and key areas, such as official receptions, use of business vehicles and dinning arrangements, to further deter the employees from committing, attempting and considering corruption.

In order to effectively prevent and control corruption of employees within the scope of business, we have formulated the Anti-corruption Management System (《反舞弊管理制度》) to regulate the guidance and supervision of anti-corruption tasks, prevention and control of corruption, as well as the whistle-blowing, investigation and report of corruption cases. We have also established a comprehensive internal reporting and complaint mechanism and implementation monitoring method for anti-corruption, providing reporting channels for real-name or anonymous whistleblowing through hotline and email. In addition, we have further expanded the supervision platform during the Reporting Period. We have assigned disciplinary supervisors, and announced the whistleblowing hotline and email address to widely collect issue information. We have also adopted methods such as targeted investigation, random inspection and in-depth research to identify problems, and collect opinions and suggestions. If any employee is found to have engaged in any corruption behavior upon investigation, we shall impose corresponding internal economic and administrative disciplinary penalties according

to the rules. For those involving violation of criminal laws, they shall be handed over to the relevant judiciary authorities according to laws. Moreover, we have reinforced our warning against corruption through education initiatives and further consolidated the prevention of corruption through special case study sessions. During the Reporting Period, the Group organized warning case study sessions with the theme of "promoting rectification by case study" to provide anti-corruption training for Directors and all employees. Through explanation and analysis of typical cases, the serious harm of violation of disciplines and laws was detailed.

During the Reporting Period, we had not discovered any lawsuit against the Group or its employees or any case of corruption, bribery, extortion, fraud and money laundering.

3.3 Information Safety Management

We regard business and customer information as important confidential information. In order to regulate the customer information processing rules and procedures for our employees and to protect the privacy of personal information of customers, we have formulated the Management Measures of Data Governance Platform (《數據治理平台管理辦法》), the Management Measures of Keys (《密鑰管理辦法》) and the Employee Handbook (《員工手冊》) according to the Law on Commercial Banks (《商業銀行法》), the Guidelines on IT Risk Management of Commercial Banks (《商業銀行信息科技風險管理指引》) and relevant laws and regulations.

In order to implement our leakage prevention measures for customer information, relevant employees are required to sign the Undertaking of Key Personal Financial Information Confidentiality (《重要崗位個人金融信息保密承諾書》), which stipulates that our employees shall strictly follow the confidentiality commitment during, or after termination of, their employment, duly maintain the filing of customer information and transaction information files, and ensure compliance with laws and regulations in relation to customers' personal privacy during business operation. In an effort to minimize the risk of customer information leakage, we have classified accessibility of customer information by different user groups, including: terminal users, system developers, system testers, computer operators, system administrators and user administrators. Meanwhile, we have adopted effective measures for the collection, use and storage of personal financial information, including signing confidentiality agreement with customers and establishing an information technology complaint mechanism to safeguard the disclosure and usage of customer information.

Information technology risk was identified as one of the Group's operational risks to further improve our information safety. Based on our prevention-focused approach and the laws and regulations such as the Regulations on the Security and Protection of Computer Information Systems(《計算機系統安全保護條例》), we have also formulated various measures, including the Computer Management Procedure for Operating Entity (《營業機構計算機工作管理制度》), the Management Procedure for Computer Virus Prevention and Removal (《計算機病毒防治管理辦法》), the Management Procedure for Information Safety (《信息安全管理辦法》), the Management Regulations for Data Backup (《數據備份管理規定》), the Implementation Rules for Internet Operation and Maintenance (《網絡運行維護管理實施細則》). These measures cover network safety management, computer safety and confidentiality management, computer virus prevention management, third party access and outsourced service safety management, information reporting and disaster backup, safety monitoring, inspection, assessment and audit, which further regulate our information safety. We have also adopted cautious approach for confidential information input and output to prevent information from being leaked, stolen or tampered.

With an aim to minimize our risks, we have formulated the Emergency Plan for Incidents of Important Information Systems (《重要信息系統突發事件應急預案》) according to the Rules for the Emergency Management for Incidents of Important Information Systems of the Banking Industry (《銀行業重要信息系統突發事件應急管理規範》) and the relevant regulations, which set out the classification and handling procedures for incidents that have affected or may affect the important information systems. In order to improve our emergency handling capability, we organize annual emergency drills for important information systems, with specific date and time, content, reasons, purposes, persons in charge and relevant cooperating organizations for the drills. In addition, we maintain backups of our systems regularly, and the relevant backup files will be handled by designated personnel and stored offsite, which ensure our business continuity and data completeness.

During the Reporting Period, the Group did not receive any complaint or litigation in relation to data protection.

4. Protecting Customer Rights

The Group upholds its accountability to customers and strictly complies with the relevant requirements of China and the regulations and operation guidelines formulated by the Bank. The Group sees consumer right protection as the core element of each business segment and is committed to the protection of customers' legal rights so as to safeguard the reputation of the Bank.

4.1 Refining Management Mechanism

We have established the Consumer Rights Protection Committee under the Board and determined the policies and objectives for protection of the rights of financial customers. We have also established the Consumer Rights Protection Department, which formulated the Administrative Measures for the Protection of Consumer Rights (《消費者權益保護管理辦法》) and is responsible for the daily work of consumer rights protection, including amending and approving the pricing proposals of products and services and revising screening and relevant systems and contracts. We have established a sound after-sales feedback and evaluation mechanism for our products and services, under which we are able to obtain comments and suggestions on our products, services and selling process from the customers. We continuously refine our products and services according to the regulatory department requirements and market changes, so as to optimize our product and service quality.

The primary principle of our service is employee compliance. We organize regular training for our employee on regulations of financial products and sales to explain regulatory requirements and industry rules. We adopt the "two-party consent recording" approach to record the process in which customers' inquiries are handled in order to keep the customers informed. We also provide information to customers on an honest and accurate basis to ensure our employee will not hide any risks, make any false or misleading representations, provide any undertaking or guarantee in violation of the laws and relevant rules and regulations stipulated by the competent authorities of the place where our business is operated, overstate our profit or enter into a forced transaction.

We also stringently manage the promotion of financial products and services in strict compliance with the laws and regulations in relation to the advertisement and label of products and services, including the Advertising Law (《廣告法》) and the Regulations of Advertisement Management (《廣告管理條例》). We have also formulated the Categorized Review System for Publication of Information (《信息發佈分級審核機制》) to regulate the information disclosure and external promotion materials at different levels. We make references to authentic and accurate data and information and strictly prohibit our employee from conducting marketing campaign and promotion of our products or services in a fraudulent or misleading manner or to take the initiative to provide products and services that are not consistent with the risk tolerance level of consumers. To this end, we objectively assess the risk tolerance of customers and allow our customers to understand the laws, policies and market risks involved in the products and services before recommending our products or providing services to them.

During the Reporting Period, the Group did not breach any laws and regulations in relation to the advertisement and label of products and services, privacy and remedies[1].

[1] The business of the Group does not involve any health and safety issues of products and services.

4.2 Improving Service Quality

Improving service quality is an important means to strengthen our market competitiveness. We have adopted various measures to promote transformation and upgrade of outlets and further improve and regulate service quality and standard in an effort to enhance the marketing capability of our outlet business. During the Reporting Period, in response to the sporadic COVID-19 pandemic, the Group scientifically planned and flexibly arranged the number and business hours of branches, and implemented various measures for pandemic prevention and control to ensure the stable operation of our fundamental financial services and facilities. Moreover, we offered convenient online channels to avoid unnecessary travel, which has effectively protected the safety of our employees while ensuring uninterrupted financial services for customers.

To improve the service quality and customer satisfaction of the Group, we further expanded our communication channels to understand customers' needs, including but not limited to hotline, comments books, outlets, mail, referral of regulatory authorities, media and websites. We also established an efficient complaint handling process and a rigorous complaint handling system. We have formulated the Management Measures of Complaints from Consumers (《消費投訴管理辦法》) and designated the Consumer Rights Protection Department as the main department for the management of complaint handling. The department is responsible for managing complaints of customers and consumers of the Group, assessing and evaluating complaint management and organizing training on consumption complaint management, so as to ensure the smooth handling of complaints.

The Customer Service Center has formulated the Management Measures of Customer Service Center (《客戶服務中心業務管理辦法》) and the Regulations on Coordination of the Customer Service Center (《客戶服務中心聯動工作規範》). Complaint of customers are handled carefully and background information of complaints are recorded in detail. The relevant information is passed to respective business management departments and offices in order to solve inquiries and issues of customers as soon as possible. We conduct in-depth analysis on the complaint investigation result to find out the cause of issues and immediately carry out rectification measures and review and examine the effectiveness of such rectification. During the Reporting Period, we received 19 complaints in relation to our products and services and all of them were properly addressed.

4.3 Protecting Intellectual Property

The Group strives to protect intellectual property. We have formulated the Genuine Software Management Measures (《軟件正版化管理辦法》) based on documents including the Notice of Further Promoting Genuine Software of Financial Institutions of the Banking Industry (《關於進一步加強銀行業金融機構軟件正版化工作的通知》) issued by the CBIRC and the Genuine Software Management Guidelines (《正版軟件管理工作指南》) issued by the National Copyright Administration. A leading group on promoting the usage of genuine software has been established to coordinate the promotion of the usage of genuine software and formulate relevant requirements and measures. Genuine software has become part of our daily operation, including purchasing, installing and using software, asset management, audit supervision and inspection. Our employee are strictly prohibited from using pirated software. We conduct regular and comprehensive inspection on the use of software and arrange genuine software related training for our employee. If any issues are identified, the Group will urge relevant department to rectify the problems. In addition, the Group ensures its intellectual property rights are not infringed by closely monitoring any market irregularities to prevent counterfeit trademark and any other infringement behaviors. During the Reporting Period, we were not aware of any illegal issues related to infringement of intellectual property rights.

During the Reporting Period, the Group owned 39 registered patents and 2 new patents.

4.4 Enhancing Supply Chain Management

During the Reporting Period, the Group had 40 major suppliers from Changchun, Beijing, Hangzhou, Hefei, Foshan and Guangzhou. Its procurement includes goods and services such as office furniture and electronic equipment. As the Group considers a sustainable supply chain as an essential part of its sustainable development, it strictly complies with the Law on Tenders and Bids (《招投標法》), the Government Procurement Law (《政府採購法》) and other relevant laws and regulations. It has also formulated the Administrative Measures for Central Procurement (《集中採購管理辦法》) and established a procurement committee to regulate procurements.

Central procurement of the Group adheres to the practice of openness, procedure compliance and collective decision making. Matters that require review are resolved by relevant personnel in meetings and an internal control mechanism is established to separate financial and administrative functions, as well as management and operation functions. We have classified the central procurement of the Bank into “Special Procurement Bidding” and “Shortlisted Procurement Bidding”. All procurement plans shall be formulated according to the project background, budget and method and shall be reviewed and considered before procurement. At least three suppliers fulfilling requirements, such as

the capacity for such projects, good reputation and compliance operation, shall be invited to participate in the procurement process. Suppliers are selected by the assessment panel according to various requirements, such as procurement demand, quality, price, service, impact on the environment and performance of social responsibilities in their operation. In respect of the environment, suppliers shall endeavor to protect the environment and minimize the environmental impact caused by business operation. We also progressively introduce green products to urge suppliers to use environmental-friendly products and services. In respect of society, suppliers are strictly prohibited from hiring forced labor. In respect of governance, any immoral conducts of suppliers are forbidden, including corruption, bribery, extortion, fraud and money laundering. Suppliers shall comply with relevant laws and regulations of the place where the business is operated.

In order to effectively monitor suppliers, the procurement committee duly conducts regular and irregular inspection on procurement and contract performance and make recommendations for improvement. In case of any violation of laws and disciplines, we will urge the suppliers to rectify such misconduct. In the event of any action of the suppliers detrimental to the interest of the Bank, we will cease the procurement immediately and reserve the right to hold the suppliers accountable.

5. Building Talent Teams

Talents play an important role in the sustainable development of the Group and are our most valuable assets. We attach great importance to and respect the legal rights of all employees. As an equal opportunity employer, the Group provides a fair, inclusive, healthy and safe working environment and satisfactory career development for employees in a bid to create a diverse and harmonious work environment that facilitates the mutual development of the Group and its employees. During the Reporting Period, the Group has a total of 6,632 employees, consisting of 3,560 male employees and 3,072 female employees.

5.1 Facilitating the Development of Employees

As the sustainable development of the Group is driven by the career advancement of employees, we encourage professionals from various sectors to thrive. We recruit a wide range of talents and carry out various talent training campaigns. To provide employees with the best development opportunities, training programs for employees in different positions are also organized.

Through various online and offline initiatives, the Group improves the quality and capabilities of its employees in various aspects to meet the demand for talents for high-quality development. The Group established training centers to provide regular specific training programs for employees in different positions, including front-desk managers, backbone employee and management employee. These programs cover various topics, including marketing management of community bank, risk prevention of credit business and professionalism. During the Reporting Period, a total of 5,774 employees received training. In alignment with the prevention of COVID-19 pandemic, we duly adjusted our training methods and fully utilized online lecture to arrange training for all employees. Every employee is required to complete at least 15 credits of the online lecture quarterly. A standardized online examination is conducted at the end of each quarter and the result will be notified. We have also organized various online competitions to motivate the participation of employees and ensure the effectiveness of learning.

We have also continued to optimize our training resources. Various online training programs have been organized for higher level departments, including enhancement of the capabilities of front-desk managers and customer service managers, risk prevention of counter business, and financial and tax business. Online live-streaming programs of AFCA Finance Academy were also launched. All employees can learn from the training according to their needs and take the initiative to enhance their capabilities. Each primary level outlet also enables its employees to understand and apply business knowledge through morning sharing sessions, after-work discussion and mutual support groups. The understanding of the bottom line of daily conduct has further motivated employees to learn relevant knowledge and develop their compliant and disciplined mindset and practice.

We also pay attention to the integration of new employees. We have provided training for all employees regarding civilized service, basic business knowledge, operating procedures of counter business, professional conduct and basic legal knowledge through our education centers. We have also made effort to understand the working progress, guidance condition and learning effectiveness of employees to ensure they can adapt to the new working environment.

5.2 Protecting Employee Interests

In accordance with the laws and regulations of the PRC including the Labour Law of the PRC (《中華人民共和國勞動法》) and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Group formulated the Administrative Measures for Employees (《員工管理辦法》), which specifies the conditions of employment, the legitimate rights and interests of employees and the code of conduct for employees. During the Reporting Period, the Group did not have any violation related to employment, child labor or forced labor, nor did it have any violation related to equal opportunities, diversity and anti-discrimination.

Recruitment and resignation

For talent recruitment and remuneration package, the Group adheres to the principles of fairness, impartiality and openness and attaches great importance to the concept of employee diversity. The Group prohibits any discrimination on the grounds of gender, age, illness, race, ethnicity and other aspects and respects rights of labor. Based on the principles of open recruitment, fair competition and considering candidates on merit, we conduct open recruitment for talents of different fields through various channels such as press media, talent market and graduates from colleges. In order to effectively prevent any child labor and forced labor, the Audit Department strictly reviews the authenticity of the background information of applicants, and collect their identification documents, academic qualifications and other certificates. We have set a working arrangement of eight-hour work day and 40-hour work week on average to reasonably arrange working and resting hours of employees. For certain special professional positions, working hours of employees are counted on an aggregate basis and flexible working arrangement is adopted to prevent forced labor. In case of any violation or non-compliance with labor laws and regulations, the Group will impose internal penalties. During the Reporting Period, we were not aware of any illegal issues related to child labor or forced labor.

The Group respects the decision on resignation of its employees and follows the resignation guidelines and procedures set out in the Employee Handbook when dealing with the dismissal and resignation of employees, so as to ensure that the resignation procedures of all employees comply with relevant laws and regulations and protect the rights and interests of both parties. An employee will be dismissed in accordance with the procedures if he/she is in serious violation of labor discipline.

Remuneration and benefits

In order to enhance the cohesion and loyalty of its professional workforce, the Group offers attractive remuneration and benefits to its employees. The remuneration, benefits, working hours and leaves of all employees strictly comply with the relevant laws and the policies of the Group. Recruitment, promotion, incentives and promotion opportunities are based on individual capability and performance. The Group strictly prohibits discrimination on any grounds to ensure that all employees enjoy equal rights.

In respect of promotion, the Group follows its objective, fair, standardized and transparent performance management policies to assess its employees and promotes outstanding talents. With an aim to fully capitalize on the skills of our employees, we formulated an appraisal system to evaluate the achievement of business objectives and daily management performance of sub-branches and tighten the control over the management team and team members of sub-branches. In addition, we carry out employee appraisal in respect of virtue, capabilities, diligence, performance and integrity for management promotion through democracy evaluation and communicating with employees, so as to select high-quality, dedicated and high caliber management with integrity.

In respect of remuneration and bonus, the remuneration of employees of the Group includes basic salaries and discretionary bonus. We have established an effective remuneration management system and conduct performance appraisals on employees and determine discretionary bonus on an annual basis according to their performance and operation results of the Group.

In respect of leaves, in addition to statutory holidays and public holidays stipulated by the government, the Group offers its employees with personal leave, sick leave, marriage leave, bereavement leave, maternity leave and parental leave. In order to take care of female employees, we also provide daily breastfeeding time to female employees with infants under one year old, showing our care for working mothers.

In respect of benefits, all full-time employees are entitled to employee welfare and benefits including pension insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance, housing provident fund and enterprise annuity. In addition, we have formulated the Administrative Measures on Additional Medical Insurance (《補充醫療保險管理辦法》) to provide additional medical insurance and improve medical protection of existing employees and retired employees.

5.3 Caring for the Health of Employees

The health and safety management of employees is an important part of the Group's daily operation. We are committed to providing employees with a safe and comfortable working environment. The Group strictly complies with relevant laws and regulations related to work health and safety as stipulated in the Law of the PRC on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and Regulation of Insurance for Labour Injury (《工傷保險條例》). We attach great importance to the health status of our employees. As such, the Group has formulated the Provisional Administrative Measures for Medical Examination of Employees (《員工健康體檢管理暫行辦法》). We provide free annual medical check-ups with health check reports to employees in order to let our employees understand their health condition. With an aim to reduce the health risks of employees, we also organize health and safety knowledge talks from time to time to raise the health knowledge and health awareness of employees, and enhance disease prevention.

In addition, protecting the occupational safety of employees is our responsibility and mission. Therefore, in order to provide a safe working environment and comply with relevant national regulations, we conduct regular work inspection on the working environment to eliminate potential accidents. We also constantly improve employees' awareness of occupational safety through regular occupational safety and health training to promote the culture of safety.

During the Reporting Period, the Group did not receive any complaints or lawsuits regarding violations of laws relating to health and safety, and there was no work-related fatalities in the past three years.

Pandemic prevention and control measures

During the pandemic, all employees shall comply with various mandatory travel restrictions and quarantine regulations imposed by local governments. During the Reporting Period, we gradually and prudently resumed business activities and took a series of preventive measures to prevent employees from being infected. Details of the measures are set out below:

Operation arrangements	• to reasonably arrange outlets • to procure pandemic prevention supplies such as disinfectant and cleaning supplies from various sources • to thoroughly clean and sanitize all business sites, office areas, facilities, equipment and cash
Personnel arrangements	• to conduct body temperature screening and sanitization for all employees and customers before entry • to set up mask disposal bins • to adopt staggered shifts such as flexible working arrangements, working from home and remote working • to arrange nucleic acid tests for employees returning from foreign places on a mandatory basis

6. Fulfilling Social Responsibilities

The Group pays attention to its social responsibilities while pursuing sound development. Adhering to its market positioning and its commitment to serving the real economy, the Group proactively adopts inclusive finance concepts, based on which its responsibilities to the consumers, the community and the environment were fulfilled. Remarkable contributions were made in respect of green finance, support for the pandemic prevention and control, poverty alleviation and charity activities.

6.1 Serving the Real Economy

The Group focuses on its principal business to support the development of the real economy. Based on its positioning for agriculture business, the Group strives to support the revitalization of rural areas by exploring opportunities for rural asset capitalization, facilitating the development of the agricultural industry and promoting inclusive financial services in rural areas. During the Reporting Period, we developed Jiutai Pasture Loan (九牧寶), an innovative loan product with living creatures as pledges, in support of the "Tens of Millions of Beef Cattle (千萬頭肉牛)" development project in Jilin Province. As part of its substantial efforts to support small- and micro-sized enterprises, the Group established a financial service center (including a micro-loan center) which provides specialized and professional

financial services for small- and micro-sized enterprises with business scale of RMB10 million or below. Innovative products such as "Jiuyi Loan (九易貸)" and "Jiushang Loan (九商貸)" were launched to meet the financing needs of different medium-, small- and micro-sized enterprises. In 2021, the Financial Service Innovation Project for Small- and Micro-sized Enterprises (小微企業金融服務創新項目) of the Bank was selected as the "Typical Case Study of Inclusive Finance of the Banking Industry in China (中國銀行業普惠金融典型案例)".

6.2 Developing Green Finance

In alignment with the national strategic deployment of "peak emission" and "carbon neutrality", the Group has introduced its green development concept, pursuant to which its credit resources will be largely allocated to green business, particularly key enterprises and key projects in the low-carbon industrial chain, such as new energy, renewable energy, biomedicine, pollution control, black soil protection and energy-saving construction materials. Efforts will also be made to develop green agricultural product brands, green agricultural technology patents, rural cultural tourism brands and other areas where pledges can be made to increase the proportion of green agricultural credit business. Moreover, based on the demand of green business, we expedited the innovation of our credit products and models. We have improved our green finance priority mechanism, under which energy conservation and environmental protection serve as an important basis for customer rating, credit assessment, credit management and business divestment. A special channel for green credit has been established, on which credit applications that support green, low-carbon and circular economy will be approved in priority on the same conditions, making positive contributions to the low-carbon transition.

