



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

2022

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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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 97 shareholders hold 71.83% equity interest in Anping Huimin Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 24.63% 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

Chapter 1 Definitions and Glossary

“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Jilin Bureau”	the China Banking and Insurance Regulatory Commission Jilin Bureau (中國銀行保險監督管理委員會吉林監管局)
“Changbai Mountain Rural Commercial Bank”	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 16 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank.
“Changchun Gaoxin Huimin Village and Township Bank”	Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 24, 2013, in which the Bank holds a 40.00% equity interest. The remaining 12 shareholders hold 60.00% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and 3 other shareholders (holding an aggregate of 20.00% 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

Chapter 1 Definitions and Glossary

“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 46 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 34 shareholders hold 21.49% equity interest in Hanshan Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“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

Chapter 1 Definitions and Glossary

“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 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 14 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 531 shareholders hold 79.80% equity interest in Jilin Gongzhuling Rural Commercial Bank

Chapter 1 Definitions and Glossary

“Jilin Jiuyin Financial Leasing”	Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 20, 2017, in which the Bank holds a 60.00% equity interest. The remaining 4 shareholders hold 40.0% equity interest in Jilin Jiuyin Financial Leasing
“Jingmen Dongbao Huimin Village and Township Bank”	Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 21, 2011, in which the Bank holds a 31.19% equity interest. The remaining 52 shareholders hold 68.81% equity interest in Jingmen Dongbao Huimin Village and Township Bank. The Bank and 5 other shareholders (holding an aggregate of 22.25% 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
“Jiutai Longjia Village and Township Bank”	Jiutai Longjia Village Bank Co., Ltd. (九台龍嘉村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2010, in which the Bank holds a 15.00% equity interest. The remaining 10 shareholders hold 85.00% equity interest in Jiutai Longjia Village and Township Bank. The Bank and 4 other shareholders (holding an aggregate of 40.00% equity interest in Jiutai Longjia 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 Jiutai Longjia Village and Township Bank. Jiutai Longjia 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, 2023, being the latest practicable date for ascertaining certain information in this annual report before its publication

Chapter 1 Definitions and Glossary

“Leizhou Huimin Village and Township Bank”	Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on March 25, 2015, in which the Bank holds a 17.87% equity interest. The remaining 28 shareholders hold 82.13% equity interest in Leizhou Huimin Village and Township Bank. The Bank and 7 other shareholders (holding an aggregate of 33.82% equity interest in Leizhou Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Leizhou Huimin Village and Township Bank. Leizhou Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Liaoyuan Rural Commercial Bank”	Liaoyuan Rural Commercial Bank Co., Ltd. (遼源農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 15, 2012, in which the Bank holds a 35.13% equity interest. The remaining 14 shareholders hold 64.87% equity interest in Liaoyuan Rural Commercial Bank.
“Lingshui Huimin Village and Township Bank”	Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司) (formerly known as Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20.00% equity interest. The remaining 26 shareholders hold 80.00% equity interest in Lingshui Huimin Village and Township Bank. The Bank and 6 other shareholders (holding an aggregate of 32.60% equity interest in Lingshui Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Lingshui Huimin Village and Township Bank. Lingshui Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“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

Chapter 1 Definitions and Glossary

“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 People’s Republic of China 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

Chapter 1 Definitions and Glossary

“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 92 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 58.42% equity interest. The remaining 13 shareholders hold 41.58% equity interest in Qingyuan Qingxin Huimin Village and Township Bank
“Reporting Period”	from January 1, 2022 to December 31, 2022
“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 People’s Republic of China 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 14 other shareholders (holding an aggregate of 40.50% 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

Chapter 1 Definitions and Glossary

“Shareholder(s)”	holder(s) of the Shares
“Shuangcheng Huimin Village and Township Bank”	Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 25, 2010, in which the Bank holds a 62.26% equity interest. The remaining 28 shareholders hold 37.74% equity interest in Shuangcheng Huimin Village and Township Bank
“Songyuan Ningjiang Huimin Village and Township Bank”	Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 19, 2011, in which the Bank holds a 40.80% equity interest. The remaining 109 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