6.3 Adoption of Inclusive Finance

Committed to its operation philosophy of "Bringing Prosperity to People and Enterprises through Inclusive Finance (普惠金融、富民興企)", the Group has strived to promote its inclusive finance initiatives by consolidating its service channels, enhancing service capability and optimising financial environment. We have opened a wide range of online channels, such as WeChat banking, mobile banking and online banking, to meet the diverse payment needs of urban and rural residents. Innovative applications, such as "Yinyitong (銀醫通)" and education cloud payment platform, have been introduced to enhance customer experience. In addition, we have set up offline cash withdrawal service points featuring self-service machines for the rural areas to effectively fill the gap in rural financial services. On the other hand, we have also actively participated in the financial services of "New Rural Insurance (新農保)" and "New Rural Cooperative (新農合)" to extend their coverage in the rural market and the inclusive finance for the three rurals. More financial resources have been allocated to our services for the three rurals and the real economy. Also effective in reducing corporate financing costs were our measures for standardizing fees, lowering interest rates and launching loan renewals without requiring principal repayment.

6.4 Contributing to Society and the Community

Supporting pandemic control

In support of the national prevention and control measures against the pandemic, we have made donation in cash and in kinds to medical institutions, local governments and front-line units for the pandemic prevention and control. In response to the policies and advocates of the regulatory authorities and governments at different levels regarding financial support for the pandemic prevention and control and the resumption of work and production, we have rolled out a series of relief measures during economic downturn, including arranging credit lines, opening green channels, offering preferential interest rates and extending the repayment period of principals and interests. These initiatives have enabled medium-, small- and micro-sized enterprises to tide over the difficulties. Besides, as part of our continuous efforts to provide quality financial services, we have had efficient online service channels in place to ensure the safety of both our personnel and outlets.

Consolidating achievements in poverty alleviation

With an aim to consolidate our achievements in poverty alleviation and facilitate the rural revitalization, the Group has strictly complied with the relevant policies and ensured the sustainability and stability of the measures under the relief policies for the poverty-stricken villages. It was able to sustain the continuous supply of resources while maintaining its undertaking and support. Furthermore, the Group has improved the assessment mechanism for village cadres and talents, and has adopted dynamic monitoring of the income and employment of the underprivileged to prevent them from suffering poverty again. To this end, the Group has fully capitalized on the advantages of its agricultural-related special products and expanded its financing channels in a bid to provide sufficient financial guarantees and quality integrated services for modern agricultural development, appealing rural construction and other key agricultural-related aspects. Various relief loans in a total amount of RMB1.210 billion have been extended. During the Reporting Period, the pilot project, "Extension of Credit Facilities to the Entire Village (整村授信)", in places such as Maolin Village and Miaoling Village in Jiutai District, was launched to continuously meet the reasonable credit needs of the underprivileged households within the areas with work ability, aspiration for better life, good credit standing and eligible for the credit extension. In May 2021, the Bank was awarded the honorary title of the "Jilin Province Advanced Collective for Poverty Alleviation" ("吉林省脱貧攻堅先進集體"榮譽稱號) by the Jilin Provincial Party Committee and the Provincial Government.

Charity activities

The Group has set up "Jiutai Rural Commercial Bank Charity Fund"(九台農商銀行愛心基金) to organize donations in respect of poverty alleviation, education and medical assistance, care for elderly and disabled and helping people suffering from disasters and difficulties. All branches and subbranches participated in the charity activities through donation in cash and in kinds and volunteering services. During the Reporting Period, the charitable donations from all the branches and subbranches amounted to over RMB20 million. More than 3,400 employees of the Group participated in the charity activities with 1,300 hours of community services, which encouraged over 18,600 participants from the community.

7. Practice of Environmental Protection

In pursuit of its green and sustainable development philosophy as well as its environmental protection obligations, the Group lowered the environmental impacts of its operation, incorporated low-carbon practices into its daily operation and management, and enhanced its green operation level in line with the national goal of emission peak and carbon neutrality. We have strictly complied with Air Pollution Prevention and Control Law (《大氣污染防治法》), Environmental Protection Law (《環境保護法》), Energy Conservation Law (《節約能源法》), and other relevant laws and regulations. During the Reporting Period, the Group did not have any material non-compliance in relation to the environment.

7.1 Carbon Emission Management

Based on its advocate of sustainable development and its understanding of the impact of greenhouse gases (GHG) on climate change, the Group has adopted low carbon operation to minimize its carbon footprint in the process of operation in an effort to combat climate change.

GHG emissions of the Group mainly include emissions from fuel consumed by fixed equipment and emissions from its vehicles. The Group has conducted greenhouse gas emission audit for 36 companies under the Group, including the Bank and 35 subsidiaries, in accordance with the Greenhouse Gas Protocol prepared by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 formulated by the International Organisation for Standardization. During the Reporting Period, the summary of the greenhouse gas emission was as follows:

GHG Emissions[2]	Unit	2020	2021
GHG Emissions			
Direct GHG emissions (Scope 1)	Tonnes of carbon dioxide equivalent (CO_2e)	810.26	**766.43**
Indirect GHG emissions (Scope 2)	Tonnes of CO_2e	9,470.00	**8,616.08**
Total GHG emissions (Scope 1 and 2)	Tonnes of CO_2e	10,280.26	**9,382.51**
GHG Emissions Intensity			
Per square meter (Scope 1 and 2)	Tonnes of CO_2e/square meter	0.03	**0.02**
Per employee (Scope 1 and 2)	Tonnes of CO_2e/employee	1.60	**1.41**

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Group, including fuel consumed by vehicles of the Group.

Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased by the Group, including electricity consumed during office hours of the Group.

During the Reporting Period, the Group's total GHG emissions amounted to 9,382.51 tonnes of CO_2e, representing a decrease of approximately 9% as compared to the previous year. As part of our corporate social responsibilities in respect of environmental protection, we set an initial target for GHG emission during the Reporting Period to maintain or reduce our GHG emissions while maintaining similar level of operation in the future. To this end, we have carried out the management of boilers and business vehicles for the reduction of emission. In respect of boiler management, we have replaced all gas stoves with electric heaters for heating to improve fuel cleanliness and reduce potential GHG emissions. In respect of business vehicle management, we have encouraged our employees to use green transportation and public transportation. Employees shall apply to the administrative department for the use of business vehicles. We also provide low-carbon driving training for drivers to ensure that business vehicles are used properly. In addition, we also perform regular inspection and maintenance for business vehicles to minimize unnecessary fuel wastage.

7.2 Green Office

Based principally on our low-carbon office initiative, we have adopted extensive measures for saving energy, water, paper and other resources. Environmental protection measures have also been incorporated into different aspects of our business in order to manage our environment projection and energy conservation efforts.

[2] The data were calculated based on the emission factor in the "Appendix 2: Reporting Guidance on Environmental KPI" issued by the Hong Kong Stock Exchange, subject to rounding adjustments.

Energy management

We attach great importance to the resources consumption of business operations and continuously improve the level of energy management. We mainly conduct our business in office. Although our daily operation has not made any material impact on the environment and natural resources, GHG emissions have been indirectly generated in our use of purchased electricity. The table below indicates our electricity consumption during the Reporting Period:

Total electricity consumption	Unit	2020	2021
Total electricity consumption	MWh	15,522.05	**14,122.40**
Total electricity consumption intensity (per square meter)	MWh/square meter	0.04	**0.04**
Total electricity consumption intensity (per employee)	MWh/employee	2.42	**2.13**

The energy consumption of the Group mainly causes impact on the environment through its daily operations. During the Reporting Period, our total electricity consumption during the operation was 14,122.40 MWh, representing a decrease of approximately 9% as compared to last year. As part of our corporate social responsibilities in respect of environmental protection, we set an initial target for the efficient use of energy during the Reporting Period to maintain or reduce our electricity consumption while maintaining similar level of operation in the future. To this end, we have adopted a series of optimized measures for electricity consumption, covering lighting systems, electronic equipment, air-conditioning systems and other aspects.

In terms of electronic equipment, we use electronic equipment with energy efficiency labels as well as energy-efficient electronic equipment and multi-function devices. We also reduce the use of independent printers. Computers, electronic equipment, printers and other equipment are turned off completely during non-working hours.

In terms of lighting systems, we try to use daylighting as much as possible. Offices are divided into multiple different lighting zones and independently controllable lighting switches are installed. We reduce the number of lamps in the place where the brightness is higher than required. Motion sensors are installed in infrequently-used areas and employees are asked to turn off lights when the office is not in use to reduce electricity usage.

In terms of air-conditioning systems, we set the temperature between 25 and 26 degrees Celsius, and adopt central control and monitoring system or building management system to meet the basic needs for indoor temperature control. Regular inspections, maintenance and cleaning are carried out to ensure the effectiveness of the air-conditioning systems. We also use a variable refrigerant flow system to optimize the refrigerant flow, and install seals on the doors and windows to prevent the temperature-adjusted air from leaking and reduce the energy consumption of the air conditioning systems.

Water resources management

The Group attaches great importance to water resources by creating a water saving culture to promote proper water consumption practice among employees. During the Reporting Period, we set an initial target for the efficient use of water in order to maintain or reduce water usage while maintaining similar level of operation in the future. To this end, we have adopted a series of water resources optimization measures. Water saving slogans are posted in toilets. Regular pipe and toilet inspections are performed to prevent water leakage, and water saving sensor faucets and dual flush toilets are installed. To reduce the risk of water leakage, we test hidden water pipes and inspect water meter readings regularly. Water pipes would be repaired immediately once problems are identified.

Domestic water is supplied by the public fresh water network in respective locations, and there is no problem in obtaining water sources. Our total water consumption in operation was 114,885.95 cubic meters during the Reporting Period, representing a decrease of approximately 3% compared to last year. The table below indicates our water consumption:

Water consumption	Unit	2020	2021
Total water consumption	Cubic meters	118,731.16	**114,885.95**
Total water consumption (per square meter)	Cubic meters/square meter	0.30	**0.30**
Total water consumption (per employee)	Cubic meters/employee	18.50	**17.32**

Waste management

As we consider waste as part of an important resources, we dispose of non-hazardous and hazardous waste properly. Based on the concept of sustainable development, we set an initial target in respect of waste management during the Reporting Period to maintain or reduce waste disposal while maintaining similar level of operation in the future.

In respect of hazardous waste, the Group has established a scrapping approval team and disposes of electronic waste in accordance with the Administrative Regulations on Computer Equipment (《計算機物品管理規定》). The team is responsible for reviewing scrapping application and dealing with waste in accordance with the requirements for scrapping management. In case of any computer malfunction, the team will prepare a test report based on the feasibility of repair or modification and estimated repair cost. The team will first consider to reuse suitable electronic parts and submit the case to the Information Technology Department and relevant departments to confirm whether the computers are eligible for scrapping. If criteria of scrapping are fulfilled, we will collect obsolete computers or other electronic waste through cooperation with electronic companies for recycling.

In respect of non-hazardous waste, we have adopted policy to classify waste based on its materials with the use of waste sorting and recycling bins in offices. In addition, our employees are encouraged to reuse envelopes, binders, file cards and other stationery. When purchasing office supplies, we will regularly assess the material consumption and the actual consumption level and estimate the consumption of supplies to avoid overstock.

During the Reporting Period, the Group disposed of 54.62 tonnes of non-hazardous waste in total, representing a decrease of approximately 3% as compared with last year. The intensity was 0.01 tonnes per employee. The table below indicates our waste disposal:

Non-hazardous waste	Unit	2020	2021
Total non-hazardous waste	Tonnes	56.37	**54.62**
Total non-hazardous waste intensity (per employee)	Tonnes/employee	0.01	**0.01**

Moreover, we have realized technology-enabled and paperless office by adopting office automation system (OA system) in the entire bank. Communication with employees is made through electronic means instead of paper. In addition, we have also provided different electronic service channels for customers, such as online banking, mobile banking and WeChat banking, and issued electronic bills and electronic publications instead of mailed bills and physical promotional publications in order to reduce paper consumption of customers. We have posted notices prominently next to copiers or

printing machines to encourage employees to use double-sided photocopying or recycled paper if the use of paper is necessary and promote double-sided printing. The table below indicates our paper consumption:

Paper consumption	Unit	2020	2021
Total paper consumption	Tonnes	59.73	**59.07**
Total paper consumption intensity per employee	Tonnes/employee	0.01	**0.01**

7.3 Responding to Climate Change

To align with the national vision of achieving peak emission and carbon neutrality, the Group has strived to incorporate sustainable development into its business operation. In response to climate change, we have launched green financial products and introduced green office. Also, risks related to climate change have been identified in our operation and corresponding measures have been formulated. As the international policies and requirements regarding climate change have become more stringent and corresponding regulatory measures for emission reduction have been introduced in China, we have identified the policy and legal risks arising from climate change and continued to keep abreast of the latest information on national policies and regulations in order to strictly comply with all applicable laws.

We understand that investors and customers have increasing needs on sustainable financial products. Capitalizing on opportunities arising from green and low-carbon development, we have supported and promoted green financial products to expand the green financial product offerings in the market. In addition, considering climate risks as one of the important factors affecting economic development and financial security and stability, we are well positioned in the banking industry to promote and develop sustainable financial products with a focus on environmental, social and credit risks arising from climate change. In response to these risks, we will adopt a prudent management approach for creating a sound green financial ecosystem.

In order to reduce carbon footprint and carbon emissions, the Group has proactively adopted measures for green office operation[3], improve our performance in respect of energy consumption, water consumption and waste disposal and raise the awareness of our employees on environmental protection. We are aware that frequent extreme weather conditions caused by climate change will ultimately affect the personal safety of employees of the Group and its daily operations, and even result in possible economic losses. As such, we have identified specific acute risks and paid close attention to weather changes and take into account climate change risks when formulating our risk management

[3] For details of the measures, please refer to the section headed "7.2 Green Office".

measures. For instance, when choosing the geographic location for data centre, we will consider the environmental conditions resulting from climate change that may threaten the operation of information processing equipment. We will also prevent the normal operation of the data centre from being affected by unexpected power outages or power supply disturbances.

Appendix I: Sustainability Data Statements

Indicators	Unit	2021[4]
Environmental Aspect		
Emissions[2]		
Nitrogen oxides (NOx)	Kg	1,462.37
Sulphur oxides (SOx)	Kg	2.77
Particulate matter (PM) Kg	Kg	140.12
GHG Emissions[2]		
Direct GHG emissions (Scope 1)	Tonnes of CO_2e	766.43
Indirect GHG emissions (Scope 2)	Tonnes of CO_2e	8,616.08
Total GHG emissions (Scope 1 and 2)	Tonnes of CO_2e	9,382.51
Intensity of GHG emissions[2]		
Per square meter (Scope 1 and 2)	Tonnes of CO_2e/square meter	0.02
Per employee (Scope 1 and 2)	Tonnes of CO_2e/employee	1.41
Energy consumption		
Total energy consumption	MWh	16,269.24
Total energy consumption intensity (per square meter)	MWh/square meter	0.04
Total energy consumption intensity (per employee)	MWh/employee	2.45
Total electricity consumption	MWh	14,122.40
Total electricity consumption intensity (per square meter)	MWh/square meter	0.04
Total electricity consumption intensity (per employee)	MWh/employee	2.13
Gasoline	Tonnes	1,767.19
Diesel	Tonnes	0.06
Natural gas	Cubic meters	35,157.85
Water consumption		
Total water consumption	Cubic meters	114,885.95
Total water consumption intensity (per square meter)	Cubic meters/square meter	0.30
Total water consumption intensity (per employee)	Cubic meters/employee	17.32

[4] Data have been subject to rounding adjustments.

Indicators	Unit	2021[4]
Hazardous waste		
Toner cartridges used	Unit	746
Intensity of toner cartridges used	Unit/employee	0.11
Ink cartridges used	Unit	582
Intensity of ink cartridges used	Unit/employee	0.09
Printers used	Unit	23
Intensity of printers used	Unit/employee	0.003
Computers used	Unit	34
Intensity of computers used	Unit/employee	0.01
Toner cartridges recycled	Unit	746
Ink cartridges recycled	Unit	582
Printers recycled	Unit	23
Computers recycled	Unit	34
Non-hazardous waste		
Total non-hazardous waste	Tonnes	59.07
Total non-hazardous waste intensity (per employee)	Tonnes/employee	0.01
Paper consumption		
Total paper consumption	Tonnes	54.62
Total paper consumption intensity per employee	Tonnes/employee	0.01
Social Aspect		
Employees		
Total number of employees	Number of employees	6,632
By gender		
Female employees	Number of employees	3,072
Male employees	Number of employees	3,560
By position[5]		
Junior employees	Number of employees	5,358
Middle management	Number of employees	963
Senior management	Number of employees	311
By age group		
Employees aged under 30	Number of employees	2,264
Employees aged between 30 to 50	Number of employees	3,952
Employees aged above 50	Number of employees	416
By geographical location[6]		
Employees from northern China	Number of employees	681
Employees from northeastern China	Number of employees	5,327
Employees from eastern China	Number of employees	140
Employees from central China	Number of employees	100
Employees from northwestern China	Number of employees	39
Employees from southern China	Number of employees	345

[5] The Group did not have part-time employees.

[6] Calculated according to their place of work.

Indicators	Unit	2021[4]
Employee turnover rate[7]		
Total turnover rate	%	2.59
By gender		
Female employees	%	2.90
Male employees	%	3.42
By age group		
Employees aged under 30	%	3.74
Employees aged between 30 to 50	%	1.85
Employees aged above 50	%	2.16
By geographical location[6]		
Employees from northern China	%	2.35
Employees from northeastern China	%	2.07
Employees from eastern China	%	4.55
Employees from central China	%	4.63
Employees from northwestern China	%	15.22
Employees from southern China	%	7.65
Health and safety of employees		
Number of work-related fatalities occurred in each of the past three years including the Reporting Year	Number of employees	0
Rate of work-related fatalities occurred in each of the past three years including the Reporting Year	%	0
Lost days due to work injury	Number of days	0
Development and trainings of employees		
By gender		
Percentage of female employees trained[8]	%	89.39
Percentage of male employees trained[8]	%	85.06
Average training hours per female employees	Hours	75.56
Average training hours per male employees	Hours	73.44
By position[5]		
Percentage of junior employees trained[8]	%	88.58
Percentage of middle management trained[8]	%	86.09
Percentage of senior management trained[8]	%	63.99
Average training hours per junior employees	Hours	71.64
Average training hours per middle management	Hours	67.78
Average training hours per senior management	Hours	69.79
Summary of operation		
Distribution of suppliers		
Total number of suppliers	Number of suppliers	40
Mainland China	Number of suppliers	40
Hong Kong	Number of suppliers	0
Overseas	Number of suppliers	0

[7] Turnover rate for a category = Number of resigned employees in that category ÷ total number of employees in that category at the end of the year × 100%

[8] Calculated by the number of employees trained in that category ÷ the total number of employees in that category at the end of the year x 100%.

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Indicators			Chapter
A. Environmental Aspect			
A1: Emissions	General disclosure	Information on the: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous waste.	7. Practice of Environmental Protection
	A1.1	The types of emissions and respective emissions data.	7.1 Carbon Emission Management Appendix I: Sustainability Data Statements
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.1 Carbon Emission Management Appendix I: Sustainability Data Statements
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Green Office Appendix I: Sustainability Data Statements
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	7.2 Green Office Appendix I: Sustainability Data Statements
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	7.1 Carbon Emission Management
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7.2 Green Office

Indicators			Chapter
A2: Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2 Green Office
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	7.2 Green Office Appendix I: Sustainability Data Statements
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	7.2 Green Office Appendix I: Sustainability Data Statements
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7.2 Green Office
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7.2 Green Office
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Inapplicable as no packaging material for finished products is used in the course of business of the Group

Indicators			Chapter
A3: The environment and natural resources	General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	7.2 Green Office
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.2 Green Office
A4: Climate Change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	7.3 Responding to Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	7.3 Responding to Climate Change
B. Social Aspect			
B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.2 Protecting Employee Interests
	B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Appendix I: Sustainability Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Statements

Indicators			Chapter
B2: Health and Safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3 Caring for the Health of Employees
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Appendix I: Sustainability Data Statements
	B2.2	Lost days due to work injury.	Appendix I: Sustainability Data Statements
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3 Caring for the Health of Employees
B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.1 Facilitating the Development of Employees
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Sustainability Data Statements
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Sustainability Data Statements

Indicators			Chapter
B4: Labor Standards	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	5.2 Protecting Employee Interests
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.2 Protecting Employee Interests
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.2 Protecting Employee Interests
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	4.4 Enhancing Supply Chain Management
	B5.1	Number of suppliers by geographical region.	Appendix I: Sustainability Data Statements
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	4.4 Enhancing Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	4.4 Enhancing Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	4.4 Enhancing Supply Chain Management

Indicators			Chapter
B6: Product Responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.1 Refining Management Mechanism
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Inapplicable as the Group is not engaged in recalls of products
	B6.2	Number of products and service related complaints received and how they are dealt with.	4.2 Improving Service Quality
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.3 Protecting Intellectual Property
	B6.4	Description of quality assurance process and recall procedures.	Inapplicable as the Group is not engaged in recalls of products
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.3 Information Safety Management

Indicators			Chapter
B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	3.2 Creating Culture of Integrity
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	3.2 Creating Culture of Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.2 Creating Culture of Integrity
	B7.3	Description of anti-corruption training provided to directors and employee.	3.2 Creating Culture of Integrity
B8: Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	6. Fulfilling Social Responsibilities
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	6. Fulfilling Social Responsibilities
	B8.2	Resources contributed to the focus area.	6. Fulfilling Social Responsibilities

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited

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

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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

Opinion

We have audited the 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 265 to 437, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Basis of consolidation
- Impairment of loans and advances to customers
- Impairment of goodwill
- Outsourcing arrangements for information technology system

Basis of consolidation

Refer to note 57 to the consolidated financial statements and the accounting policies on page 275 to 278.

The key audit matter	How the matter was addressed in our audit
The Bank operates its businesses through the Bank itself and through 35 subsidiaries as at 31 December 2021. As at 31 December 2021, the Bank controlled and consolidated 20 subsidiaries in which the Bank owned no more than 50% equity interest (the "non major subsidiaries"). To control these non major subsidiaries, the Bank held more than 50% of the voting rights in these non major subsidiaries through acting in concert agreements (the "AIC agreements") with certain minority shareholders of those subsidiaries. In particular, under these AIC agreements, these minority shareholders have agreed to align their votes with the Bank in respective shareholders' meeting of the subsidiaries. If these minority shareholders fail to abide by their agreements, or if the AIC agreements are terminated, the Bank may not be able to continue to control and consolidate the financial results of these non major subsidiaries.	Our procedures were designed to review the management's assessment, with reference to the legal advice on the validity of AIC agreements, of whether the Group control the non major subsidiaries and challenge the reasonableness of the methodologies used to assessment of control. We have discussed the indicators of possible loss of control with the management and, where such indicators were identified, assessing the management's view on control. Also, we have sought legal advice on the validity of AIC agreements.

Impairment of loans and advances to customers

Refer to note 23 to the consolidated financial statements and the accounting policies on pages 289 to 296.

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent management's best estimate of the expected credit losses within the loan portfolios at the reporting date. They are assessed based on whether the credit risk has increased significantly since initial recognition and the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Management estimations and judgements are required to determine whether there are significant increase in credit risk, the probability of default, loss given default and the expected future cash flows related to each loan within the loan portfolios.	Our procedures were designed to review the management assessment on the expected credit losses model and challenge the reasonableness of the methods and assumptions used to estimate the expected credit losses of loans and advances to customers. We have discussed the judgement in relation to the recognition of 12 months and life time expected credit losses of loan and advance under the 3 different stages and assessed the appropriateness of the modelling policy, assumptions and methodology used for material portfolios independently by reference to the accounting standards and market practices, and model calculations were tested through re-performance. We have challenged the assumptions, critical judgement and statistical models used by the management by assessing the reliability of the management's past estimates and future forecast, and taking into account the ageing at year end and whether any significant increase in credit risk of borrowers.

Impairment of loans and advances to customers (Continued)

Refer to note 23 to the consolidated financial statements and the accounting policies on page 289 to 296.

The key audit matter	How the matter was addressed in our audit
The audit was focused on impairment due to the materiality of the balances amounted to approximately RMB152,222,135,000 and the subjective nature of the judgement, estimation and calculation involved in the determination of the expected credit losses.	For the collectively assessed expected credit loss ("ECL"), we assessed the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios. We assessed the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. We challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings. Where changes had been made in model parameters and assumptions, we evaluated the appropriateness of such changes. We also assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions. For a sample of exposures that was subject to an individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information. We also assessed the financial statement disclosures relating to the Group's exposure to credit risk.

Impairment of goodwill

Refer to note 29 to the consolidated financial statements and the accounting policies on page 281 to 282.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the Group had goodwill of approximately RMB401,335,000 and no impairment was recognised. The impairment assessment relied on the calculation of a value in use for each of the cash-generating units (the "CGUs"). That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate and pre-tax discount rate. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3% which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the People's Republic of China. The discount rates used were the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU. The estimation of future cash flows and the level to which they are discounted are inherently uncertain and requires significant judgement. The extent of judgement and the size of the goodwill resulted in impairment of goodwill being identified as an area of audit focus.	Our procedures were designed to obtain management's assessment and challenged the reasonableness of the selection of valuation model, adoption of key assumptions and input data. In particular, we have tested the future cash flow forecasts on whether they are agreed to the budgets approved by the directors of the Bank and compared the budgets with actual results available up to the report date. We have challenged the appropriateness of the assumptions, including the growth rates and gross margin, against latest market expectations. We have also challenged the discount rate employed in each calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources. As any changes in these assumptions and input to valuation model may result in significant financial impact, we have tested management's sensitivity analysis in relation to the key inputs to the impairment assessment and performed our own sensitivity analysis which included changes in the growth rate, gross margin and discount rates employed.

Outsourcing arrangements for information technology system

Refer to note 51(d) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's information technology ("IT") system are critical to various aspects of its operations which are developed, operated and maintained by various IT service providers (the "IT outsourcing arrangements"). The Group entrusts those IT service providers to manage and maintain its database but has its own dedicated IT team to perform daily monitoring on those IT service providers for the operations and maintenance of the Group's IT system. If the Group cannot effectively monitor the services provided by the IT service providers, any problems of the IT system could have a material impact, among other aspects, on the Group's financial statements.	We involved our IT audit specialists in the course of audit. We carried out assessment, testings and review of the Group's controls over the IT outsourcing arrangements and the monitoring procedures executed by the Group on various IT service providers. We also assessed the reliability of the Group's IT system regarding the process in the preparation of the Group's financial statements.

Information other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors of the Bank are responsible for the other information. The other information comprises the all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Bank and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Bank either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Bank.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chui Yiu Cheong.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chui Yiu Cheong

Practising Certificate Number: P07219

Hong Kong

30 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Interest income		**12,524,305**	10,371,063
Interest expenses		**(6,347,936)**	(5,272,633)
Net interest income	6	**6,176,369**	5,098,430
Fee and commission income		**169,408**	268,891
Fee and commission expenses		**(96,706)**	(38,341)
Net fee and commission income	7	**72,702**	230,550
Net trading gains	8	**959**	149,773
Dividend income		**56,961**	59,422
Net gains arising from investment securities	9	**87,306**	46,454
Losses on deemed partial disposal of an associate	26	**(46,452)**	—
Losses on disposals of associates	26	**—**	(37,092)
Net exchange gains		**11,336**	10,241
Other operating income (expenses), net	10	**3,113**	(11,014)
Operating income		**6,362,294**	5,546,764
Operating expenses	11	**(3,073,881)**	(2,743,732)
Impairment losses on assets, net of reversals	14	**(1,569,379)**	(1,306,607)
Operating profit		**1,719,034**	1,496,425
Share of profits of associates	26	**28,521**	44,590
Profit before tax		**1,747,555**	1,541,015
Income tax expense	15	**(457,557)**	(341,352)
Profit for the year		**1,289,998**	1,199,663
Earnings per share			(Restated)
— Basic and diluted (RMB cents)	16	**24.48**	23.94

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

For the Year Ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
Profit for the year		**1,289,998**	1,199,663
Other comprehensive income (expense) for the year:			
Items that may be reclassified subsequently to profit or loss:			
— Financial assets at fair value through other comprehensive income			
— Changes in fair value recognised in investment revaluation reserve		**79,349**	2,530
— Reclassified to the profit or loss upon disposal		**(960)**	(6,345)
— Changes in allowance for expected credit loss		**—**	(5,935)
— Income tax relating to item that may be reclassified subsequently		**(19,597)**	2,254
— Release of reserve upon disposal of an associate		**—**	(958)
— Share of other comprehensive income (expense) of associates	26	**9,464**	(2,275)
		68,256	(10,729)
Items that will not be reclassified subsequently to profit or loss:			
— Financial assets at fair value through other comprehensive income			
— Fair value gain on investments in equity investments		**25,296**	8,107
— Income tax relating to item that will not be reclassified subsequently		**(9,164)**	—
		16,132	8,107
Other comprehensive income (expense) for the year, net of tax		**84,388**	(2,622)
Total comprehensive income for the year		**1,374,386**	1,197,041
Profit for the year attributable to:			
— Owners of the Bank		**1,129,398**	1,104,416
— Non-controlling interests		**160,600**	95,247
		1,289,998	1,199,663
Total comprehensive income for the year attributable to:			
— Owners of the Bank		**1,213,658**	1,102,779
— Non-controlling interests		**160,728**	94,262
		1,374,386	1,197,041

Consolidated Statement of Financial Position

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Assets			
Cash and deposits with the central bank	17	**30,997,889**	25,155,026
Deposits with banks and other financial institutions	18	**10,828,113**	8,396,699
Placements with banks and other financial institutions	19	**134,759**	729,253
Financial assets held under resale agreements	20	**1,498,500**	1,102,000
Financial assets at fair value through profit or loss	21	**2,552,214**	3,200,209
Interests receivables	22	**908,379**	874,287
Loans and advances to customers	23	**152,222,135**	126,574,552
Financial assets at fair value through other comprehensive income	24	**5,116,459**	2,526,111
Financial assets measured at amortised cost	25	**22,814,151**	24,772,682
Interests in associates	26	**961,033**	1,005,130
Property and equipment	27	**3,265,481**	3,249,491
Right-of-use assets	28	**614,709**	664,240
Goodwill	29	**401,335**	401,335
Deferred tax assets	30	**1,004,495**	773,222
Other assets	31	**820,588**	939,033
Total assets		**234,140,240**	200,363,270

Consolidated Statement of Financial Position (Continued)

At 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank	33	**2,851,219**	4,010,960
Deposits from banks and other financial institutions	34	**6,763,740**	8,335,923
Placements from banks and other financial institutions	35	**1,502,496**	7,101,496
Financial assets sold under repurchase agreements	36	**—**	2,654,900
Deposits from customers	37	**193,106,238**	149,763,189
Accrued staff costs	38	**179,710**	176,684
Tax payable		**291,529**	223,806
Interests payable	39	**4,059,296**	2,990,824
Debt securities issued	40	**6,211,078**	7,504,526
Lease liabilities	28	**518,779**	591,499
Other liabilities	41	**881,143**	758,278
Total liabilities		**216,365,228**	184,112,085
Equity			
Share capital	42	**4,612,901**	4,393,239
Capital reserve	43	**5,050,510**	4,921,340
Investment revaluation reserve		**94,661**	10,401
Surplus reserve	44(a)	**1,058,252**	915,524
General reserve	44(b)	**2,321,962**	2,077,865
Retained earnings		**1,436,812**	1,353,162
Total equity attributable to owners of the Bank		**14,575,098**	13,671,531
Non-controlling interests		**3,199,914**	2,579,654
Total equity		**17,775,012**	16,251,185
Total liabilities and equity		**234,140,240**	200,363,270

The consolidated financial statements on pages 265 to 437 were approved and authorised for issue by the board of directors of the Bank on 30 March 2022 and are signed on its behalf by:

Mr. GAO Bing
Director

Mr. YUAN Chunyu
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2021

	Attributable to owners of the Bank								
	Share Capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As 1 January 2021	4,393,239	4,921,340	10,401	915,524	2,077,865	1,353,162	13,671,531	2,579,654	16,251,185
Profit for the year	–	–	–	–	–	1,129,398	1,129,398	160,600	1,289,998
Other comprehensive expense for the year	–	–	84,274	(1)	–	(13)	84,260	128	84,388
Total comprehensive income (expense) for the year	–	–	84,274	(1)	–	1,129,385	1,213,658	160,728	1,374,386
Changes in ownership in subsidiaries without changes in control (Note 56)	–	348,832	–	–	–	–	348,832	516,393	865,225
Disposal of equity investments classified as financial assets at fair value through other comprehensive income	–	–	(14)	7	–	70	63	–	63
Changes in share capital									
– Capitalisation of capital reserve (Note 42)	219,662	(219,662)	–	–	–	–	–	–	–
Appropriation of profits									
– Appropriation to surplus reserve	–	–	–	142,722	–	(142,722)	–	–	–
– Appropriation to general reserve	–	–	–	–	244,097	(244,097)	–	–	–
– Dividends recognised as distribution (Note 45)	–	–	–	–	–	(658,986)	(658,986)	–	(658,986)
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(56,861)	(56,861)
At 31 December 2021	4,612,901	5,050,510	94,661	1,058,252	2,321,962	1,436,812	14,575,098	3,199,914	17,775,012

Consolidated Statement of Changes in Equity (Continued)

For the Year Ended 31 December 2021

	Attributable to owners of the Bank								
	Share Capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As 1 January 2020	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 year	–	–	–	–	–	1,104,416	1,104,416	95,247	1,199,663
Other comprehensive expense for the year	–	–	(1,637)	–	–	–	(1,637)	(985)	(2,622)
Total comprehensive (expense) income for the year	–	–	(1,637)	–	–	1,104,416	1,102,779	94,262	1,197,041
Changes in ownership in subsidiaries without changes in control (Note 56)	–	(18,074)	–	–	–	–	(18,074)	233,116	215,042
Changes in share capital									
– Capitalisation of capital reserve (Note 42)	209,202	(209,202)	–	–	–	–	–	–	–
Appropriation of profits									
– Appropriation to surplus reserve	–	–	–	101,448	–	(101,448)	–	–	–
– Appropriation to general reserve	–	–	–	–	300,191	(300,191)	–	–	–
– Dividends recognised as distribution (Note 45)	–	–	–	–	–	(753,127)	(753,127)	–	(753,127)
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(67,947)	(67,947)
At 31 December 2020	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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax for the year	**1,747,555**	1,541,015
Adjustments for:		
Interest income from financial investments	**(1,557,501)**	(1,469,813)
Share of profits of associates	**(28,521)**	(44,590)
Dividend income	**(56,961)**	(59,422)
Government grants	**(49,986)**	(29,315)
Losses on disposal of associates	**—**	37,092
Losses on deemed partial disposal of an associate	**46,452**	—
Net gains arising from investment securities	**(87,306)**	(46,454)
Gain on disposal of property and equipment	**(22,672)**	(3,523)
Impairment of property and equipment	**184**	—
Loss (gain) on early termination of lease agreements	**351**	(11,915)
Impairment losses on assets, net of reversals	**1,569,195**	1,306,607
Interest expense on debts securities issued	**292,736**	452,926
Depreciation of property and equipment	**291,200**	367,072
Interest income from impaired loans and advances to customers and impaired financial assets measured at amortised cost	**276,064**	301,038
Depreciation of right-of-use assets	**168,658**	194,894
Net unrealised trading losses	**132,908**	234,806
Interest expense on lease liabilities	**24,076**	30,433
Amortisation of long-term deferred expenses	**33,103**	32,123
	2,779,535	2,832,974
Changes in operating assets		
Net increase in loans and advances to customers	**(26,940,586)**	(34,102,147)
Net decrease/(increase) in other assets	**64,268**	(361,523)
Net decrease/(increase) in deposits with the central bank	**129,596**	(693,346)
Net increase in interest receivables	**(15,274)**	(210,357)
Net decrease in financial assets at fair value through profit or loss	**515,087**	6,314,370
Net decrease in deposits and placements with the banks and other financial institutions	**153,540**	1,486,460
	(26,093,369)	(27,566,543)
Changes in operating liabilities		
Net (decrease)/increase in financial assets sold under repurchase agreements	**(2,654,900)**	44,100
Net increase in deposits from customers	**43,343,049**	26,922,789
Net (decrease)/increase in placements from banks and other financial institutions	**(5,599,000)**	2,722,000
Net (decrease)/increase in deposits from banks and other financial institutions	**(1,572,183)**	2,058,307
Net (decrease)/increase in borrowing from central bank	**(1,159,741)**	665,800
Net increase in interests payable	**1,033,161**	785,802
Net increase in other liabilities	**105,298**	69,494
Net increase/(decrease) in accrued staff costs	**3,026**	(22,666)
	33,498,710	33,245,626

Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31 December 2021

	2021 RMB'000	2020 RMB'000
Cash generated from operations	10,184,876	8,512,057
Income tax paid	(649,868)	(507,081)
NET CASH GENERATED FROM OPERATING ACTIVITIES	9,535,008	8,004,976
INVESTING ACTIVITIES		
Payments on acquisition of financial investments	(32,047,181)	(25,534,109)
Payments on acquisition of property and equipment	(330,659)	(310,340)
Proceeds from disposal of financial investments	31,297,661	27,606,898
Interest income from financial investments	1,323,610	1,502,912
Dividend income received from equity investments	56,961	59,422
Dividend received from associates	35,630	49,695
Proceeds from disposal of property and equipment	35,287	686,793
Net proceeds from disposal of interests in associates	–	327,100
NET CASH GENERATED FROM INVESTING ACTIVITIES	371,309	4,388,371
FINANCING ACTIVITIES		
Repayment of debt securities issued	(6,850,000)	(14,420,000)
Dividends paid	(658,512)	(753,123)
Payment on lease liabilities	(170,611)	(176,130)
Interest paid on debts securities issued	(137,200)	(137,067)
Dividends paid to non-controlling interests	(56,861)	(67,947)
Interest paid on lease liabilities	(24,076)	(30,433)
Net proceeds from issue of new debt securities	5,436,327	7,388,743
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	865,225	215,042
Government grants received	49,986	29,315
NET CASH USED IN FINANCING ACTIVITIES	(1,545,722)	(7,951,600)
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,360,595	4,441,747
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	21,261,817	16,820,070
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 48)	29,622,412	21,261,817
Interest received	12,333,482	10,487,200
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(4,997,963)	(4,003,472)

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 (Jiyin Jianfu 2008 No.320) on 15 December 2008.

The Bank obtained its finance permit from the China Banking and Insurance Regulatory Commission (the "CBIRC") Jilin Bureau (Institution Number: No. B1001H222010001) and the business license from Market Supervision and Administration Bureau of Jilin Province (Unified Social Credit Code: 912200001243547911). The legal representative is Gao Bing 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 31 December 2021, the Bank has established 3 branches and 80 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by China Banking and Insurance Regulatory Commission. The Group operates in mainland China.

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

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

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

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") which are effective for the Group's financial year beginning 1 January 2021.

Amendment to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IFRS 9, International Accounting Standard ("IAS") 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendment to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle[2]

1 Effective for annual periods beginning on or after 1 April 2021.

2 Effective for annual periods beginning on or after 1 January 2022.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Bank and entities controlled by the Bank (i.e. its subsidiaries and structure entities). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements;
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in a subsidiary is presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiary upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Businesses combinations are accounted for by using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

- liabilities or equity instruments related to share-based payment arrangement of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

- lease liabilities are recognised and measured at the present value of the remaining lease payments as if the acquired lease was a new lease at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at an amount equal to the lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by The People's Bank of China (the "PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined by a systematic and rational method, normally the average exchange rate of the current period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Translation of foreign currencies (Continued)

Monetary items denominated in foreign currencies are retranslated to RMB at the spot exchange rate at the end of each of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are retranslated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in investment revaluation reserve.

Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash on hand, non-restricted balances with the central bank, short-term deposits and placements with banks and other financial institutions and financial assets held under resale agreements with original maturity of less than three months.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit (or groups of cash-generating units) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units). Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether there is an objective evidence that the net investment in the associate is impaired. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the net investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The business model refers to how the Bank manages its financial assets in order to generate cash flows. That is, the Bank's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Bank determines the business model for managing the financial assets according to the facts and based on the specific business objective for managing the financial assets determined by the Bank's key management personnel.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The Bank also assesses whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

For financial assets other than purchased or originated credit impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit loss ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Net interest income" line item (Note 6).

Financial assets at FVTOCI (debt instruments)

The Group measures financial assets subsequently at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's debt instruments classified as at FVTOCI includes investments in debt instruments. Fair value is determined in the manner described in note 52. Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income ("OCI") and accumulated under the heading of investments revaluation reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "dividend income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The interest earned on the financial assets is included in the "Net trading gains" line item. Fair value is determined in the manner described in note 52.

In respect of the Group's equity instruments at FVTPL, the Group subsequently measures them at fair value, with fair value gains and losses recognised in "Net trading gains". Dividends from equity instruments continue to be recognised in profit or loss as dividend income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loans and advances to customers, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, financial assets measured at amortised cost, debt investments measured at FVTOCI, interest receivable, other receivables, credit commitments and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (for stage 2 and stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (for stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12 month ECL and recognise interest income on a gross basis — this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For credit commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

For deposits with banks and other financial institutions, placements with banks and other financial institutions, financial asset held under resale agreement and financial assets at amortised cost, the ECL is based on the 12-month ECL.

For undrawn credit commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the credit commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on credit commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

For financial guarantee contracts and credit commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

Except for investments in debt instruments that are measured at FVTOCI, credit commitments and financial guarantees contracts, the Group recognises an impairment gain or loss for all other financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account. The Group recognised an impairment gain or loss in profit or loss for all financial instruments.

For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contract are contracts that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Loan commitments and financial guarantee contracts (Continued)

Loan commitments and financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the consolidated statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Property and equipment including buildings and leasehold improvement for use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off their costs, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees. Such properties are classified to the appropriate categories when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	3%	20 years
Leasehold improvement	0%	Over the shorter of the economic useful lives and remaining lease terms
Office equipment	3%	3–10 years
Motor vehicles	3%	4 years

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

Leasing

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its property. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible and intangible assets other than goodwill and financial assets (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions to retirement benefits scheme

The Group participates in Central Provident Fund ("CPF") Scheme for its employees in the PRC organised by the municipal governments of the relevant provinces. The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

Other social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle current tax liabilities and assets on a net basis.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

The Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income will be within the scope of IFRS 15, while interest income is within the scope of IFRS 9.

The Group recognised revenue in respect of fee and commission income from the following major sources:

- Advisory services fees
- Settlement and clearing services fees
- Wealth management services fees
- Agency services fees
- Syndicated loan services fees
- Bank card services fees

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Provision of settlement and clearing services and agency services

The Group recognises settlement and clearing services fees and agency services fees at a point in time when the services are provided to customers.

Provision of advisory services fees, bank card services fees and wealth management services

The Group recognises the advisory services fees, bank card service fees and wealth management service fees overtime as the related services are transferred overtime. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Provision of syndicated loan services

Regarding to the syndicated loan service fees, those contracts contain two performance obligations, the syndicated loan service and loan management services. For the syndicated loan service, this fee is one-off and recognised when syndicated loans provided to customers. Hence, the revenue is recognised at a point of time. For loan management services, the fee depends on services transferred overtime according to contract terms. Hence, the revenue is recognised over-time. The Group allocates the transaction price to each performance obligations on a relative stand-alone fair value of these performance obligations. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised loan service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenses recognition

Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

Other expenses

Other expenses are recognised on an accrual basis.

Related parties

(a) A person, or a close member of that person's family, is related to the Bank if that person:

(i) has control or joint control over the Bank;

(ii) has significant influence over the Bank; or

(iii) is a member of the key management personnel of the Bank or the Bank's parent.