Chapter 1 Definitions and Glossary

“Tianjin Binhai Huimin Village and Township Bank”	Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 11, 2014, in which the Bank holds a 47.00% equity interest. The remaining 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 33 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 32.01% equity interest. The remaining 70 shareholders hold 67.99% equity interest in Wenan County Huimin Village and Township Bank. The Bank and 6 other shareholders (holding an aggregate of 20.08% equity interest in Wenan County Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Wenan County Huimin Village and Township Bank. Wenan County Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
“Wuchang Huimin Village and Township Bank”	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on November 11, 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank

Chapter 1 Definitions and Glossary

“Wuhua Huimin Village and Township Bank”

Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 13, 2014, in which the Bank holds a 39.23% equity interest. The remaining 43 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⁽¹⁾

Authorized Representatives:

Yuan Chunyu (袁春雨), 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 of the Bank:

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

Principal Office Address of the Bank:

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

(1) The Board of the Bank received a resignation report from Mr. Gao Bing on March 17, 2023. Mr. Gao Bing resigned from the positions of executive director and Chairman of the Bank with immediate effect, due to the relevant regulation regarding expiration of the term of office as a key personnel. As of the Latest Practicable Date, the Bank is still in the process of registering the change of legal representative.

Chapter 2 Company Profile

Customer Service Hotline:

+86 (431) 96888

Telephone:

+86 (431) 8925 0628

Facsimile:

+86 (431) 8925 0628

Company Website:

www.jtnsh.com

Principal Place of Business in Hong Kong:

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

H Share Disclosure Websites:

The Stock Exchange of Hong Kong Limited's 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

Chapter 2 Company Profile

H Share Registrar:

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

PRC Legal Adviser:

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

Hong Kong Legal Adviser:

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

Auditors of the Bank:

Domestic Auditor:

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

International Auditor:

SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House
311 Gloucester Road, Causeway Bay
Hong Kong

II. HISTORY OF THE BANK

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

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

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

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

Chapter 2 Company Profile

III. MAJOR AWARDS AND RECOGNITIONS IN 2022

The Group has won numerous awards and recognitions in 2022 attributable to its outstanding business performance and management ability, mainly including the following:

Unit/Project	Awards/Recognitions	Organizer
Jiutai Rural Commercial Bank	The Most Socially Responsible Listed Company Award (最具社會責任上市公司)	“The 6th Golden Share Listed in Hong Kong” Award by zhitongcaijing.com and 10jqka.com.cn (智通財經、同花順財經「第六屆金港股」評選)
Jiutai Rural Commercial Bank	Top 100 Chinese Banks in 2022 (2022年中國銀行業100強)	China Banking Association (中國銀行業協會)
Jiutai Rural Commercial Bank	Top 1000 World Bank in 2022 (2022年世界銀行1000強)	The Banker Magazine, UK (英國《銀行家》雜誌)
Jiutai Rural Commercial Bank: Online Comprehensive Financial Service Platform	Excellent Case Award for IT Architecture Innovation (IT架構創新優秀案例獎)	“The Third Excellent Cases of Digital and Intellectual Transformation of Small and Medium Rural Financial Institution” by Fintech Innovation in China金科創新社「第三屆中小金融機構數智化轉型優秀案例」評選
Jiutai Rural Commercial Bank	Enterprises with Outstanding Contributions to Donation during the Pandemic Prevention and Control Period in Jilin Province in 2022 (2022年吉林省疫情防控期間捐贈工作突出貢獻企業)	The People’s Government of Jilin Province (吉林省人民政府)
Jiutai Rural Commercial Bank	2022 Financial Contribution Award for Serving the Real Economy (2022年度服務實體經濟金融貢獻獎)	“2022 13th China Golden Cauldron Award” by National Business Daily (《每日經濟新聞》「2022年第13屆金鼎獎」評選)
Jiutai Rural Commercial Bank	Cases of Inclusive Financial Services for Rural Revitalization (普惠金融服務鄉村振興案例)	“Typical Cases of Inclusive Finance in China (2022)” by the 21st Century Financial Research Institute (21世紀金融研究院「中國普惠金融典例(2022)」評選)
Jiutai Rural Commercial Bank: Intelligent Security SDN Platform	Excellent Cases of Network Security (網路安全優秀案例)	“The Third Excellent Cases of Digital and Intellectual Transformation of Small and Medium Rural Financial Institution” by Fintech Innovation in China金科創新社「第三屆中小金融機構數智化轉型優秀案例」評選