(b) An entity is related to the Bank if any of the following conditions applies:

(i) The entity and the Bank are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) An entity is related to the Bank if any of the following conditions applies: (Continued)

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements , are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants (Continued)

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as a subsequent event.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Determination of control over investees

Management applies its judgement to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed investment products. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed investment products in which the Group has an interest or for which it is a sponsor, see Note 46(iii).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for all categories of debt instruments of financial assets, credit commitments and financial guarantees

The measurement of impairment losses under IFRS 9 across all categories of financial assets and credit commitments and financial guarantees requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision of ECL for all categories of debt instruments financial assets, credit commitments and financial guarantees (Continued)

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial instruments should be measured on a lifetime ECL basis and the qualitative assessment

- The segmentation of financial assets, credit commitments and financial guarantees based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis

- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures

- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Provision of ECL for all categories of debt instruments of financial assets, credit commitments and financial guarantees (Continued)

As at 31 December 2021, the carrying amounts of deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, interest receivables, loans and advances to customers, debt securities financial assets at fair value through other comprehensive income, financial assets measured at amortised cost were approximately RMB10,828,113,000, RMB134,759,000, RMB1,498,500,000, RMB908,379,000, RMB152,222,135,000, RMB4,938,009,000 and RMB22,814,151,000 respectively (2020: approximately RMB8,396,699,000, RMB729,253,000, RMB1,102,000,000. RMB874,287,000, RMB126,574,552,000, RMB2,372,719,000 and RMB24,772,682,000 respectively), net of impairment loss amounted approximately RMB2,947,000, RMB241,000, nil, nil, RMB4,628,054,000, RMB175,000 and RMB953,522,000 respectively (2020: RMB1,265,000, RMB747,000, nil, nil, RMB3,501,919,000, RMB175,000 and RMB994,351,000 respectively).

As at 31 December 2021, the carrying amounts of provision for credit commitments and financial guarantees were approximately RMB60,465,000 (2020: RMB43,372,000).

As the COVID-19 pandemic continues to progress and evolve, its effect on the Group's debtors and their ability to meet their financial obligations to the Group is difficult to predict. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments and discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

Impairment of non-financial assets

Non-financial assets (i.e. property and equipment, repossessed assets, long-term deferred expenses and right-of-use assets) are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's (or a cash-generating unit's) selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

As at 31 December 2021, the carrying amount of repossessed assets were approximately RMB438,720,000 (2020: approximately RMB528,610,000), net of accumulated impairment losses amounted approximately RMB25,663,000 (2020: approximately RMB25,335,000). The net carrying amount after impairment loss were approximately RMB413,057,000 (2020: approximately RMB503,275,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Depreciation

Property and equipment and right-of-use assets are depreciated using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation, the amount of depreciation will be revised.

As at 31 December 2021, the carrying amount of property and equipment and right-of-use assets were approximately RMB3,265,481,000 and RMB614,709,000 respectively (2020: approximately RMB3,249,491,000 and RMB664,240,000 respectively), net of accumulated impairment losses amounted RMB184,000 and nil respectively (2020: nil and nil respectively).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2021, the carrying amount of goodwill is approximately RMB401,335,000 (2020: approximately RMB401,335,000). Details of the recoverable amount calculation are disclosed in Note 29.

Impairment of interests in associates

In determining whether the interests in associates are impaired, the directors of the Bank assesses the recoverable amount of the interests in associates which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interests in associates exceeds its recoverable amount. In determining the recoverable amount of the interests in associates, the directors of the Bank require an estimation of the future cash flows expected to arise from the associates in order to determine the value in use of the interests in associates. When the actual future cash flows are less than expected, a material impairment loss may arise.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of interests in associates (Continued)

As at 31 December 2021, the carrying amount of interests in associates was approximately RMB961,033,000 (2020: approximately RMB1,005,130,000). No accumulated impairment losses were recognised for the year ended 31 December 2021 and 2020.

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) Urban maintenance and construction tax

Urban maintenance and construction tax is calculated as 5%–7% of value added tax.

(b) Education surcharge

Education surcharge is calculated as 3% of business tax and value added tax.

(c) Local education surcharge

Local education surcharge is calculated as 2% of business tax and value added tax.

(d) Income tax

The income tax is calculated on taxable income. Under the Law of the Mainland China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the year ended 31 December 2021, certain branches with operations in a subsidiary, Lingshui Huimin Village Bank Co., Ltd. ("陵水惠民村鎮銀行股份有限公司"), obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

(e) Value added tax

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform" issued by the Ministry of Finance of the PRC (the "MOF") and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from 1 May, 2016. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.

6. NET INTEREST INCOME

	2021 RMB'000	2020 RMB'000
Interest income arising from		
— Deposits with the central bank	**219,506**	186,572
— Deposits with banks and other financial institutions	**181,293**	154,915
— Placements with banks and other financial institutions	**43,070**	97,837
— Financial assets at FVTOCI	**171,488**	252,473
— Financial assets measured at amortised cost	**1,386,013**	1,217,340
— Loans and advances to customers:		
Corporate loans and advances		
— Loans	**8,433,979**	6,418,123
— Finance lease loans	**146,085**	124,370
Personal loans and advances	**1,765,399**	1,692,450
Discounted bills	**78,744**	38,516
— Financial assets held under resale agreements	**98,728**	188,467
	12,524,305	10,371,063
Less: Interest expenses arising from		
— Borrowings from the central bank	**(54,703)**	(42,672)
— Deposits from banks and other financial institutions	**(287,835)**	(395,763)
— Placements from banks and other financial institutions	**(242,122)**	(271,614)
— Deposits from customers:		
Corporate customers	**(1,182,042)**	(1,157,497)
Individual customers	**(4,146,557)**	(2,811,460)
— Financial assets sold under repurchase agreements	**(117,865)**	(110,268)
— Debts securities issued	**(292,736)**	(452,926)
— Lease liabilities	**(24,076)**	(30,433)
	(6,347,936)	(5,272,633)
	6,176,369	5,098,430

7. NET FEE AND COMMISSION INCOME

	2021 RMB'000	2020 RMB'000
Fee and commission income		
— Advisory fees	**33,218**	137,388
— Settlement and clearing fees	**65,495**	29,434
— Wealth management service fees	**3,936**	19,515
— Agency service fees	**16,613**	18,516
— Syndicated loan service fees	**45,751**	59,547
— Bank card service fees	**3,361**	3,992
— Others	**1,034**	499
	169,408	268,891
Fee and commission expense		
— Settlement and clearing fees	**(79,180)**	(25,008)
— Others	**(17,526)**	(13,333)
	(96,706)	(38,341)
	72,702	230,550

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

8. NET TRADING GAINS

	2021 RMB'000	2020 RMB'000
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")		
— Unlisted equity investments	**(125,999)**	(69,874)
— Listed equity investments	**(14,152)**	—
— Other debt instruments	**7,244**	(164,932)
Investment income from financial assets at FVTPL (Note)	**119,333**	351,617
Net gain on disposal of financial assets at FVTPL		
— Unlisted equity investments	**3,905**	29,750
— Other debt instruments	**10,628**	3,212
	959	149,773

Note:

The investment income from financial assets at FVTPL includes interest income from financial assets at FVTPL of approximately RMB119,333,000 for the year ended 31 December 2021 (2020: approximately RMB351,617,000).

9. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2021 RMB'000	2020 RMB'000
Net gains on disposal of financial assets measured at amortised cost	6,143	9,029
Net gains on disposal of financial assets at FVTOCI	80,203	31,080
Net revaluation gains reclassified from other comprehensive income upon disposal	960	6,345
	87,306	46,454

10. OTHER OPERATING INCOME (EXPENSE), NET

	2021 RMB'000	2020 RMB'000
Government grants (Note)	49,986	29,315
Gain on disposal of property and equipment	22,672	3,523
(Loss) gain on early termination of lease agreements	(351)	11,915
Other operating expense	(69,194)	(55,767)
	3,113	(11,014)

Note:

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

11. OPERATING EXPENSES

	2021 RMB'000	2020 RMB'000
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and bonuses	**1,373,157**	1,218,542
— Staff welfares	**115,737**	106,229
— Social insurance (Notes (a))	**295,574**	143,365
— Housing allowances	**111,335**	99,512
— Labour union and staff education expenses	**28,670**	24,507
	1,924,473	1,592,155
Premises and equipment expenses		
— Depreciation of property and equipment	**291,200**	367,072
— Amortisation of long-term deferred expenses	**33,103**	32,123
— Rental and property management expenses	**56,364**	47,709
— Depreciation of right-of-use assets	**168,658**	194,894
	549,325	641,798
Other tax and surcharges	**90,221**	83,511
Other general and administrative expenses (Notes (b))	**509,862**	426,268
	3,073,881	2,743,732

Notes:

(a) Forfeited contributions in respect of unvested benefits of employees leaving the Group's employment cannot be used to reduce ongoing contributions.

(b) Auditor's remuneration for the year ended 31 December 2021 was RMB2,170,000 (2020: RMB3,160,000).

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 24 (2020: 20) directors, the chief executive and supervisors were as follows:

For the year ended 31 December 2021

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Gao Bing	–	643	223	1,771	2,637
Yuan Chunyu	–	411	151	1,077	1,639
Liang Xiangmin	–	449	164	1,191	1,804
Non-executive directors					
Wu Shujun	–	–	–	–	–
Zhang Xinyou[1]	–	–	–	–	–
Cui Qiang	–	–	–	–	–
Zhang Yusheng	–	–	–	–	–
Wang Baocheng[2]	–	–	–	–	–
Independent non-executive directors					
Fu Qiong[3]	100	–	–	–	100
Zhang Qiuhua	100	–	–	–	100
Yang Jinguan[4]	100	–	–	–	100
Chung Wing Yin[5]	307	–	–	–	307
Jiang Ning[6]	100	–	–	–	100
Supervisors					
Luo Hui	–	449	163	1,191	1,803
Wang Enjiu	–	582	95	144	821
Liu Xiangjun	–	132	31	24	187

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 24 (2020: 20) directors, the chief executive and supervisors were as follows: (Continued)

For the Year Ended 31 December 2021 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
External supervisors					
Gao Pengcheng[9]	50	–	–	–	50
Wang Zhi[7]	50	–	–	–	50
Zhang Ruibin[10]	50	–	–	–	50
Fan Shuguang[8]	50	–	–	–	50
Dai Yundi[11]	–	–	–	–	–
Liu Jianxin[12]	–	–	–	–	–
Dong Shuaibing[13]	–	–	–	–	–
Hu Guohuan[14]	–	–	–	–	–
	907	2,666	827	5,398	9,798

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 24 (2020: 20) directors, the chief executive and supervisors were as follows: (Continued)

For the year ended 31 December 2020

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Gao Bing	–	638	191	1,771	2,600
Yuan Chunyu	–	406	120	1,077	1,603
Liang Xiangmin	–	444	124	1,191	1,759
Non-executive directors					
Wu Shujun	–	–	–	–	–
Zhang Xinyou[1]	–	–	–	–	–
Cui Qiang	–	–	–	–	–
Zhang Yusheng	–	–	–	–	–
Wang Baocheng[2]	–	–	–	–	–
Independent non-executive directors					
Fu Qiong[3]	100	–	–	–	100
Zhang Qiuhua	33	–	–	–	33
Yang Jinguan[4]	100	–	–	–	100
Chung Wing Yin[5]	333	–	–	–	333
Jiang Ning[6]	100	–	–	–	100
Supervisors					
Luo Hui	–	444	133	1,191	1,768
Wang Enjiu	–	570	283	240	1,093
Liu Xiangjun	–	127	12	24	163

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 24 (2020: 20) directors, the chief executive and supervisors were as follows: (Continued)

For the year ended 31 December 2020 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
External supervisors					
Gao Pengcheng[9]	50	–	–	–	50
Wang Zhi[7]	50	–	–	–	50
Zhang Ruibin[10]	50	–	–	–	50
Fan Shuguang[8]	50	–	–	–	50
	866	2,629	863	5,494	9,852

Notes:

(1) Zhang Xinyou resigned as non-executive director on 18 June 2021.

(2) Wang Baocheng resigned as non-executive director on 18 June 2021.

(3) Fu Qiong resigned as independent non-executive director on 18 June 2021.

(4) Yang Jinguan resigned as independent non-executive director on 18 June 2021.

(5) Chung Wing Yin resigned as independent non-executive director on 18 June 2021.

(6) Jiang Ning resigned as independent non-executive director on 18 June 2021.

(7) Wang Zhi resigned as external supervisor on 18 June 2021.

(8) Fan Shuguang resigned as external supervisor on 18 June 2021.

(9) Gao Pengcheng resigned as external supervisor on 18 June 2021.

(10) Zhang Ruibin resigned as external supervisor on 18 June 2021.

(11) Dai Yundi was appointed as external supervisor on 18 June 2021.

(12) Liu Jianxin was appointed as external supervisor on 18 June 2021.

(13) Dong Shuaibing was appointed as external supervisor on 18 June 2021.

(14) Hu Guohuan was appointed as external supervisor on 18 June 2021.

Discretionary bonuses are paid depending on staff grading, individual performance and the profitability of the Group.

Mr. Gao Bing is also the chief executive of the Bank and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2020 and 2021. No emoluments were paid by the Group to the directors of the Bank as an incentive payment for joining the Group or as compensation, for loss of office during the years ended 31 December 2020 and 2021.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one director (2020: three directors or supervisors) whose emoluments are disclosed in Note 12 above. The emoluments of remaining four (2020: two) individuals were as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	5,677	4,330
Retirement benefits scheme contributions	415	141
Discretionary bonuses	2,411	1,206
	8,503	5,677

Their emoluments were within the following bands:

	2021 No. of employees	2020 No. of employees
HK$ nil to HK$1,000,000 (equivalent to RMB nil to RMB816,660) (2020: RMB nil to RMB848,176)	–	–
HK$1,000,001 to HK$1,500,000 (equivalent to RMB816,661 to RMB1,224,990) (2020: RMB848,177 to RMB1,272,264)	–	–
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,224,991 to RMB1,633,320) (2020: RMB1,272,265 to RMB1,696,352)	–	–
HK$2,000,001 to HK$2,500,000 (equivalent to RMB1,633,321 to RMB2,041,650) (2020: RMB1,696,353 to RMB2,120,440)	3	1
HK$2,500,001 to HK$3,000,000 (equivalent to RMB2,041,651 to RMB2,449,980) (2020: RMB2,120,441 to RMB2,544,528)	–	–
HK$3,000,001 to HK$3,500,000 (equivalent to RMB2,449,981 to RMB2,858,310) (2020: RMB2,544,529 to RMB2,968,616)	1	–
HK$3,500,001 to HK$4,000,000 (equivalent to RMB2,858,311 to RMB3,266,639) (2020 RMB2,968,617 to RMB3,392,704)	–	–
HK$4,000,001 to HK$4,500,000 (equivalent to RMB3,266,640 to RMB3,674,969) (2020: RMB3,392,705 to RMB3,816,792)	–	–
HK$4,500,001 to HK$5,000,000 (equivalent to RMB3,674,970 to RMB4,083,299) (2020: RMB3,816,793 to RMB4,240,880)	–	1

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the years ended 31 December 2021 and 2020.

14. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	Notes	2021 RMB'000	2020 RMB'000
Loans and advances to customers	23	**1,232,012**	863,571
Other receivables and repossessed assets	31	**10,157**	47,546
Debt securities financial assets at FVTOCI	24	**—**	(5,935)
Deposits with bank and other financial institutions	18	**1,682**	(425)
Placements with banks and other financial institutions	19	**(506)**	(207)
Provision for credit commitments and financial guarantees	41	**17,093**	43,146
Financial assets measured at amortised costs	25	**308,757**	358,911
Property and equipment	27	**184**	—
		1,569,379	1,306,607

15. INCOME TAX EXPENSE

(a) Income tax:

	2021 RMB'000	2020 RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	**682,607**	548,765
Under provision in prior years:		
— Mainland China Enterprise Income Tax	**34,984**	2,059
Deferred tax (Note 30)		
— Current year	**(260,034)**	(209,472)
	457,557	341,352

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

15. INCOME TAX EXPENSE (Continued)

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

	2021 RMB'000	2020 RMB'000
Profit before tax	**1,747,555**	1,541,015
Tax at domestic income tax rate of 25%	**436,889**	385,254
Tax effect of share of profit of associates	**(7,130)**	(11,148)
Tax effect of expenses not deductible for tax purpose (Notes i)	**19,963**	36,371
Tax effect of income that are not taxable for tax purpose (Notes ii)	**(27,149)**	(71,184)
Under provision in respect of prior years	**34,984**	2,059
Income tax expense	**457,557**	341,352

Notes:

(i) Expenses not deductible for tax purpose consists of a portion of expenditure, such as entertainment expense and donations, which exceed the tax deduction limits in accordance with Mainland China tax regulation.

(ii) Income not taxable for tax purpose consists of interest income from the Mainland China government bonds and income from equity investment between qualified resident enterprises such as dividends and bonuses, which are exempted from income tax under the Mainland China tax regulation.

Details of the deferred taxation are set out in Note 30.

16. 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:

	2021 RMB'000	2020 RMB'000
Profit for the year attributable to owners of the Bank	**1,129,398**	1,104,416
		(restated)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	**4,612,901**	4,612,901

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2021 and 2020.

The weighted average number of ordinary shares in issue during the year ended 31 December 2021 has been adjusted retrospectively taking into account the capitalisation issue of 219,661,972 ordinary shares (2020: 209,201,878 ordinary shares) as stated in note 42 as if the capitalisation issue had been effective on 1 January 2020 (2020: 1 January 2019).

17. CASH AND DEPOSITS WITH THE CENTRAL BANK

	2021 RMB'000	2020 RMB'000
Cash on hand	745,744	739,591
Deposits with the central bank		
— Statutory deposit reserves (Notes a)	11,578,178	11,543,395
— Surplus deposit reserves (Notes b)	18,672,108	12,705,802
— Fiscal deposits	1,859	166,238
	30,252,145	24,415,435
	30,997,889	25,155,026

Notes:

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. At 31 December 2021 and 2020, the statutory deposit reserve ratios applicable to the Bank were as follows:

	2021	2020
Reserve ratio for RMB deposits	6.5%	8.5%
Reserve ratio for foreign currency deposits	9.0%	5.0%

The statutory deposit reserves are restricted balances with central bank and are not available for the Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

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

18. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2021 RMB'000	2020 RMB'000
Deposits in Mainland China		
— Banks	**10,822,566**	8,383,166
— Other financial institutions	**—**	1,596
	10,822,566	8,384,762
Deposits outside Mainland China		
— Banks	**8,494**	13,202
	10,831,060	8,397,964
Less: provision for impairment losses (Note (a))	**(2,947)**	(1,265)
	10,828,113	8,396,699

Notes:

(a) As at 31 December 2021 and 2020, the Group classifies all deposits with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12 months ECL.

(b) Movement of provision for impairment losses:

	2021 RMB'000	2020 RMB'000
At 1 January	**1,265**	1,690
Impairment losses reversed	**1,682**	(425)
At 31 December	**2,947**	1,265

19. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2021 RMB'000	2020 RMB'000
Placements in Mainland China		
— Banks	25,000	100,000
— Other financial institutions	110,000	630,000
	135,000	730,000
Less: provision for impairment losses (Note (a))	(241)	(747)
	134,759	729,253

Notes:

(a) As at 31 December 2021 and 2020, the Group classifies all placements with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12-month ECL.

(b) Movement of provision for impairment losses:

	2021 RMB'000	2020 RMB'000
At 1 January	747	954
Impairment losses reversed	(506)	(207)
At 31 December	241	747

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	2021 RMB'000	2020 RMB'000
In Mainland China		
— Banks	1,498,500	—
— Other financial institutions	—	1,102,000
	1,498,500	1,102,000

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

(b) Analysed by type of security held

	2021 RMB'000	2020 RMB'000
Debt securities		
— Government	**1,158,500**	1,102,000
— Other financial institutions	**340,000**	—
	1,498,500	1,102,000

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 RMB'000	2020 RMB'000
Listed equity investments measured at FVTPL	**61,057**	—
Unlisted equity investments measured at FVTPL (Notes (a))	**1,044,407**	1,178,502
Other debt instruments (Notes (b))	**1,446,750**	2,021,707
	2,552,214	3,200,209

Notes:

(a) Unlisted equity investments measured at FVTPL

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

(b) Other debt instruments

As at 31 December 2020, other debt securities mainly represented 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. Details are set out in note 46(a).