Chapter 2 Company Profile

Unit/Project	Awards/Recognitions	Organizer
Jiutai Rural Commercial Bank	The Most Trustworthy Bank in Jilin Province for the Year 2022 (2022年度吉林省最值得信賴銀行)	“2022 Jilin Financial Institutions Selection” by City Evening News (《城市晚報》「2022年度吉林金融大典」評選)
Jiutai Rural Commercial Bank	The Most Socially Responsible Bank in Jilin for the Year 2022 (2022年度感動吉林最具社會責任感銀行)	“2022 Jilin Financial Institutions Selection” by City Evening News (《城市晚報》「2022年度吉林金融大典」評選)
Jiutai Rural Commercial Bank: Changchun Labor Union Member Service Card	The Most Favorite Bank Card in Jilin in 2022 (2022年度吉林省百姓最喜愛銀行卡)	“2022 Jilin Financial Institutions Selection” by City Evening News (《城市晚報》「2022年度吉林金融大典」評選)
Jiutai Rural Commercial Bank	The Most Socially Responsible Listed Company Award (最具社會責任上市公司)	“7th Listed Companies Selection” by zhitongcaijing.com (智通財經「第七屆上市公司」評選)
Jiutai Rural Commercial Bank	2022 Outstanding Social Responsibility Enterprise (2022卓越社會責任企業)	“2022 Outstanding Social Responsibility Enterprises” by China Investment Network 《投資時報》「第2022卓越社會責任企業」評選
Jiutai Rural Commercial Bank	2022 Outstanding Regional Bank (2022 優秀區域服務銀行)	“Golden Jubilee Award” annually by China Investment Network (《投資時報》「金禧獎」年度評選)
Jiutai Rural Commercial Bank	Corporate Social Responsibility Pioneer Award (企業社會責任先鋒獎)	“2022 Green Water and Gold Mountain Award” of financial industry by Cailian Press (財聯社「2022綠水金山獎」金融業評選)
Anciqu Huimin Village Bank	Top Ten Anti-Pandemic Service Banks (十佳抗疫服務銀行)	The 11th New Financial Institutions Forum (第十一屆新型金融機構論壇)
Anciqu Huimin Village Bank	National Excellent Village Bank for Supporting Agriculture and Small Enterprises (全國支農支小優秀村鎮銀行)	China Village Bank Development Forum Organizing Committee (中國村鎮銀行發展論壇組委會)
Da'an Huimin Village Bank	Civilization Unit in Jilin (吉林省文明單位)	Guidance Commission on Building Spiritual Civilization of Jilin Province (吉林省精神文明建設指導委員會)
Baicheng Taobei Huimin Village Bank	Civilization Unit in Jilin (吉林省文明單位)	Guidance Commission on Building Spiritual Civilization of Jilin Province (吉林省精神文明建設指導委員會)