22. INTERESTS RECEIVABLES

	2021 RMB'000	2020 RMB'000
Interests receivables arising from:		
— Investments	**323,710**	304,892
— Loans and advances to customers	**545,401**	533,237
— Financial assets held under resale agreements	**281**	231
— Deposits with the central bank	**100**	174
— Deposits and placements with banks and other financial institutions	**38,887**	35,753
	908,379	874,287

23. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2021 RMB'000	2020 RMB'000
Gross loans and advances to customers		
Corporate loans and advances		
— Loans	**126,768,501**	103,553,361
— Finance lease loans	**3,473,367**	2,077,835
	130,241,868	105,631,196
Personal loans and advances		
— Personal business loans	**19,967,028**	17,954,210
— Personal consumption loans	**2,850,866**	2,656,048
— Credit card overdrafts	**20,565**	21,491
— Residential and commercial mortgage loans	**3,756,415**	3,813,526
	26,594,874	24,445,275
Discounted bills	**13,447**	—
	156,850,189	130,076,471
Less: Provision for impairment losses		
— Individually assessed	**(801,044)**	(1,240,419)
— Collectively assessed	**(3,827,010)**	(2,261,500)
	(4,628,054)	(3,501,919)
	152,222,135	126,574,552

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At 31 December 2021		
	Amounts RMB'000	Percentages	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
— Wholesale and retail	26,881,000	17.14%	8,831,830
— Leasing and business services	24,519,152	15.63%	11,703,703
— Manufacturing	19,020,438	12.13%	8,886,331
— Construction	16,126,761	10.28%	5,409,147
— Agriculture, forestry, animal husbandry and fishery	8,863,680	5.65%	3,188,035
— Scientific research, technical services and geological prospecting	6,997,185	4.46%	1,413,073
— Transportation, storage and postal services	5,908,438	3.77%	1,651,697
— Real estate	4,751,542	3.03%	2,315,979
— Information transmission, computer services and software	4,667,468	2.98%	1,289,406
— Accommodation and catering	2,995,073	1.91%	2,399,498
— Water, environment and public facility management	2,445,585	1.56%	686,540
— Education	2,092,870	1.33%	577,770
— Electricity, gas and water production and supply	1,882,349	1.20%	395,973
— Health and social services	1,413,331	0.90%	666,451
— Resident and other services	797,310	0.51%	306,157
— Cultural, sports and entertainment	485,172	0.31%	226,344
— Mining	213,514	0.14%	164,710
— Public administration, social security and social organisation	181,000	0.11%	141,000
	130,241,868	83.04%	50,253,644
Personal loans and advances	26,594,874	16.95%	15,484,535
Discounted bills	13,447	0.01%	—
	156,850,189	100.00%	65,738,179
Less: Provision for impairment losses			
— Individually assessed	(801,044)		
— Collectively assessed	(3,827,010)		
	(4,628,054)		
	152,222,135		

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

	At 31 December 2020		
	Amounts RMB'000	Percentages	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
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
Less: Provision for impairment losses			
— Individually assessed	(1,240,419)		
— Collectively assessed	(2,261,500)		
	(3,501,919)		
	126,574,552		

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

As at 31 December 2021 and 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 31 December 2021					
	Gross impaired loans and advances RMB'000	ECL Stage 1 RMB'000	ECL Stage 2 RMB'000	ECL Stage 3 RMB'000	Impairment charged during the year RMB'000	Written-off during the year RMB'000
– Wholesale and retail	507,248	393,813	61,117	239,343	283,451	(5,530)
– Leasing and business services	533,875	240,588	44,788	306,461	264,530	(1,061)
– Manufacturing	456,134	329,374	222,757	197,922	(26,042)	(24,784)
– Construction	177,309	309,140	32,528	104,998	108,120	–

	At 31 December 2020					
	Gross impaired loans and advances RMB'000	ECL Stage 1 RMB'000	ECL Stage 2 RMB'000	ECL Stage 3 RMB'000	Impairment charged during the year RMB'000	Written-off during the year 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)

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	2021 RMB'000	2020 RMB'000
Gross loans and advances to customers		
Unsecured loans	**2,570,917**	2,647,050
Guaranteed loans	**74,951,159**	61,203,663
Collateralised loans	**65,738,179**	54,773,095
Pledged loans	**13,589,934**	11,452,663
	156,850,189	130,076,471

(d) Overdue loans analysed by overdue period

	At 31 December 2021				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	**4,141**	**26,420**	**3,623**	**3,960**	**38,144**
Guaranteed loans	**1,981,515**	**563,944**	**441,753**	**175,449**	**3,162,661**
Collateralised loans	**3,103,663**	**509,714**	**1,143,143**	**487,870**	**5,244,390**
Pledged loans	**123,058**	**20,700**	**42,111**	**43,469**	**229,338**
	5,212,377	**1,120,778**	**1,630,630**	**710,748**	**8,674,533**
As a percentage of gross loans and advances to customers	**3.33%**	**0.71%**	**1.04%**	**0.45%**	**5.53%**

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	At 31 December 2020				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total 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
	2,649,666	819,522	1,170,015	537,996	5,177,199
As a percentage of gross loans and advances to customers	2.04%	0.63%	0.90%	0.41%	3.98%

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

(e) Loans and advances and provision for impairment losses

	As at 31 December 2021			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross loans and advances to customers	149,151,829	3,955,890	3,742,470	156,850,189
Less: Provision for impairment losses	(1,926,068)	(792,605)	(1,909,381)	(4,628,054)
	147,225,761	3,163,285	1,833,089	152,222,135

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	As at 31 December 2020			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total 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.

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

	At 31 December 2021			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Normal	148,510,093	729,754	30,306	149,270,153
Special mention	641,736	3,226,136	770,443	4,638,315
Substandard	–	–	647,193	647,193
Doubtful	–	–	2,225,976	2,225,976
Loss	–	–	68,552	68,552
Gross carrying amount	149,151,829	3,955,890	3,742,470	156,850,189
Less: allowance for impairment losses	(1,926,068)	(792,605)	(1,909,381)	(4,628,054)
Net carrying amount	147,225,761	3,163,285	1,833,089	152,222,135

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	At 31 December 2020			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total 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: allowance 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

(f) Movements of provision for impairment losses

	As at 31 December 2021			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total 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	27,150	(13,250)	(13,900)	–
– Transfer to stage 2	(16,832)	150,613	(133,781)	–
– Transfer to stage 3	(18,507)	(105,618)	124,125	–
– Charge to profit or loss, net	276,857	249,853	705,302	1,232,012
– Recoveries of loans and advances previously written off as uncollectible	–	–	8,019	8,019
– Interest income on impaired loans and advances to customers	–	–	(60,991)	(60,991)
– Amounts written off as uncollectible	–	–	(52,905)	(52,905)
Loss allowance at 31 December 2021	1,926,068	792,605	1,909,381	4,628,054

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	As at 31 December 2020			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total 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

(g) Analysed by geographical sector

	At 31 December 2021		
	Gross loans balance RMB'000	Percentages	Loans and advances secured by collaterals RMB'000
Jilin Region	**137,199,083**	**87.47%**	**54,362,703**
Mainland China excluding Jilin Region	**19,651,106**	**12.53%**	**11,375,476**
	156,850,189	**100.00%**	**65,738,179**

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analysed by geographical sector (Continued)

	At 31 December 2020		
	Gross loans balance RMB'000	Percentages	Loans and advances secured by collaterals 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
	130,076,471	100.00%	54,773,095

(h) Finance lease receivables

The Group entered into finance leasing arrangements as a lessor for certain equipment to its retailers. The average term of finance leases entered into is 3 years. Generally, these lease contracts do not include extension or early termination options.

	2021 RMB'000	2020 RMB'000
Amounts receivable under finance leases:		
Within one year	**1,126,375**	152,566
After one year but within two years	**663,424**	971,544
After two years but within three years	**1,222,542**	456,631
After three years but within four years	**277,833**	669,173
After four years but within five years	**468,467**	—
Undiscounted lease payments	**3,758,641**	2,249,914
Unguaranteed residual values	**—**	—
Gross investment in leases	**3,758,641**	2,249,914
Less: Unearned finance income	**(285,274)**	(172,079)
Present value of minimum finance lease receivables	**3,473,367**	2,077,835
Less: Provision for impairment losses	**(106,733)**	(32,292)
	3,366,634	2,045,543

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(h) Finance lease receivables (Continued)

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

	2021 RMB'000	2020 RMB'000
Finance income on the net investment in finance leases	**146,085**	124,370

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

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021 RMB'000	2020 RMB'000
Debt securities issued by the following institutions in Mainland China		
— Government	**4,427,040**	1,939,178
— Banks and other financial institutions	**401,393**	323,033
— Corporations	**109,576**	110,508
	4,938,009	2,372,719
Unlisted equity investments designated at FVTOCI	**178,450**	153,392
	178,450	153,392
	5,116,459	2,526,111
Analysed as:		
Listed outside Hong Kong	**4,938,009**	2,372,719
Unlisted outside Hong Kong	**178,450**	153,392
	5,116,459	2,526,111

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

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

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

At 31 December 2020, parts of financial assets at FVTOCI were pledged as security for repurchase agreement (Note 32(a)).

Provision for impairment losses for debt instruments at FVTOCI:

	At 31 December 2021			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Gross debt instruments at FVTOCI	4,937,859	—	150	4,938,009
Provision for impairment losses	(25)	—	(150)	(175)
	4,937,834	—	—	4,937,834

	At 31 December 2020			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total 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

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

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

	2021 Total RMB'000	2020 Total RMB'000
At 1 January	175	6,110
Reversal for the year	—	(5,935)
At 31 December	175	175

25. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2021 RMB'000	2020 RMB'000
Debt securities issued by the following institutions in Mainland China		
— Government	7,772,322	6,330,653
— Banks and other financial institutions	1,021,221	1,836,265
— Corporations	430,845	431,388
— Interbank certificates	487,191	—
	9,711,579	8,598,306
Trust plans	7,927,149	9,822,250
Asset management plans	6,128,945	6,625,571
Investment funds	—	720,906
	14,056,094	17,168,727
	23,767,673	25,767,033
Less: Provision for impairment losses (Note a)	(953,522)	(994,351)
	22,814,151	24,772,682
Analysed as:		
Listed outside Hong Kong	9,711,030	8,566,462
Unlisted outside Hong Kong	13,103,121	16,206,220
	22,814,151	24,772,682

25. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

Notes:

(i) The Group had an objective to hold these investments in order to collect contractual cash flows and had measured them at their amortised cost.

(ii) All debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

(iii) At 31 December 2020, parts of financial assets at amortised cost were pledged as securities for repurchase agreement (Note 32(a)).

(a) Provision for impairment losses:

	At 31 December 2021			
	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Gross financial assets measured at amortised costs	16,077,973	—	7,689,700	23,767,673
Less: Provision for impairment losses	(55,225)	—	(898,297)	(953,522)
	16,022,748	—	6,791,403	22,814,151

	At 31 December 2020			
	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	RMB'000	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

25. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

Notes: (Continued)

(b) Movements of allowance for impairment losses

	As at 31 December 2021			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total 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	(17,942)	(44,106)	62,048	—
— Charge to profit or loss, net	(3,460)	103,142	209,075	308,757
— Interest income on impaired financial asset measured at amortised cost	—	—	(215,073)	(215,073)
— Write off	—	(134,513)	—	(134,513)
Loss allowance at 31 December 2021	55,225	—	898,297	953,522

	As at 31 December 2020			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total 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

26. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Costs of investments in associates, unlisted	889,658	936,110
Share of post-acquisition profits and other comprehensive income, net of dividends received	71,375	69,020
	961,033	1,005,130

As at 31 December 2021 and 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 2021	2020	Proportion of voting power held 2021	2020	Principal activity
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")(1)	Incorporated	PRC	Ordinary	20.2%	20.2% (note b)	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")(1)	Incorporated	PRC	Ordinary	38.8%	38.8%	38.8%	38.8%	Corporate and retail bank
Jilin Chuncheng Rural Commercial Bank Co., Ltd.* ("吉林春城農村商業銀行股份有限公司", "Jilin Chuncheng Rural Commercial Bank")(1)	Incorporated	PRC	Ordinary	–	– (note c)	–	–	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")(1)	Incorporated	PRC	Ordinary	10% (note a)	20%	10% (note a)	24%	Corporate and retail bank

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

* The English translation is for identification only.

26. INTERESTS IN ASSOCIATES (Continued)

Note:

(a) During the year ended 31 December 2021, Haikou United Rural Commercial Bank issued 600,000,000 ordinary shares with par value of RMB1 per share to independent third parties at cash consideration of RMB600,000,000 accordingly, the Group's ownership was being diluted from 20% to 10%.

The resulting loss recognised in profit or loss is as follow:

	RMB'000
Carrying amount of 10% equity interest in Haikou United Rural Commercial Bank after deemed partial disposal	166,451
Carrying amount of 20% equity interest in Haikou United Rural Commercial Bank before deemed partial disposal	(212,903)
Loss on deemed partial disposal of an associate	(46,452)

After the dilution, the directors of the Bank considered that Haikou United Rural Commercial Bank, in which the Bank has 10% equity interest, is still classified as an associate of the Group as the Group continues to have significant influence over Haikou United Rural Commercial Bank by virtue of its contractual right to appoint two out of nine directors to the board of directors of that associate, and voting right under the provisions stated in the shareholders' agreement of that associate.

(b) During the year ended 31 December 2020, the Bank had disposed of 49,000,000 shares (9.8% equity interest) in Jilin Gongzhuling Rural Commercial Bank to two independent third parties at cash consideration of RMB122,500,000. The resulting loss recognised in profit or loss is as follow:

	RMB'000
Consideration	122,500
Carrying amount of disposed 9.8% investment on the date of disposal	(154,524)
Release of other comprehensive income upon partial disposal of an associate	958
Loss on partial disposal of an associate	(31,066)

(c) During the year ended 31 December 2020, the Bank had disposed of 75,764,200 shares (14.77% equity interest) in Jilin Chuncheng Rural Commercial Bank to three independent third parties at cash consideration of RMB204,600,000. The resulting gain recognised in profit or loss is as follow:

	RMB'000
Consideration	204,600
Fair value of retained interest recognised as financial assets at FVTPL	210,972
Carrying amount of disposed investment on the date of loss of significant influence	(421,598)
Loss on disposal of an associate	(6,026)

26. INTERESTS IN ASSOCIATES (Continued)

Note: (Continued)

After the disposal, the Group holds 15.23% of equity interest in Jilin Chuncheng Rural Commercial Bank. As the Group lost significant influence on Jilin Chuncheng Rural Commercial Bank, the investment was classified as financial assets at FVTPL with carrying amount of approximately RMB210,972,000 on the date of disposal.

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

	2021 RMB'000	2020 RMB'000
The Group's share of profit for the year	**28,521**	44,590
The Group's share of other comprehensive income (expense) for the year	**9,464**	(2,275)
	37,985	42,315

	2021 RMB'000	2020 RMB'000
Carrying amount of the Group's interests in these associates	**961,033**	1,005,130

(e) Impairment testing on interests in associates

As at 31 December 2021 and 2020, management of the Group determines that there are no impairments of any of the carrying amount of the Group's interests in associates as the recoverable amounts of individual associates exceed their respective carrying amounts determined based on a value in use calculation.

27. 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
Cost						
At 1 January 2020	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	**3,203,332**	**638,680**	**808,816**	**194,944**	**10,226**	**4,855,998**
Additions	**70,277**	**26,097**	**66,201**	**167,488**	**596**	**330,659**
Transfers in/(out) of construction in progress	**122,152**	**1,258**	**18,315**	**(141,725)**	**–**	**–**
Transfer to land use rights	**–**	**–**	**–**	**(21,587)**	**–**	**(21,587)**
Transfers from repossessed assets	**10,917**	**–**	**–**	**–**	**–**	**10,917**
Disposals	**(5,437)**	**(3,737)**	**(8,622)**	**(5,380)**	**(2,018)**	**(25,194)**
At 31 December 2021	**3,401,241**	**662,298**	**884,710**	**193,740**	**8,804**	**5,150,793**

27. PROPERTY AND EQUIPMENT (Continued)

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Accumulated depreciation and impairment						
At 1 January 2020	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	**601,302**	**432,078**	**567,950**	**–**	**5,177**	**1,606,507**
Provided for the year	**160,120**	**57,290**	**72,264**	**–**	**1,526**	**291,200**
Impairment loss recognised in profit or loss	**–**	**–**	**184**	**–**	**–**	**184**
Eliminated on disposals	**(1,862)**	**(1,402)**	**(7,357)**	**–**	**(1,958)**	**(12,579)**
At 31 December 2021	**759,560**	**487,966**	**633,041**	**–**	**4,745**	**1,885,312**
Net book value						
At 31 December 2021	**2,641,681**	**174,332**	**251,669**	**193,740**	**4,059**	**3,265,481**
At 31 December 2020	2,602,030	206,602	240,866	194,944	5,049	3,249,491

At 31 December 2021, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB958,589,000 (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 RMB442,849,000 (2020: approximately RMB510,108,000).

27. PROPERTY AND EQUIPMENT (Continued)

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

	2021 RMB'000	2020 RMB'000
Held in Mainland China		
— Long term leases (over 50 years)	**63,182**	11,473
— Medium term leases (10–50 years)	**2,531,344**	2,569,056
— Short term leases (less than 10 years)	**47,155**	21,501
	2,641,681	2,602,030

28. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

i Right-of-use assets

	Premises RMB'000	Motor Vehicles RMB'000	Land use rights RMB'000	Total RMB'000
Cost				
At 1 January 2020	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	**973,505**	**13,377**	**8,403**	**995,285**
Additions	**98,502**	**1,329**	**—**	**99,831**
Transfer from property and equipment	**—**	**—**	**21,587**	**21,587**
Early termination of lease	**(137,549)**	**(1,527)**	**—**	**(139,076)**
At 31 December 2021	**934,458**	**13,179**	**29,990**	**977,627**
Accumulated depreciation				
At 1 January 2020	175,394	4,327	1,128	180,849
Provided for the year	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	**321,299**	**8,298**	**1,448**	**331,045**
Provided for the year	**164,223**	**3,564**	**871**	**168,658**
Eliminated on early termination of lease	**(133,941)**	**(2,844)**	**—**	**(136,785)**
At 31 December 2021	**351,581**	**9,018**	**2,319**	**362,918**
Carrying amounts				
At 31 December 2021	**582,877**	**4,161**	**27,671**	**614,709**
At 31 December 2020	652,206	5,079	6,955	664,240

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

i Right-of-use assets (Continued)

Right-of-use assets of approximately RMB27,671,000 (2020: RMB6,955,000) represents land use rights located in the PRC. As at 31 December 2021, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB676,000 (2020: 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 year ended 31 December 2021 amounted to approximately RMB99,831,000 (2020: approximately RMB175,324,000), due to new leases of premises and motor vehicles.

ii Lease liabilities

Amounts payable under lease liabilities	2021 RMB'000	2020 RMB'000
Within one year	**169,583**	152,753
After one year but within two years	**135,869**	146,564
After two year but within five years	**169,938**	250,374
After five years	**43,389**	41,808
	518,779	591,499

During the year ended 31 December 2021, the Group entered into a number of new lease agreements in respect of rented properties and motor vehicles and recognised lease liability of approximately RMB99,831,000 (2020: RMB175,324,000).

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

iii Amount recognised in profit or loss

	2021 RMB'000	2020 RMB'000
Depreciation expense on right-of-use assets	168,658	194,894
Interest expense on lease liabilities	24,076	30,433
Expense relating to short-term leases	34,525	28,208

iv Others

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

During the year ended 31 December 2021, the total cash outflow for leases amount to approximately RMB229,212,000 (2020: RMB206,563,000).

29. GOODWILL

	2021 RMB'000	2020 RMB'000
Cost		
At the beginning and the end of the financial year	401,335	401,335
Carrying amounts		
At the end of the financial year	401,335	401,335

29. GOODWILL (Continued)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill with indefinite useful lives set out as above have been allocated to four individual cash generating units ("CGUs"), comprising four subsidiaries in corporate and retail banking as at 31 December 2021 and 2020 respectively.

	2021 RMB'000	2020 RMB'000
Liaoyuan Rural Commercial Bank Co., Ltd.* ("遼源農村商業銀行股份有限公司"), ("Liaoyuan Rural Commercial Bank")	**386,202**	386,202
Lingshui Huimin Village and Township Bank Co., Ltd.* ("陵水惠民村鎮銀行股份有限公司"), ("Lingshui Huimin Village and Township Bank")	**1,010**	1,010
Sanya Huimin Village Bank Co., Ltd.* ("三亞惠民村鎮銀行股份有限公司"), ("Sanya Huimin Village and Township Bank")	**3,352**	3,352
Qingdao Jimo Huimin Village Bank Co., Ltd.* ("青島即墨惠民村鎮銀行股份有限公司"), ("Qingdao Jimo Huimin Village and Township Bank")	**10,771**	10,771
	401,335	401,335

* The English translation is for identification only.

During the year ended 31 December 2021 and 2020, management of the Group determines that there are no impairments of any of its CGUs containing goodwill with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Liaoyuan Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 9.43% (2020: 13.5%), and pre-tax discount rate of 13% (2020: 13%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

29. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below: (Continued)

Lingshui Huimin Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 3.17% (2020: 6.5%), and pre-tax discount rate of 13% (2020: 13%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Sanya Huimin Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 10.15% (2020: 22.6%), and pre-tax discount rate of 13% (2020: 13%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

29. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below: (Continued)

Qingdao Jimo Huimin Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 15.59% (2020: 19.1%), and pre-tax discount rate of 13% (2020: 13%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

30. DEFERRED TAXATION

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

	2021 RMB'000	2020 RMB'000
Deferred tax assets	**1,111,007**	884,200
Deferred tax liabilities	**(106,512)**	(110,978)
	1,004,495	773,222

30. DEFERRED TAXATION (Continued)

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

	Provision for impairment losses on assets RMB'000 Notes (i)	Change in fair value of financial asset at FVTOCI RMB'000 Notes (ii)	Net losses/ (gains) from fair value changes of financial asset at FVTPL RMB'000 Note (ii)	Tax losses RMB'000 Notes (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 2020	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	815,949	(208)	(110,770)	61,565	6,686	773,222
Credit (charge) to profit or loss	222,922	–	33,227	(21,397)	25,282	260,034
Charge to other comprehensive income	–	(28,761)	–	–	–	(28,761)
At 31 December 2021	1,038,871	(28,969)	(77,543)	40,168	31,968	1,004,495

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other 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 31 December 2021, the Group has unused tax losses of approximately RMB160,672,000 (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.

31. OTHER ASSETS

	2021 RMB'000	2020 RMB'000
Other receivables and prepayments (Notes (i))	256,869	276,539
Repossessed assets (Notes (ii))	413,057	503,275
Long-term deferred expenses (Notes (iii))	135,337	145,671
Other	15,325	13,548
	820,588	939,033

Notes:

(i) Other receivables and prepayments

	2021 RMB'000	2020 RMB'000
Other receivables and prepayments	296,430	309,265
Less: Provision for impairment losses (Note)	(39,561)	(32,726)
	256,869	276,539

Note:

As at 31 December 2021, the Group has other receivables in gross amount of approximately RMB265,689,000 (2020: RMB193,371,000), and measures the loss allowance comprised of 12-month ECL and lifetime ECL amounting to approximately RMB39,561,000 (2020: RMB32,726,000).

Movements of allowance for impairment losses

	2021 RMB'000	2020 RMB'000
At 1 January	32,726	23,427
Impairment losses recognised	9,714	40,309
Amounts written off as uncollectible	(4,441)	(29,431)
Others	1,562	(1,579)
At 31 December	39,561	32,726

(ii) Repossessed assets

	2021 RMB'000	2020 RMB'000
Gross repossessed assets	438,720	528,610
Less: Provision for impairment losses	(25,663)	(25,335)
	413,057	503,275

31. OTHER ASSETS (Continued)

Notes: (Continued)

(ii) Repossessed assets (Continued)

Movements of allowance for impairment losses

	2021 RMB'000	2020 RMB'000
At 1 January	**25,335**	19,440
Impairment losses recognised	**443**	7,237
Amounts written off as uncollectible	**(115)**	(1,342)
At 31 December	**25,663**	25,335

(iii) As at 31 December 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 year ended 31 December 2021 was approximately RMB33,103,000.

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.

32. PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities, which are for repurchase agreements. No financial assets pledged as collaterals as at 31 December 2021 (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.

33. BORROWINGS FROM THE CENTRAL BANK

	2021 RMB'000	2020 RMB'000
Borrowings	**2,851,219**	4,010,960

34. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2021 RMB'000	2020 RMB'000
Deposits in Mainland China		
— Banks	**6,763,740**	8,335,923

35. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2021 RMB'000	2020 RMB'000
Placements in Mainland China		
— Banks	**1,502,496**	7,101,496

36. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2021 RMB'000	2020 RMB'000
In Mainland China		
— Banks	**—**	2,654,900

(b) Analysed by collateral

	2021 RMB'000	2020 RMB'000
Debt securities	**—**	2,654,900

37. DEPOSITS FROM CUSTOMERS

	2021 RMB'000	2020 RMB'000
Demand deposits		
— Corporate customers	**38,020,534**	32,649,024
— Individual customers	**16,652,878**	22,558,988
	54,673,412	55,208,012
Time deposits		
— Corporate customers	**7,962,365**	7,491,990
— Individual customers	**126,759,921**	82,997,601
	134,722,286	90,489,591
Pledged deposits		
— Acceptances	**1,193,178**	633,302
— Guarantees and letters of guarantees	**1,590,968**	2,253,620
	2,784,146	2,886,922
Others	**926,394**	1,178,664
	193,106,238	149,763,189

38. ACCRUED STAFF COSTS

	2021 RMB'000	2020 RMB'000
Salary and bonus payable	**171,518**	163,572
Social pension schemes payable	**636**	403
Other social insurances payable	**1,375**	1,507
Other staff welfare payable	**6,181**	11,202
	179,710	176,684

39. INTERESTS PAYABLE

	2021 RMB'000	2020 RMB'000
Deposits from customers	**3,853,165**	2,643,553
Deposits and placements from banks and other financial institutions	**126,482**	300,776
Debts securities issued	**79,320**	44,009
Others	**329**	2,486
	4,059,296	2,990,824

40. DEBT SECURITIES ISSUED

	2021 RMB'000	2020 RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Notes (i))	**3,495,092**	2,396,807
Interbank deposits (Notes (ii))	**2,715,986**	5,107,719
	6,211,078	7,504,526

40. DEBT SECURITIES ISSUED (Continued)

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% p.a.. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 31 December 2021, the outstanding balance of this fixed rate subordinated debts issued is RMB699,700,000 (2020: 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% p.a.. The Group has an option to redeem the debts on 13 April 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 31 December 2021, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB799,213,000 (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% p.a.. 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%. During the year ended 31 December 2021, this fixed rate tier-two capital bonds issued was redeemed. As at 31 December 2021, the outstanding balance of this fixed rate tier-two capital bonds issued is nil (2020: approximately RMB898,434,000).

(d) Tier-two capital bonds at a face value of RMB2,000,000,000 with a term of ten years were issued on 20 July 2021. The coupon rate is 4.80% p.a.. The Group has an option to redeem the debts on 20 October 2026 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.82%. As at 31 December 2021, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB1,996,179,000.

(ii) Interbank deposits

(a) For the year ended 31 December 2021, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB3,550,000,000 and duration between 3 months to 1 year. As at 31 December 2021, the outstanding balance of interbank deposits issued is approximately RMB2,715,986,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.25% to 3.82%.

(b) For the year ended 31 December 2020, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB7,630,000,000 and duration between 1 month to 1 year. As at 31 December 2020, the outstanding balance of interbank deposits issued is approximately RMB5,107,719,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.06% to 4.20%.

41. OTHER LIABILITIES

	2021 RMB'000	2020 RMB'000
Other payable and accrued expenses	554,952	450,842
Clearance of inter-bank accounts	22,820	174,501
Other taxes payables	159,784	40,655
Agency business liabilities	10,177	135
Dividend payable	484	10
Deposits under finance lease arrangement and unearned revenue (Notes (a))	72,461	48,763
Provision for credit commitments and financial guarantees (Notes (b))	60,465	43,372
	881,143	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 31 December 2021 and 2020, the Group classifies all provision for credit commitments and financial guarantees in Stage 1, and measures the loss allowance equal to 12-month ECL.

Movement of provision for impairment losses:

	2021 RMB'000	2020 RMB'000
At 1 January	43,372	226
Impairment losses recognised	17,093	43,146
At 31 December	60,465	43,372

42. SHARE CAPITAL

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

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

	2021 RMB'000	2020 RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
— Ordinary shares	**4,612,901**	4,393,239
At the beginning of the year	**4,393,239**	4,184,037
Share increase by converting capital reserve into new shares (Note)	**219,662**	209,202
At end of the year	**4,612,901**	4,393,239

Note:

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 new shares rank pari passu with the existing shares in all respects. Total ordinary shares are 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 new shares rank pari passu with the existing shares in all respects. Total ordinary shares are 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:

	2021 '000	2020 '000
Domestic shareholders	**3,734,264**	3,556,442
H shareholders	**878,637**	836,797
At end of the year	**4,612,901**	4,393,239

43. CAPITAL RESERVE

	2021 RMB'000	2020 RMB'000
Share premium	4,423,185	4,642,847
Changes in ownership in subsidiaries without changes in control	627,325	278,493
	5,050,510	4,921,340

44. 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 31 December 2021 is approximately RMB1,041,593,000 (2020: approximately RMB898,865,000), while other surplus reserve is approximately RMB16,659,000 as at 31 December 2021 (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.

45. DIVIDENDS

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

Notes:

(a) Pursuant to the resolution of the annual general meeting of 2020 on 18 June 2021, the Bank distributed cash dividends of RMB0.15 per share (tax included) based on 4,393,239,455 shares held amounting to approximately RMB658,985,918 during the year ended 31 December 2021.

(b) Pursuant to the resolution of the annual general 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 RMB753,126,764 during the year ended 31 December 2020.

Subsequent to the end of the reporting period, the Board of the Bank does not recommend any distribution of final dividend for the year ended December 31, 2021, which shall be subject to approval by the shareholders in the forthcoming annual general meeting on 17 June 2022.

46. STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at 31 December 2021, no assets held by the consolidated principal-guaranteed wealth management products sponsored by the Bank (2020:RMB1,548,044,000).

(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 fund plans, asset management plans and wealth management products issued by other financial institutions.

46. 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 31 December 2021 and 2020:

	31 December 2021				
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Financial assets measured at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	—	—	7,927,149	7,927,149	7,927,149
Asset management plans	942,001	—	6,128,945	7,070,946	7,070,946
Investment funds	504,749	—	—	504,749	504,749
	1,446,750	—	14,056,094	15,502,844	15,502,844

	31 December 2020				
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Financial assets measured at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure 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
	473,663	—	17,168,727	17,642,390	17,642,390

46. 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 7.

As at 31 December 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB3,726,180,000 and (2020: approximately RMB4,344,910,000).

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

During the year ended 31 December 2021, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 31 December amounted to approximately RMB4,077,170,000 (2020: approximately RMB3,414,700,000).

47. 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 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 years ended 31 December 2021 and 2020, the Group has complied with all its externally imposed capital requirements.

47. CAPITAL MANAGEMENT (Continued)

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

	2021 RMB'000	2020 RMB'000
Total core tier-one capital		
Share capital	**4,612,901**	4,393,239
Qualifying portion of capital reserve	**5,050,510**	4,921,340
Investment revaluation reserve	**94,661**	10,401
Surplus reserve	**1,058,252**	915,524
General reserve	**2,321,962**	2,077,865
Retained earnings	**1,436,812**	1,353,162
Qualifying portions of non-controlling interests	**1,854,241**	1,475,256
Core tier-one capital deductions (Notes)	**(532,635)**	(554,403)
Net core tier-one capital	**15,896,704**	14,592,384
Eligible portion of non-controlling interests	**238,197**	158,328
Net tier-one capital	**16,134,901**	14,750,712
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	**2,640,000**	1,840,000
Surplus provision for loan impairment	**1,686,334**	1,377,213
Eligible portion of non-controlling interests	**480,751**	357,974
Net capital base	**20,941,986**	18,325,899
Total risk weighted assets	**180,086,947**	161,211,055
Core tier-one capital adequacy ratio	**8.83%**	9.05%
Tier-one capital adequacy ratio	**8.96%**	9.15%
Capital adequacy ratio	**11.63%**	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.

48. CASH AND CASH EQUIVALENTS

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

	2021 RMB'000	2020 RMB'000
Cash on hand	745,744	739,591
Deposits with the central bank	18,672,108	12,705,802
Deposits with banks and other financial institutions	8,706,060	6,574,424
Placements with banks and other financial institutions	—	140,000
Financial assets held under resale agreements	1,498,500	1,102,000
Total	29,622,412	21,261,817

49. 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:

	2021	2020
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%

49. 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 49(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

(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

	2021 RMB'000	2020 RMB'000
Transactions during the year		
Interest income	52,640	28,933
Rental income	6,800	6,800
Interest expense	21,051	34,046

	2021 RMB'000	2020 RMB'000
Balances at end of the year		
Deposits with banks and other financial institutions	4,431,510	4,229,958
Financial assets held under resale agreements	148,500	—
Interests receivable	449	156
Deposits from banks and other financial institutions	844,000	615,000
Interests payable	6,235	11,023

49. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

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

(iii) Transactions between the Group and major shareholders

	2021 RMB'000	2020 RMB'000
Transactions during the year		
Interest income	33,192	19,352
Interest expense	182	122

	2021 RMB'000	2020 RMB'000
Balances at end of the year		
Placements with banks and other financial institutions	—	140,000
Loans and advances to customers	550,500	254,000
Interests receivable	1,527	1,584
Interests payable	84	2
Deposits from customers	45,901	21,648

(iv) Transactions between the Group and other related parties

	2021 RMB'000	2020 RMB'000
Transactions during the year		
Interest income	103,066	58,782
Interest expense	4,929	3,666

	2021 RMB'000	2020 RMB'000
Balances at end of the year		
Loans and advances to customers	1,464,910	1,246,500
Interests receivable	3,365	15
Interests payable	9,042	8,210
Deposits from customers	1,291,843	1,546,124

49. 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

	2021 RMB'000	2020 RMB'000
Transactions during the year		
Interest income	226	134
Interest expense	253	103

	2021 RMB'000	2020 RMB'000
Balances at end of the year		
Interest payable	303	1
Interest receivable	28	—
Loans and advances to customers	4,022	2,772
Deposits from customers	33,646	5,336

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	2021 RMB'000	2020 RMB'000
Short-term staff benefits	17,707	15,517
Retirement benefits		
— Basic social pension insurance	1,653	1,386
	19,360	16,903

49. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(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:

	2021 RMB'000	2020 RMB'000
Loans and advances to directors, supervisors and officers	**4,022**	2,772

50. 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.

50. 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.

50. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

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

50. SEGMENT REPORTING (Continued)

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

	Year ended 31 December 2020				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	5,328,005	(1,135,293)	907,461	(1,743)	5,098,430
Internal net interest (expense)/income	(1,216,953)	1,761,020	(544,067)	—	—
Net interest income	4,111,052	625,727	363,394	(1,743)	5,098,430
Net fee and commission income	187,257	16,256	27,037	—	230,550
Net trading gains	—	—	149,773	—	149,773
Dividend income	—	—	—	59,422	59,422
Net gains arising from investment securities	—	—	46,454	—	46,454
Loss on disposals of an associate	—	—	—	(37,092)	(37,092)
Net exchange gains	—	—	—	10,241	10,241
Other operating expense, net	—	—	—	(11,014)	(11,014)
Operating income	4,298,309	641,983	586,658	19,814	5,546,764
Operating expenses	(1,985,062)	(470,718)	(208,011)	(79,941)	(2,743,732)
Impairment losses on assets, net of reversals	(696,891)	(209,826)	(352,344)	(47,546)	(1,306,607)
Operating profit/(loss)	1,616,356	(38,561)	26,303	(107,673)	1,496,425
Share of profits of associates	—	—	—	44,590	44,590
Profit (loss) before tax	1,616,356	(38,561)	26,303	(63,083)	1,541,015
Segment assets	108,706,385	23,248,139	64,516,709	3,118,815	199,590,048
Deferred tax assets	—	—	—	773,222	773,222
Total assets	108,706,385	23,248,139	64,516,709	3,892,037	200,363,270
Segment liabilities	(47,758,367)	(107,342,342)	(28,699,141)	(312,225)	(184,112,075)
Dividend payable	—	—	—	(10)	(10)
Total liabilities	(47,758,367)	(107,342,342)	(28,699,141)	(312,235)	(184,112,085)
Other segment information					
— Depreciation and amortisation	455,948	86,246	42,068	9,827	594,089
— Capital expenditure	182,129	97,474	27,030	3,707	310,340

50. SEGMENT REPORTING (Continued)

(b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipment, long-term deferred expenses and right-of-use assets. In presenting 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 (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	
	2021	2020
	RMB'000	RMB'000
Jilin Region	**5,553,421**	4,894,648
Mainland China excluding Jilin Region	**808,873**	652,116
	6,362,294	5,546,764

	Non-current asset	
	2021	2020
	RMB'000	RMB'000
Jilin Region	**3,288,299**	3,379,754
Mainland China excluding Jilin Region	**727,288**	679,648
	4,015,527	4,059,402

51. 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 consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk, market risk (i.e. interest rate risk and exchange rate risk and price risk).

(a) 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 rather 12m ECL.

In order to minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise 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.

51. FINANCIAL RISK MANAGEMENT (Continued)

(a) 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) Lifetime ECL — credit impaired (Only if more than 90 days past due and no reason to doubt their ability to repay principal and interest in full on a timely basis)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	12-month ECL Lifetime ECL — not credit impaired Lifetime ECL — credit impaired (Only if more than 90 days past due and repayment may be adversely affected by specific factors)
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
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

51. FINANCIAL RISK MANAGEMENT (Continued)

(a) 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 and financial asset 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.

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.

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.

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.

51. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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.

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.

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.

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.

51. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of each of the reporting period are as follows:

	As at 31 December 2021			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Ratings				
— AAA	727,612	—	—	727,612
— AA- to AA	300,000	—	—	300,000
— A- to A	—	—	—	—
— Unrated (Note)	13,621,826	—	150	13,621,976
	14,649,438	—	150	14,649,588
Provision for impairment loss	(574)	—	(150)	(724)
	14,648,864	—	—	14,648,864

	As at 31 December 2020			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Ratings				
— AAA	1,892,166	—	—	1,892,166
— AA- to AA	99,930	—	—	99,930
— A- to A	—	201,459	—	201,459
— Unrated (Note)	8,777,320	—	150	8,777,470
	10,769,416	201,459	150	10,971,025
Provision for impairment loss	(497)	(31,372)	(150)	(32,019)
	10,768,919	170,087	—	10,939,006

Note:

Unrated debt securities held by the Group are mainly issued by the Mainland China government and policy banks.

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its treasury operations. The board assumes ultimate responsibility for management of market risk. The senior management implements market risk management strategies and policies as approved by our board. The Group's business departments implement market risk management measures in their daily operations.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2021 and 2020 by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At 31 December 2021					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	30,997,889	745,744	30,252,145	–	–	–
Deposits with banks and other financial institutions	10,828,113	–	9,978,483	849,630	–	–
Placements with banks and other financial institutions	134,759	–	–	134,759	–	–
Financial assets held under resale agreements	1,498,500	–	1,498,500	–	–	–
Loans and advances to customers (Notes (i))	152,222,135	–	22,262,214	67,101,339	53,545,536	9,313,046
Investments (Notes (ii))	30,482,824	1,283,914	9,382,578	10,064,159	5,766,154	3,986,019
Interest receivables	908,379	908,379	–	–	–	–
Others	7,067,641	7,067,641	–	–	–	–
	234,140,240	10,005,678	73,373,920	78,149,887	59,311,690	13,299,065
Liabilities						
Borrowings from the central bank	2,851,219	–	220,510	2,630,709	–	–
Deposits from banks and other financial institutions	6,763,740	–	4,232,740	2,501,000	30,000	–
Placements from banks and other financial institutions	1,502,496	–	2,496	1,500,000	–	–
Provision for credit commitments and financial guarantees	60,465	60,465	–	–	–	–
Financial assets sold under repurchase agreements	–	–	–	–	–	–
Deposits from customers	193,106,238	–	75,374,256	19,788,660	97,462,932	480,390
Interests payable	4,059,296	4,059,296	–	–	–	–
Debt securities issued	6,211,078	–	675,752	2,739,934	799,213	1,996,179
Others	1,810,696	1,810,696	–	–	–	–
	216,365,228	5,930,457	80,505,754	29,160,303	98,292,145	2,476,569
Asset-liability gap	17,775,012	4,075,221	(7,131,834)	48,989,584	(38,980,455)	10,822,496

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2021 and 2020 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

	At 31 December 2020					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	25,155,026	739,591	24,415,435	–	–	–
Deposits with banks and other financial institutions	8,396,699	–	7,708,366	688,333	–	–
Placements with banks and other financial institutions	729,253	–	549,541	179,712	–	–
Financial assets held under resale agreements	1,102,000	–	1,102,000	–	–	–
Loans and advances to customers (Notes (i))	126,574,552	–	20,119,702	29,877,023	69,691,740	6,886,087
Investments (Notes (ii))	30,499,002	1,331,894	9,204,190	9,055,768	7,280,372	3,626,778
Interest receivables	874,287	874,287	–	–	–	–
Others	7,032,451	7,032,451	–	–	–	–
	200,363,270	9,978,223	63,099,234	39,800,836	76,972,112	10,512,865
Liabilities						
Borrowings from the central bank	4,010,960	–	2,146,080	1,864,880	–	–
Deposits from banks and other financial institutions	8,335,923	–	4,772,923	3,563,000	–	–
Placements from banks and other financial institutions	7,101,496	–	2,792,496	3,109,000	1,200,000	–
Provision for credit commitments and financial guarantees	43,372	43,372	–	–	–	–
Financial assets sold under repurchase agreements	2,654,900	–	2,654,900	–	–	–
Deposits from customers	149,763,189	–	72,250,589	18,201,368	58,902,776	408,456
Interests payable	2,990,824	2,990,824	–	–	–	–
Debt securities issued	7,504,526	–	4,257,191	850,528	1,498,373	898,434
Others	1,706,895	1,706,895	–	–	–	–
	184,112,085	4,741,091	88,874,179	27,588,776	61,601,149	1,306,890
Asset-liability gap	16,251,185	5,237,132	(25,774,945)	12,212,060	15,370,963	9,205,975

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2021 and 2020 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

Notes:

(i) As at 31 December 2021, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of approximately RMB4,248,641,000 (2020: approximately RMB2,693,408,000).

(ii) Investments include financial assets at FVTPL, financial assets at FVTOCI, and financial assets measured at amortised cost.

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 31 December 2021, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to increase approximately RMB12,059,000 (2020: decrease approximately RMB194,254,000), and the Group's equity to increase approximately RMB411,697,000 (2020: decrease approximately RMB200,120,000); a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to decrease approximately RMB12,059,000 (2020: increase approximately RMB194,254,000), and the Group's equity to decrease approximately RMB411,697,000 (2020: increase approximately RMB200,120,000).

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities. The sensitivity analysis is based on the following assumptions:

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

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

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2021 and 2020 are as follows:

	At 31 December 2021			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	30,994,982	2,165	742	30,997,889
Deposits with banks and other financial institutions	10,818,246	9,210	657	10,828,113
Placement with banks and other financial institutions	134,759	–	–	134,759
Financial assets held under resale agreements	1,498,500	–	–	1,498,500
Financial assets at fair value through profit or loss	2,552,214	–	–	2,552,214
Interest receivables	908,379	–	–	908,379
Loans and advances to customers	152,214,767	7,368	–	152,222,135
Financial assets at fair value through other comprehensive income	5,116,459	–	–	5,116,459
Financial assets measured at amortised cost	22,814,151	–	–	22,814,151
Others	7,067,641	–	–	7,067,641
	234,120,098	18,743	1,399	234,140,240
Liabilities				
Borrowings from the central bank	2,851,219			2,851,219
Deposits from banks and other financial institutions	6,759,277	4,463	–	6,763,740
Placements from banks and other financial institutions	1,502,496	–	–	1,502,496
Provision for credit commitments and financial guarantees	60,465	–	–	60,465
Financial assets sold under repurchase agreements	–	–	–	–
Deposits from customers	193,102,832	3,341	65	193,106,238
Interests payable	4,059,244	48	4	4,059,296
Debt securities issued	6,211,078	–	–	6,211,078
Others	1,810,696	–	–	1,810,696
	216,357,307	7,852	69	216,365,228
Net position	17,762,791	10,891	1,330	17,775,012
Off-balance sheet credit commitments	5,583,437	–	–	5,583,437

51. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2021 and 2020 are as follows: (Continued)

	At 31 December 2020			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	25,153,582	84	1,360	25,155,026
Deposits with banks and other financial institutions	8,381,157	14,799	743	8,396,699
Placement with banks and other financial institutions	729,253	–	–	729,253
Financial assets held under resale agreements	1,102,000	–	–	1,102,000
Financial assets at fair value through profit or loss	3,200,209	–	–	3,200,209
Interest receivables	874,287	–	–	874,287
Loans and advances to customers	126,567,221	7,331	–	126,574,552
Financial assets at fair value through other comprehensive income	2,526,111	–	–	2,526,111
Financial assets measured at amortised cost	24,772,682	–	–	24,772,682
Others	7,032,451	–	–	7,032,451
	200,338,953	22,214	2,103	200,363,270
Liabilities				
Borrowings from the central bank	4,010,960	–	–	4,010,960
Deposits from banks and other financial institutions	8,331,326	4,597	–	8,335,923
Placements from banks and other financial institutions	7,101,496	–	–	7,101,496
Provision for credit commitments and financial guarantees	43,372	–	–	43,372
Financial assets sold under repurchase agreements	2,654,900	–	–	2,654,900
Deposits from customers	149,755,933	1,083	6,173	149,763,189
Interests payable	2,990,766	8	50	2,990,824
Debt securities issued	7,504,526	–	–	7,504,526
Others	1,706,895	–	–	1,706,895
	184,100,174	5,688	6,223	184,112,085
Net position	16,238,779	16,526	(4,120)	16,251,185
Off-balance sheet credit commitments	4,690,205	–	–	4,690,205

As the net position of the Group's foreign currency is immaterial, the foreign currency risk is immaterial and no sensitivity analysis is presented.