Chapter 2 Company Profile

Unit/Project	Awards/Recognitions	Organizer
Baicheng Taobei Huimin Village Bank	Pioneer Party Organization in Jilin (吉林省先進基層黨組織稱號)	Party Committee of Jilin Province (中共吉林省委)
Tongcheng Huimin Village Bank	Green Finance Advanced Group for the Year 2022 (2022年度綠色金融工作先進集體)	Xianning Central Branch of The People's Bank of China (中國人民銀行咸寧市中心支行)
Gaomi Huimin Village Bank	Excellent Unit for Supporting Economic Development of Gaomi (支援高密經濟發展優秀單位)	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)
Fuyu Huimin Village Bank	Consumer Service Satisfaction Unit (消費者服務滿意單位)	Fuyu Municipal Committee of the Communist Party of China (中共扶餘市委) and Fuyu Municipal People's Government (扶餘市政府)
Lujiang Huimin Village Bank	Advanced Unit for Financial Institutions to Support Local Economic Development (金融機構支援地方經濟發展先進單位)	The People's Government of Lujiang County (廬江縣人民政府)

Chapter 3 Financial Highlights

Financial Data from 2018 to 2022

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

Chapter 3 Financial Highlights

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

Chapter 3 Financial Highlights

Notes:

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



Chapter 4 Management Discussion and Analysis

4.1 Environment and Outlook

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

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

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

Chapter 4 Management Discussion and Analysis

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

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

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

Chapter 4 Management Discussion and Analysis

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

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

Chapter 4 Management Discussion and Analysis

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

(i) Net interest income

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

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

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.

Chapter 4 Management Discussion and Analysis

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

Chapter 4 Management Discussion and Analysis

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

Notes:

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

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

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

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.

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(ii) Interest income

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

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

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

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(A) Interest income from loans and advances to customers

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

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

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

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

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

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

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

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

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

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

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(E) Interest income from deposits with the central bank

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

(iii) Interest expenses

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

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

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(A) Interest expenses on deposits from customers

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

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

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

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

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

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

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

(D) Interest expenses on debt securities issued

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

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(iv) Net interest spread and net interest margin

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

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

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(v) Non-interest income

(A) Net fee and commission income

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

Note:

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

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

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

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

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

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

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

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

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

(B) Net gains arising from investment securities

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

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

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(C) Dividend income

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

(D) Net trading gains

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

(E) Net exchange gains

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

(F) Other operating income (expense), net

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

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(vi) Operating expenses

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

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

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

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(A) Staff costs

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

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

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

(B) Property and equipment expenses

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

(C) General management and administrative expenses

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

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(D) Tax and surcharges

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

(vii) Impairment losses on assets, net of reservals

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

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

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

(viii) Income tax expense

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

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

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

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

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(A) Loans and advances to customers

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

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

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

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

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

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

Loans by Collateral

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

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

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

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

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

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

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

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

(B) Investment securities and other financial assets

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

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

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

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

(ii) Liabilities

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

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

Note:

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

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(A) Deposits from customers

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

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

Note:

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

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

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(B) Debts securities issued

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

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

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

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

(iii) Shareholders' equity

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

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

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(c) Assets Quality Analysis

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

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

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

Note:

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

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

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(ii) Concentration of loans

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

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

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

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

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

(B) Borrower concentration

Loans to the 10 Largest Single Borrowers

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

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

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(C) Distribution of non-performing loans by product

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

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

Notes:

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

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

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

(D) Loan aging schedule

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

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

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(d) Segment Information

(i) Summary of geographical segment information

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

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

Note:

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

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(ii) Summary of business segments

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

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

Note:

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

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(e) Off-balance Sheet Commitments

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

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

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

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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, 2022, the Group had approximately 4,374 corporate borrowers with loans and advances to customers totaling RMB145,044.6 million. In 2022 and 2021, operating income from the Group's corporate banking business was RMB4,488.3 million and RMB3,776.8 million, respectively, accounting for 68.0% and 59.4% of total operating income, respectively.