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and

- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Group's funds.

The assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2021 and 2020:

	At 31 December 2021						
	Repayable on demand RMB'000	Indefinite (Note) RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Assets							
Cash and deposits with the central bank	19,417,852	11,580,037	–	–	–	–	30,997,889
Deposit with banks and other financial institutions	8,546,060	–	1,432,423	849,630	–	–	10,828,113
Placements with banks and other financial institutions	–	–	–	134,759	–	–	134,759
Financial assets held under resale agreements	–	–	1,498,500	–	–	–	1,498,500
Financial assets at fair value through profit or loss	473,663	1,105,464	504,749	–	–	468,338	2,552,214
Financial assets at fair value through other comprehensive income	–	178,450	–	1,642,789	1,066,486	2,228,734	5,116,459
Interest receivables	210,726	–	241,609	421,493	33,976	575	908,379
Loans and advances to customers	989,545	4,424,333	13,784,377	66,419,827	53,445,279	13,158,774	152,222,135
Financial assets measured at amortised costs	6,436,945	–	1,967,221	8,421,370	4,699,668	1,288,947	22,814,151
Others	15,325	6,795,447	–	–	256,869	–	7,067,641
	36,090,116	24,083,731	19,428,879	77,889,868	59,502,278	17,145,368	234,140,240
Liabilities							
Borrowings from the central bank	–	–	220,510	2,630,709	–	–	2,851,219
Deposits from banks and other financial institutions	25,740	–	4,207,000	2,501,000	30,000	–	6,763,740
Placements from banks and other financial institutions	2,496	–	–	1,500,000	–	–	1,502,496
Provision for credit commitments and financial guarantees	2	–	9,279	34,814	4,250	12,120	60,465
Financial assets sold under repurchase agreements		–					
Deposits from customers	61,248,850	–	14,125,406	19,788,660	97,462,932	480,390	193,106,238
Interest payables	382,729	–	416,438	642,898	2,617,210	21	4,059,296
Debt securities issued	–	–	675,752	2,739,934	799,213	1,996,179	6,211,078
Others	697,672	–	763,827	135,869	169,938	43,390	1,810,696
	62,357,489	–	20,418,212	29,973,884	101,083,543	2,532,100	216,365,228
(Short)/Long position	(26,267,373)	24,083,731	(989,333)	47,915,984	(41,581,265)	14,613,268	17,775,012

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2021 and 2020: (Continued)

	At 31 December 2020						
	Repayable on demand RMB'000	Indefinite (Note) RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Assets							
Cash and deposits with the central bank	13,445,393	11,709,633	–	–	–	–	25,155,026
Deposit with banks and other financial institutions	6,304,423	–	1,403,943	688,333	–	–	8,396,699
Placements with banks and other financial institutions	–	–	549,541	179,712	–	–	729,253
Financial assets held under resale agreements	–	–	1,102,000	–	–	–	1,102,000
Financial assets at fair value through profit or loss	473,664	1,178,502	–	1,548,043	–	–	3,200,209
Financial assets at fair value through other comprehensive income	–	153,392	229,440	201,534	1,579,760	361,985	2,526,111
Interest receivables	317,800	–	269,917	244,230	42,340	–	874,287
Loans and advances to customers	1,847,839	2,194,167	13,720,932	54,079,489	43,056,400	11,675,725	126,574,552
Financial assets measured at amortised costs	7,297,881	–	1,203,205	7,306,191	5,700,612	3,264,793	24,772,682
Others	13,548	6,742,364	–	–	276,539	–	7,032,451
	29,700,548	21,978,058	18,478,978	64,247,532	50,655,651	15,302,503	200,363,270
Liabilities							
Borrowings from the central bank	–	–	2,146,080	1,864,880	–	–	4,010,960
Deposits from banks and other financial institutions	127,923	–	4,645,000	3,563,000	–	–	8,335,923
Placements from banks and other financial institutions	2,496	–	2,790,000	3,109,000	1,200,000	–	7,101,496
Provision for credit commitments and financial guarantees	82	–	6,501	18,520	12,673	5,596	43,372
Financial assets sold under repurchase agreements	–	–	2,654,900	–	–	–	2,654,900
Deposits from customers	62,063,768	–	10,186,821	18,201,368	58,902,776	408,456	149,763,189
Interest payables	1,689,642	–	394,130	382,940	524,101	11	2,990,824
Debt securities issued	–	–	4,257,191	850,528	1,498,373	898,434	7,504,526
Others	714,906	–	438,261	114,982	396,938	41,808	1,706,895
	64,598,817	–	27,518,884	28,105,218	62,534,861	1,354,305	184,112,085
(Short)/Long position	(34,898,269)	21,978,058	(9,039,906)	36,142,314	(11,879,210)	13,948,198	16,251,185

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2021 and 2020: (Continued)

Note:

Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments by remaining contractual maturities at 31 December 2021 and 2020:

	At 31 December 2021						
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	2,851,548	2,890,571	–	236,073	2,654,498	–	–
Deposits from bank and other financial institutions	6,890,222	6,974,071	25,740	4,343,192	2,574,497	30,642	–
Placements from bank and other financial institutions	1,502,496	1,517,497	2,496	8,438	1,506,563	–	–
Financial assets sold under repurchase agreements	–	–	–	–	–	–	–
Deposits from customers	196,959,403	199,750,829	61,631,579	14,475,182	20,621,263	102,418,132	604,673
Debt securities issued	6,290,398	26,706,200	–	680,000	2,965,400	1,284,800	21,776,000
Others	1,810,696	1,810,696	697,672	763,827	135,869	169,938	43,390
	216,304,763	239,649,864	62,357,487	20,506,712	30,458,090	103,903,512	22,424,063
Off-balance sheet credit commitments	60,465	5,583,437	7,976	1,269,565	3,397,207	312,689	596,000

51. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments by remaining contractual maturities at 31 December 2021 and 2020: (Continued)

	At 31 December 2020						
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	4,012,154	4,041,313	–	2,159,205	1,882,108	–	–
Deposits from bank and other financial institutions	8,543,520	8,656,749	127,923	4,846,886	3,681,940	–	–
Placements from bank and other financial institutions	7,194,675	7,338,650	2,496	2,898,451	3,222,547	1,215,156	–
Financial assets sold under repurchase agreements	2,656,192	2,656,779	–	2,656,779	–	–	–
Deposits from customers	152,406,742	154,838,486	62,987,349	10,996,823	18,743,380	61,524,116	586,818
Debt securities issued	7,548,535	8,123,800	–	4,280,000	1,007,200	1,898,800	937,800
Others	1,706,895	1,773,339	714,906	442,556	127,243	442,072	46,562
	184,068,713	187,429,116	63,832,674	28,280,700	28,664,418	65,080,144	1,571,180
Off-balance sheet credit commitments	43,372	4,690,205	25,041	1,190,763	1,768,140	1,110,261	596,000

Note:

The interest payables at 31 December 2021 and 2020 are included in the carrying amounts of respective items of financial liabilities.

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

51. FINANCIAL RISK MANAGEMENT (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, settlement, intermediary business and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;
- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;
- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;
- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and
- An independent risk assessment framework based on the internal audit and the compliance review.

52. 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) 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.

52. 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, 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. The carrying amount of financial assets at amortised cost approximates their fair values.

(ii) Financial liabilities

The Group's financial liabilities mainly include borrowing from the central bank, deposits and placements from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debts securities issued.

The carrying amounts of financial liabilities are approximate to their fair value.

52. 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 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 and option pricing models. 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.

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At 31 December 2021			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
— listed equity investments measured at FVTPL	61,057	—	—	61,057
— unlisted equity investments measured at FVTPL	—	108,000	936,407	1,044,407
— other debt instruments	—	1,446,750	—	1,446,750
Financial assets at FVTOCI				
— debt securities	—	4,938,009	—	4,938,009
— unlisted equity investments measured at FVTOCI	—	168,000	10,450	178,450
	61,057	6,660,759	946,857	7,668,673

	At 31 December 2020			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
— unlisted equity investments measured at FVTPL	—	210,972	967,530	1,178,502
— other debt instruments	—	2,021,707	—	2,021,707
Financial assets at FVTOCI				
— 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

52. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

During the year ended 31 December 2021 and 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 Bank 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.

(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, 31 December 2021 RMB'000	Fair value as at, 31 December 2020 RMB'000	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
Financial assets at FVTPL						
Listed equity investments measured at FVTPL	61,057	–	Level 1	Based on quoted bid prices in an active market	N/A	N/A
Unlisted equity investments measured at FVTPL	936,407	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 0.86 (2020: 0.98). The DLOM is 10% (2020: 10%).	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (i))
	108,000	210,972	Level 2	Based on recent transaction price.	N/A	N/A
Other debt instruments	1,446,750	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
Financial assets at FVTOCI						
Debt securities – listed	4,938,009	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	10,450	153,392	Level 3	Market approach adopted. The value is based on PB ratio, adjusted by DLOM.	The PB ratio is 0.86 (2020: 0.98). The DLOM is 10% (2020: 10%).	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (ii))
	168,000	–	Level 2	Based on recent transaction price.	N/A	N/A

52. 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 RMB35,586,000 (2020: 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 RMB3,954,000 (2020: 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 RMB523,000 (2020: 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 RMB58,000 (2020: 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 1 January 2020	1,058,639	145,285	1,203,924
Fair value losses recognised in profit or loss	(41,049)	—	(41,049)
Fair value gains 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	967,530	153,392	1,120,922
Fair value losses recognised in profit or loss	(79,889)	—	(79,889)
Fair value gains recognised in OCI	—	25,296	25,296
Disposals	—	(238)	(238)
Transfer out of level 3 (Change in valuation methodology)	(162,206)	(168,000)	(330,206)
Transfer into level 3 (Change in valuation methodology)	210,972	—	210,972
At 31 December 2021	936,407	10,450	946,857

The above fair value losses and gain of approximately RMB79,889,000 and RMB25,296,000 (2020: fair value losses and gain of RMB41,049,000 and RMB8,107,000) respectively are included in net trading gains and investment revaluation reserve for the year ended 31 December 2021.

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.

53. 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.

	2021 RMB'000	2020 RMB'000
Entrusted loans	**19,959,635**	7,129,613
Entrusted funds	**19,959,635**	7,129,613

54. COMMITMENTS

(a) Credit commitments

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

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

	2021 RMB'000	2020 RMB'000
Acceptances	**2,553,865**	1,524,543
Letters of guarantees	**2,849,538**	2,991,216
Letters of credit	**18,891**	13,137
Unused credit card commitments	**161,143**	161,309
	5,583,437	4,690,205

54. COMMITMENTS (Continued)

(a) Credit commitments (Continued)

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

(b) Capital commitments

At 31 December 2021 and 2020, the Group's authorised capital commitments are as follows:

	2021 RMB'000	2020 RMB'000
Purchase of property and equipment		
— Contracted for but not provided	**3,205**	1,447

55. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. At 31 December 2021 and 2020, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

(a) For the year ended 31 December 2021

(i) Dilution and disposals of interest in Liaoyuan Rural Commercial Bank without loss of control

During the year ended 31 December 2021, Liaoyuan Rural Commercial Bank issued 57,800,000 ordinary shares with par value of RMB1 at RMB3 per share to non-controlling interests and the Group's ownership was diluted from 56.09% to 42.90%. This resulted in an increase in non-controlling interests of approximately RMB152,721,000 and an increase in equity attributable to owners of the Bank of approximately RMB20,679,000.

Also, the Group disposed of 8.54% equity interest out of 42.90% equity interest in Liaoyuan Rural Commercial Bank at a consideration of RMB77,070,000. This resulted in an increase in non-controlling interests of approximately RMB64,620,000 and an increase in equity attributable to owners of the Bank of approximately RMB12,450,000.

The Group had signed contracts with five shareholders of Liaoyuan Rural Commercial Bank, which hold total 17.09% equity interests in Liaoyuan Rural Commercial Bank. Pursuant to agreement, these five shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Liaoyuan Rural Commercial Bank and therefore, Liaoyuan Rural Commercial Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution and disposals of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted and disposed	(217,341)
Consideration received from non-controlling interests	250,470
Gain recognised in capital reserve within equity	33,129

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(a) For the year ended 31 December 2021 (Continued)

(ii) Dilution of interest in Jingmen Dongbao Huimin Village Bank Co., Ltd. ("荊門東寶惠民村鎮銀行股份有限公司", "Jingmen Dongbao Huimin Village Bank") without loss of control

During the year ended 31 December 2021, Jingmen Dongbao Huimin Village Bank issued 30,000,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group's ownership was diluted from 51.36% to 33.15%. This resulted in an increase in non-controlling interests of approximately RMB28,534,000 and an increase in equity attributable to owners of the Bank of approximately RMB1,466,000.

The Group had signed contracts with four shareholders of Jingmen Dongbao Huimin Village Bank, which hold total 18.92% equity interests in Jingmen Dongbao Huimin Village Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jingmen Dongbao Huimin Village Bank and therefore, Jingmen Dongbao Huimin Village Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(28,534)
Consideration received from non-controlling interests	30,000
Gain recognised in capital reserve within equity	1,466

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(a) For the year ended 31 December 2021 (Continued)

(iii) Dilution of interest in Changchun Gaoxin Huimin Village Bank Co., Ltd ("長春高新惠民村鎮銀行有限責任公司", "Changchun Gaoxin Huimin Village Bank") without loss of control

During the year ended 31 December 2021, Changchun Gaoxin Huimin Village Bank issued 25,000,000 ordinary shares with par value of RMB1 at RMB3 per share to non-controlling interests and the Group's ownership was diluted from 50.00% to 40.00%. This resulted in an increase in non-controlling interests of approximately RMB66,457,000 and an increase in equity attributable to owners of the Bank of approximately RMB8,543,000.

The Group had signed contracts with two shareholders of Changchun Gaoxin Huimin Village Bank, which hold total 16.00% equity interests in Changchun Gaoxin Huimin Village Bank. Pursuant to agreement, these two shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Changchun Gaoxin Huimin Village Bank and therefore, Changchun Gaoxin Huimin Village Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(66,457)
Consideration received from non-controlling interests	75,000
Gain recognised in capital reserve within equity	8,543

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(a) For the year ended 31 December 2021 (Continued)

(iv) Dilution of interest in Heyang Huimin Village Bank Co., Ltd. ("合陽惠民村鎮銀行股份有限公司", "Heyang Huimin Village Bank") without loss of control

During the year ended 31 December 2021, Heyang Huimin Village Bank issued 16,000,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group's ownership was diluted from 55.09% to 42.68%. This resulted in an increase in non-controlling interests of approximately RMB13,658,000 and an increase in equity attributable to owners of the Bank of approximately RMB2,342,000.

The Group had signed contracts with two shareholders of Heyang Huimin Village Bank, which hold total 14.02% equity interests in Heyang Huimin Village Bank. Pursuant to agreement, these two shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Heyang Huimin Village Bank and therefore, Heyang Huimin Village Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(13,658)
Consideration received from non-controlling interests	16,000
Gain recognised in capital reserve within equity	2,342

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(a) For the year ended 31 December 2021 (Continued)

(v) Dilution of interest in Taonan Huimin Village Bank Co., Ltd. ("洮南惠民村鎮銀行股份有限公司", "Taonan Huimin Village Bank") without loss of control

During the year ended 31 December 2021, Taonan Huimin Village Bank issued 10,000,000 ordinary shares with par value of RMB1 at RMB1.50 per share to non-controlling interests and the Group's ownership was diluted from 49.00% to 40.83%. This resulted in an increase in non-controlling interests of approximately RMB12,620,000 and an increase in equity attributable to owners of the Bank of approximately RMB2,380,000.

The Group had signed contracts with three shareholders of Taonan Huimin Village Bank, which hold total 19.99% equity interests in Taonan Huimin Village Bank. Pursuant to agreement, these three shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Taonan Huimin Village Bank and therefore, Taonan Huimin Village Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(12,620)
Consideration received from non-controlling interests	15,000
Gain recognised in capital reserve within equity	2,380

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(a) For the year ended 31 December 2021 (Continued)

(vi) Dilution of interest in Fuyu Huimin Village Bank Co., Ltd. ("扶余惠民村鎮銀行股份有限公司", "Fuyu Huimin Village Bank") without loss of control

During the year ended 31 December 2021, Fuyu Huimin Village Bank issued 7,170,000 ordinary shares with par value of RMB1 at RMB1.50 per share to non-controlling interests and the Group's ownership was diluted from 49.00% to 42.85%. This resulted in an increase in non-controlling interests of approximately RMB8,178,000 and an increase in equity attributable to owners of the Bank of approximately RMB2,577,000.

The Group had signed contracts with five shareholders of Fuyu Huimin Village Bank, which hold total 13.41% equity interests in Fuyu Huimin Village Bank. Pursuant to agreement, these five shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Fuyu Huimin Village Bank and therefore, Fuyu Huimin Village Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(8,178)
Consideration received from non-controlling interests	10,755
Gain recognised in capital reserve within equity	2,577

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(a) For the year ended 31 December 2021 (Continued)

(vii) Disposals of interest in Jilin Jiuyin Financial Leasing Co., Ltd. ("吉林九銀金融租賃股份有限公司", "Jilin Jiuyin Financial Leasing") without loss of control

During the year ended 31 December 2021, the Group disposed of 29.71% equity interest out of 60% equity interest in Jilin Jiuyin Financial Leasing at a consideration of RMB468,000,000. This resulted in an increase in non-controlling interests of approximately RMB169,605,000 and an increase in equity attributable to owners of the Bank of approximately RMB298,395,000.

The Group had signed contracts with six shareholders of Jilin Jiuyin Financial Leasing, which hold total 29.71% equity interests in Jilin Jiuyin Financial Leasing. Pursuant to agreement, these six shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jilin Jiuyin Financial Leasing and therefore, Jilin Jiuyin Financial Leasing is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of disposal of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed	(169,605)
Consideration received from non-controlling interests	468,000
Gain recognised in capital reserve within equity	298,395

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(b) For the year ended 31 December 2020

(i) Disposals and dilution of interest in Liaoyuan Rural Commercial Bank without loss of control

During the year ended 31 December 2020, the Group disposed of 29.70% equity interest out of 100% equity interest in Liaoyuan Rural Commercial Bank at a consideration of RMB163,498,000. This resulted in an increase in non-controlling interests of approximately RMB129,886,000 and an increase in equity attributable to owners of the Bank of approximately RMB33,612,000.

Also, Liaoyuan Rural Commercial Bank issued 38,000,000 ordinary shares with par value of RMB1 at RMB1.19 per share to non-controlling interests and the Group's ownership was diluted from 70.30% to 56.09%. This resulted in an increase in non-controlling interests of approximately RMB81,955,000 and a decrease in equity attributable to owners of the Bank of approximately RMB36,833,000.

A schedule of the effect of disposals and dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(211,841)
Consideration received from non-controlling interests	208,620
Loss recognised in capital reserve within equity	(3,221)

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(b) For the year ended 31 December 2020 (Continued)

(ii) Dilution of interest in Qianan Huimin Village Bank Co., Ltd. ("乾安惠民村鎮銀行有限責任公司", "Qianan Huimin Village Bank") without loss of control

During the year ended 31 December 2020, Qianan Huimin Village Bank issued 5,000,000 ordinary shares with par value of RMB1 at RMB2 per share to non-controlling interests and the Group's ownership was diluted from 50.67% to 45.25%. This resulted in an increase in non-controlling interests of approximately RMB9,925,000 and an increase in equity attributable to owners of the Bank of approximately RMB75,000.

The Group had signed contracts with two shareholders of Qianan Huimin Village Bank, which hold total 6.40% equity interests in Qianan Huimin Village Bank. Pursuant to agreement, these two shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Qianan Huimin Village Bank and therefore, Qianan Huimin Village Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(9,925)
Consideration received from non-controlling interests	10,000
Gain recognised in capital reserve within equity	75

56. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2021 and 2020, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

(b) For the year ended 31 December 2020 (Continued)

(iii) Acquisition of additional interest in Heyang Huimin Village Bank

During the year ended 31 December 2020, Heyang Huimin Village Bank issued 15,000,000 ordinary shares with par value of RMB1 at RMB1 per share to the Bank and the Group's ownership was increased from 38.25% to 55.09%. This resulted in an increase in non-controlling interests and a decrease in equity attributable to owners of the Bank of approximately RMB3,807,000.

A schedule of the effect of acquisition is as follow:

	RMB'000
Carrying amount of the interest acquired and loss recognised in capital reserve within equity	(3,807)

(iv) Acquisition of additional interest in Qingyuan Qingxin Huimin Village Bank Co., Ltd. ("清遠清新惠民村鎮銀行股份有限公司", "Qingyuan Qingxin Huimin Village and Township Bank")

During the year ended 31 December 2020, Qingyuan Qingxin Huimin Village and Township Bank issued 20,000,000 ordinary shares with par value of RMB1 at RMB1 per share to the Bank and the Group's ownership was increased from 39.23% to 53.53%. This resulted in an increase in non-controlling interests and an decrease in equity attributable to owners of the Bank of approximately RMB7,453,000.

A schedule of the effect of acquisition is as follow:

	RMB'000
Carrying amount of the interest acquired and loss recognised in capital reserve within equity	(7,453)

57. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
					2021	2020	2021	2020	2021	2020	
* Qingdao Jimo Huimin Village and Township Bank Co., Ltd. ("青島即墨惠民村鎮銀行股份有限公司")	14/10/2008	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	59.00%	59.00%	59.00%	59.00%	Corporate and retail bank
* Shuangcheng Huimin Village and Township Bank Co., Ltd. ("雙城惠民村鎮銀行有限責任公司")	25/1/2010	PRC	Ordinary	Company with limited liability	58,300	58,300	62.26%	62.26%	62.26%	62.26%	Corporate and retail bank
* Hanshan Huimin Village and Township Bank Co., Ltd. ("含山惠民村鎮銀行有限責任公司")	30/12/2010	PRC	Ordinary	Company with limited liability	50,950	50,950	78.51%	78.51%	78.51%	78.51%	Corporate and retail bank
* Wuchang Huimin Village Bank Co., Ltd. ("五常惠民村鎮銀行有限責任公司")	11/11/2010	PRC	Ordinary	Company with limited liability	39,000	39,000	66.67%	66.67%	66.67%	66.67%	Corporate and retail bank
* Qingdao Pingdu Huimin Village Bank Co., Ltd. ("青島平度惠民村鎮銀行有限公司")	23/12/2010	PRC	Ordinary	Joint stock company with limited liability	124,449	124,449	58.82%	58.82%	58.82%	58.82%	Corporate and retail bank
* Qianan Huimin Village Bank Co., Ltd. ("乾安惠民村鎮銀行有限責任公司") (Note 56b(iii)) (Note (1))	28/12/2010	PRC	Ordinary	Company with limited liability	46,745	46,745	45.25%	45.25%	51.65%	51.65%	Corporate and retail bank
* Lujiang Huimin Town Bank Co., Ltd. ("廬江惠民村鎮銀行有限責任公司")	28/12/2010	PRC	Ordinary	Company with limited liability	66,550	60,500	60.00%	60.00%	60.00%	60.00%	Corporate and retail 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")	11/1/2011	PRC	Ordinary	Company with limited liability	131,472	131,472	51.20%	51.20%	51.20%	51.20%	Corporate and retail bank
* Songyuan Ningjiang Huimin Village Bank Company Limited ("松原寧江惠民村鎮銀行股份有限公司") (Note (2))	19/1/2011	PRC	Ordinary	Joint stock company with limited liability	115,474	115,474	40.80%	40.80%	50.93%	50.53%	Corporate and retail bank
* Da'an Huimin Village Bank Co., Ltd. ("大安惠民村鎮銀行有限責任公司")	26/1/2011	PRC	Ordinary	Company with limited liability	46,888	46,888	51.46%	51.46%	51.46%	51.46%	Corporate and retail bank
*Lingshui Huimin Village and Township Bank Co., Ltd. ("陵水惠民村鎮銀行股份有限公司") (Note (3))	16/5/2011	PRC	Ordinary	Joint stock company with limited liability	50,000	50,000	20.00%	20.00%	52.60%	52.60%	Corporate and retail bank
*Sanya Huimin Village and Township Bank Co., Ltd. ("三亞惠民村鎮銀行股份有限公司") (Note (4))	16/5/2011	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	20.00%	20.00%	58.50%	50.50%	Corporate and retail bank

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2021 and 2020 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
					2021	2020	2021	2020	2021	2020	
* Gaomi Huimin Village and Township Bank Co., Ltd. ("高密惠民村鎮銀行有限責任公司")	25/5/2011	PRC	Ordinary	Company with limited liability	113,413	112,290	56.70%	56.70%	56.70%	56.70%	Corporate and retail 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")	6/12/2011	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
* Jingmen Dongbao Huimin Village Bank Co., Ltd. ("荊門東寶惠民村鎮銀行股份有限公司") (Note 56(a)(ii)) (Note (5))	21/12/2011	PRC	Ordinary	Joint stock company with limited liability	84,610	54,610	33.15%	51.36%	52.07%	51.36%	Corporate and retail bank
* Huimin Bank of Wenan Co., Ltd. ("文安縣惠民村鎮銀行股份有限公司") (Note (6))	23/12/2011	PRC	Ordinary	Joint stock company with limited liability	42,500	42,500	36.00%	36.00%	51.99%	51.99%	Corporate and retail bank
* Tongcheng Huimin Village Bank Co., Ltd. ("通城惠民村鎮銀行有限責任公司")	19/9/2012	PRC	Ordinary	Company with limited liability	39,600	39,600	75.76%	75.76%	75.76%	75.76%	Corporate and retail bank
Liaoyuan Rural Commercial Bank Co., Ltd. ("遼源農村商業銀行股份有限公司") (Note 56(a)(i), Note 56(b)(i)) (Note (7))	15/11/2012	PRC	Ordinary	Joint stock company with limited liability	245,800	188,000	34.36%	56.09%	51.45%	56.09%	Corporate and retail bank
* Changchun Gaoxin Huimin Village Bank Co., Ltd ("長春高新惠民村鎮銀行有限責任公司") (Note 56(a)(iii)) (Note (8))	24/9/2013	PRC	Ordinary	Company with limited liability	125,000	100,000	40.00%	50.00%	56.00%	60.00%	Corporate and retail bank
* Huadian Huimin Village Bank Co., Ltd. ("樺甸惠民村鎮銀行股份有限公司")	29/10/2013	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
* Jilin Fengman Huimin Village Bank Co., Ltd. ("吉林豐滿惠民村鎮銀行股份有限公司") (Note (9))	16/12/2013	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	46.00%	46.00%	50.50%	51.00%	Corporate and retail bank
* Heyang Huimin Village Bank Co., Ltd. ("合陽惠民村鎮銀行股份有限公司") (Note 56 (a)(iv)), Note 56(b)(iii)) (Note (10))	16/12/2013	PRC	Ordinary	Joint stock company with limited liability	71,000	55,000	42.68%	55.09%	56.70%	55.09%	Corporate and retail bank
* Anping Huimin Village Bank Co., Ltd. ("安平惠民村鎮銀行股份有限公司") (Note (11))	24/12/2013	PRC	Ordinary	Joint stock company with limited liability	48,760	48,760	28.17%	28.17%	54.15%	60.63%	Corporate and retail bank
* Wuhua Huimin Village and Township Bank ("五華惠民村鎮銀行股份有限公司") (Note (12))	13/1/2014	PRC	Ordinary	Joint stock company with limited liability	65,000	65,000	39.23%	39.23%	56.75%	56.75%	Corporate and retail bank

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2021 and 2020 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/ operation	Class of shares held	Kind of legal entity	Registered and fully paid capital (RMB'000) 2021	2020	Proportion of ownership interest held by the Bank 2021	2020	Proportion of voting power held by the Bank 2021	2020	Principal activity
* Qingyuan Qingxin Huimin Village and Township Bank Co., Ltd. ("清遠清新惠民村鎮銀行股份有限公司") (Note 56b(iv))	23/1/2014	PRC	Ordinary	Joint stock company with limited liability	85,000	85,000	53.53%	53.53%	53.53%	53.53%	Corporate and retail bank
* Yun'an Huimin Village Bank Co., Ltd. ("雲安惠民村鎮銀行股份有限公司")	27/1/2014	PRC	Ordinary	Joint stock company with limited liability	80,000	80,000	61.00%	61.00%	61.00%	61.00%	Corporate and retail 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")	7/2/2014	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
* Tianjin Binhai Huimin Village Bank Co., Ltd. ("天津濱海惠民村鎮銀行股份有限公司") (Note (13))	11/6/2014	PRC	Ordinary	Joint stock company with limited liability	300,000	300,000	47.00%	47.00%	53.99%	55.21%	Corporate and retail bank
* Huidong Huimin Village Bank Co., Ltd. ("惠東惠民村鎮銀行股份有限公司") (Note (14))	21/11/2014	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	35.00%	35.00%	65.00%	65.00%	Corporate and retail bank
* Leizhou Huimin Village Bank Co., Ltd. ("雷州惠民村鎮銀行股份有限公司") (Note (15))	25/3/2015	PRC	Ordinary	Joint stock company with limited liability	75,550	75,550	17.87%	17.87%	51.69%	51.69%	Corporate and retail bank
* Baicheng Taobei Huimin Village Bank Co., Ltd. ("白城洮北惠民村鎮銀行股份有限公司") (Note (16))	23/11/2015	PRC	Ordinary	Joint stock company with limited liability	50,000	50,000	49.00%	49.00%	63.00%	65.00%	Corporate and retail bank
* Taonan Huimin Village Bank Co., Ltd. ("洮南惠民村鎮銀行股份有限公司") (Note 56a(vi)) (Note (17))	11/12/2015	PRC	Ordinary	Joint stock company with limited liability	60,000	50,000	40.83%	49.00%	60.82%	79.00%	Corporate and retail bank
* Fuyu Huimin Village Bank Co., Ltd. ("扶余惠民村鎮銀行股份有限公司") (Note 56a(vi)) (Note (18))	14/12/2015	PRC	Ordinary	Joint stock company with limited liability	57,170	50,000	42.85%	49.00%	56.26%	55.00%	Corporate and retail bank
* Jilin Chuanying Huimin Village Bank Co., Ltd. ("吉林船營惠民村鎮銀行股份有限公司") (Note (19))	21/1/2016	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	46.00%	46.00%	51.00%	51.00%	Corporate and retail bank
* Jilin Jiuyin Financial Leasing Co., Ltd. ("吉林九銀金融租賃股份有限公司") (Note 56a(vii)) (Note (20))	20/2/2017	PRC	Ordinary	Joint stock company with limited liability	525,000	500,000	30.29%	60.00%	60.00%	60.00%	Provision of finance lease service

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2021 and 2020 are as follows: (Continued)

No subsidiary has non-controlling interest material to the Group.

All subsidiaries are directly held by the Bank.

Notes:

(1) During the year ended 31 December 2021 and 2020, the Bank signed contracts with 2 shareholders who hold in total 6.40% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(2) During the year ended 31 December 2021, the Bank signed contracts with 4 shareholders who hold in total 10.13% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2020, the Bank signed contracts with 3 shareholders who hold in total 9.73% of ownership and voting power of this bank. These 3 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(3) During the year ended 31 December 2021 and 2020, the Bank signed contracts with 6 shareholders who hold in total 32.60% of ownership and voting power of this bank. These 6 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(4) During the year ended 31 December 2021, the Bank signed contracts with 13 shareholders who hold in total 38.50% of ownership and voting power of this bank. These 13 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2020, the Bank signed contracts with 10 shareholders who hold in total 30.50% of ownership and voting power of this bank. These 10 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(5) During the year ended 31 December 2021, the Bank signed contracts with 4 shareholders who hold in total 18.92% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(6) During the year ended 31 December 2021 and 2020, the Bank signed contracts with 4 shareholders who holds in total 15.99% of ownership and voting power of this bank. These 4 shareholders votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(7) During the year ended 31 December 2021, the Bank signed contracts with 5 shareholders who hold in total 17.09% of ownership and voting power of this bank. These 5 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(8) During the year ended 31 December 2021, the Bank signed contracts with 2 shareholders who hold in total 16.00% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2020, the Bank signed contracts with 1 shareholder who holds 10.00% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(9) During the year ended 31 December 2021, the Bank signed contracts with 1 shareholder who holds 4.50% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2020, the Bank signed contracts with 2 shareholders who hold in total 5.00% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(10) During the year ended 31 December 2021, the Bank signed contracts with 2 shareholders who hold in total 14.02% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2021 and 2020 are as follows: (Continued)

Notes: (Continued)

(11) During the year ended 31 December 2021, the Bank signed contracts with 5 shareholders who hold in total 25.98% of ownership and voting power of this bank. These 5 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2020, the Bank signed contracts with 5 shareholders who hold in total 32.46% of ownership and voting power of this bank. These 5 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(12) During the years ended 31 December 2021 and 2020, the Bank signed contracts with 2 shareholders who hold in total 17.52% of ownership and voting power of this bank. These 2 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(13) During the year ended 31 December 2021, the Bank signed contracts with 5 shareholders who hold in total 6.99% of ownership and voting power of this bank. These 5 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2020, the Bank signed contracts with 5 shareholders who hold in total 8.21% of ownership and voting power of this bank. These 5 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(14) During the year ended 31 December 2021 and 2020, the Bank signed contracts with 3 shareholders who hold in total 30.00% of ownership and voting power of this bank. These 3 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(15) During the year ended 31 December 2021 and 2020, the Bank signed contracts with 7 shareholders who hold in total 33.82% of ownership and voting power of this bank. These 7 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(16) During the year ended 31 December 2021, the Bank signed contracts with 4 shareholders who hold in total 14.00% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2020, the Bank signed contracts with 5 shareholders who hold in total 16.00% of ownership and voting power of this bank. These 5 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(17) During the year ended 31 December 2021, the Bank signed contracts with 3 shareholders who hold in total 19.99% of ownership and voting power of this bank. These 3 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2020, the Bank signed contracts with 4 shareholders who hold in total 30.00% of ownership and voting power of this bank. These 4 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(18) During the year ended 31 December 2021, the Bank signed contracts with 5 shareholders who hold in total 13.41% of ownership and voting power of this bank. These 5 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2020, the Bank signed contracts with 3 shareholders who hold in total 6.00% of ownership and voting power of this bank. These 3 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(19) During the year ended 31 December 2021 and 2020, the Bank signed contracts with a shareholder who holds 5.00% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(20) During the year ended 31 December 2021, the Bank signed contracts with 6 shareholders who hold in total 29.71% of ownership and voting power of this company. These 6 shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this company was deemed to be controlled by the Bank and was a subsidiary of the Bank.

* The English translation is for identification only.

58. 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 consolidated statement of cash flows from financing activities.

			Non-cash change				
	1 January 2021 RMB'000	Financing cash flows RMB'000	New lease entered RMB'000	Early termination of lease RMB'000	Finance cost incurred RMB'000	Dividend declared RMB'000	31 December 2021 RMB'000
Liabilities							
– Debt securities issued (Note 40)	7,504,526	(1,413,673)	–	–	120,225	–	6,211,078
– Interest payable arising from debt securities issued (Note 39)	44,009	(137,200)	–	–	172,511	–	79,320
– Dividend payable (Note 41)	10	(658,512)	–	–	–	658,986	484
– Lease liabilities (Note 28)	591,499	(194,687)	99,831	(1,940)	24,076	–	518,779
	8,140,044	(2,404,072)	99,831	(1,940)	316,812	658,986	6,809,661

			Non-cash change				
	1 January 2020 RMB'000	Financing cash flows RMB'000	New lease entered RMB'000	Early termination of lease RMB'000	Finance cost incurred RMB'000	Dividend declared RMB'000	31 December 2020 RMB'000
Liabilities							
– Debt securities issued (Note 40)	14,220,057	(7,031,257)	–	–	315,726	–	7,504,526
– Interest payable arising from debt securities issued (Note 39)	43,876	(137,067)	–	–	137,200	–	44,009
– Dividend payable (Note 41)	6	(753,123)	–	–	–	753,127	10
– Lease liabilities (Note 28)	711,903	(206,563)	175,324	(119,598)	30,433	–	591,499
	14,975,842	(8,128,010)	175,324	(119,598)	483,359	753,127	8,140,044

59. STATEMENTS OF FINANCIAL POSITION OF THE BANK

	Notes	2021 RMB'000	2020 RMB'000
Assets			
Cash and deposits with the central bank		**18,733,032**	17,084,034
Deposits with banks and other financial institutions		**3,278,211**	1,339,985
Placements with banks and other financial institutions		**—**	549,541
Financial assets held under resale agreements		**1,418,500**	1,186,000
Financial assets at fair value through profit or loss		**2,491,157**	3,200,209
Interest receivable		**553,541**	525,459
Loans and advances to customers		**108,303,248**	90,308,150
Financial assets at fair value through other comprehensive income		**5,106,259**	2,035,144
Financial assets measured at amortised cost		**19,587,126**	20,743,888
Interests in associates		**721,194**	721,194
Investments in subsidiaries		**1,917,905**	2,143,476
Property and equipment		**1,918,747**	1,935,545
Right-of-use assets		**355,191**	404,237
Deferred tax assets		**636,887**	452,632
Other assets		**300,262**	441,677
Total assets		**165,321,260**	143,071,171

59. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

	Notes	2021 RMB'000	2020 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank		**1,982,662**	3,121,220
Deposits from banks and other financial institutions		**5,315,093**	9,502,337
Placements from banks and other financial institutions		**1,502,496**	6,532,496
Financial assets sold under repurchase agreements		**—**	1,994,900
Deposits from customers		**133,770,754**	99,375,690
Accrued staff costs		**42,399**	40,058
Tax payable		**233,334**	172,711
Interests payable		**2,136,579**	1,495,565
Debts securities issued		**6,211,078**	7,504,526
Lease liabilities		**308,342**	352,919
Other liabilities		**428,480**	439,462
Total liabilities		**151,931,217**	130,531,884
Equity			
Share capital	(a)	**4,612,901**	4,393,239
Capital reserve	(a)	**4,419,324**	4,638,986
Investment revaluation reserve	(a)	**87,042**	11,694
Surplus reserve	(a)	**1,058,252**	915,524
General reserve	(a)	**2,008,496**	1,742,458
Retained earnings	(a)	**1,204,028**	837,386
Total equity		**13,390,043**	12,539,287
Total liabilities and equity		**165,321,260**	143,071,171

Approved and authorised for issue by the board of directors of the Bank on 30 March 2022 and are signed on its behalf by:

Mr. GAO Bing
Director

Mr. YUAN Chunyu
Director

59. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

Note:

(a) Movement in reserves

	Share Capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As 1 January 2021	4,393,239	4,638,986	11,694	915,524	1,742,458	837,386	12,539,287
Profit for the year	–	–	–	–	–	1,434,331	1,434,331
Other comprehensive expense for the year	–	–	75,362	(1)	–	(13)	75,348
Total comprehensive income (expense) for the year	–	–	75,362	(1)	–	1,434,318	1,509,679
Disposal of equity investments classified as financial assets at fair value through other comprehensive income	–	–	(14)	7	–	70	63
Changes in share capital							
– Capitalisation of capital reserve (Note 42)	219,662	(219,662)	–	–	–	–	–
Appropriation of profits							
– Appropriation to surplus reserve	–	–	–	142,722	–	(142,722)	–
– Appropriation to general reserve	–	–	–	–	266,038	(266,038)	–
– Dividends recognised as distribution (Note 45)	–	–	–	–	–	(658,986)	(658,986)
At 31 December 2021	4,612,901	4,419,324	87,042	1,058,252	2,008,496	1,204,028	13,390,043

59. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

Note: (Continued)

(a) Movement in reserves (Continued)

	Share Capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As 1 January 2020	4,184,037	4,852,049	9,377	814,076	1,412,031	924,104	12,195,674
Profit for the year	–	–	–	–	–	1,098,284	1,098,284
Other comprehensive expense for the year	–	–	2,317	–	–	–	2,317
Total comprehensive income for the year	–	–	2,317	–	–	1,098,284	1,100,601
Release of capital reserve upon disposal of an associate	–	(3,861)	–	–	–	–	(3,861)
Changes in share capital							
– Capitalisation of capital reserve (Note 42)	209,202	(209,202)	–	–	–	–	–
Appropriation of profits							
– Appropriation to surplus reserve	–	–	–	101,448	–	(101,448)	–
– Appropriation to general reserve	–	–	–	–	330,427	(330,427)	–
– Dividends recognised as distribution (Note 45)	–	–	–	–	–	(753,127)	(753,127)
At 31 December 2020	4,393,239	4,638,986	11,694	915,524	1,742,458	837,386	12,539,287

60. NON-CASH TRANSACTION

During the year ended 31 December 2021, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of RMB99,831,000 were recognised at the commencement of the leases.

During the year ended 31 December 2020, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of RMB175,324,000 were recognised at the commencement of the leases.

Chapter 13 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 31 December	
	2021	2020
Leverage Ratio (RMB and foreign currency)	6.80%	7.26%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBIRC and effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Currency concentrations

	At 31 December 2021		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	18,743	1,399	20,142
Spot liabilities	7,852	69	7,921
Net position	10,891	1,330	12,221

	At 31 December 2020		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	22,214	2,103	24,317
Spot liabilities	5,688	6,224	11,912
Net position	16,526	(4,121)	12,405

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at 31 December 2021 and 2020.

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 31 December	
	2021	2020
Deposit with banks		
Asia Pacific excluding mainland China	6,604	6,650

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

4. Loans and advances overdue for more than 90 days by geographical segments

	At 31 December	
	2021	2020
Jilin Region	**2,960,885**	2,179,707
Mainland China excluding Jilin Region	**501,272**	347,826
Total	**3,462,157**	2,527,533

5. Gross amount of loans and advances overdue for more than 90 days

	At 31 December	
	2021	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)	**538,142**	370,368
— Between six months and one year (inclusive)	**582,636**	449,154
— Between one year and three years	**1,630,630**	1,170,015
— Over three years	**710,748**	537,996
Total	**3,462,156**	2,527,533
As a percentage of total gross loans and advances		
— Between three months and six months (inclusive)	**0.34%**	0.28%
— Between six months and one year (inclusive)	**0.37%**	0.35%
— Between one year and three years	**1.04%**	0.90%
— Over three years	**0.45%**	0.41%
Total	**2.20%**	1.94%

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 31 December 2021 and 2020, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.

九台农商银行
JIUTAI RURAL COMMERCIAL BANK

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