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

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

Notes:

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

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

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(i) Corporate loans

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

(ii) Discounted bills

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

(iii) Corporate deposits

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

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

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

Chapter 4 Management Discussion and Analysis

(A) Consulting and financial advisory services

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

(B) Syndicated loans services

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

(C) Settlement and clearing services

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

(D) Entrusted loans

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

(E) Agency services

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

(F) Wealth management services

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

Chapter 4 Management Discussion and Analysis

(b) Retail Banking

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

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

Note:

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

(i) Retail loans

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

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(ii) Retail deposits

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

(iii) Bank cards services

(A) Debit cards

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

(B) Credit cards

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

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

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

(A) Wealth management services

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

(B) Private banking service

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

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

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

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(c) Treasury Operations

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

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

Notes:

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

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(i) Money market transactions

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

(A) Interbank deposits

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

(B) Interbank placement

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

(C) Interbank repurchase and reverse repurchase transactions

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

(ii) Investments in securities and other financial assets

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

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

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

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

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

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

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

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

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

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(C) Holding of government bonds

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

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

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(D) Holding of financial bonds

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

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

(iii) Treasury operations conducted on behalf of customers

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

(d) Distribution Network

(i) Physical outlets

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

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

(ii) Electronic banking

(A) Self-service banking

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

(B) Telephone and SMS banking

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

(C) Internet banking

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

(D) Mobile phone banking

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

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(E) WeChat banking

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

(e) Information on the Subsidiaries

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

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

(ii) Village and township banks

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

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

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

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

(f) Operation and Safety of IT Systems

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

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1. Improved the financial technology governance system

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

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2. Accelerated the smart reengineering of financial services

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

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3. Created a new digital infrastructure

In 2022, the overall operation and maintenance of the Bank's data center server room maintained in a good condition, and the availability of the server room infrastructure reached 100%. To cope with the increasing complexity of the network architecture and the rapid growth of network traffic, the Bank implemented a software-defined network (SDN) architecture, actively tried and explored new network technologies, researched and implemented cloud network and intelligent operation and maintenance solutions, enhanced the agility and flexibility of network control, and realized the stable operation of information systems and the innovative development of application technologies. The Bank continued to optimize the automated operation and maintenance platform to achieve automatic fault identification, intelligent alerting, rapid positioning and disposal, as well as intelligent operation and maintenance of networks and applications from "visual operation and maintenance, proactive operation and maintenance, efficient operation and maintenance, and in-depth operation and maintenance" to improve operation and maintenance efficiency and reduce human risks, and promote the maturity of the operation and maintenance organization and improve management capabilities. The Bank also carried out network security reinforcement, fiber optic network renovation, storage virtualization SVC, and national password renovation to ensure the safe and reliable operation of business systems, as well as to provide adequate protection for the rapid launch of business systems. The Bank further refined its operation and maintenance system with ISO 22301 system as its guidance to achieve more standardized and systematic management of IT operation and maintenance and business continuity. A risk management system with focus on prevention and continuous improvement was set up to facilitate more efficient IT services and business continuity. The Bank's "Smart Security SDN Platform" was awarded as the "Outstanding Case of Network Security" and "Top 10 Outstanding Cases of Network Impact" in the 6th Rural Small and Medium-sized Financial Institutions Technology Innovation.

4. Strengthened the foundation of sustainable development

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

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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 overall objectives of risk management. The credit risks, market risks, operating risks, liquidity risks, reputational risks, legal and compliance risks, IT risks, money laundering risks and terrorist financing risk are the main risks faced by the Bank.

(i) Credit risk management

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

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

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

The Bank uses the following mechanisms to manage credit risks:

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

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

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

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

(ii) Market risk management

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

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

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

(A) Interest rate risk management

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

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

Chapter 4 Management Discussion and Analysis

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

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

Chapter 4 Management Discussion and Analysis

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

Chapter 4 Management Discussion and Analysis

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

Notes:

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

Chapter 4 Management Discussion and Analysis

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

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

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.

Chapter 4 Management Discussion and Analysis

(B) Exchange rate risk management

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

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

(iii) Operational risk management

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

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

Chapter 4 Management Discussion and Analysis

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

(iv) Liquidity risk

(A) Liquidity risk management

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

Chapter 4 Management Discussion and Analysis

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

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

Chapter 4 Management Discussion and Analysis

(B) Liquidity risk analysis

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

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

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

Chapter 4 Management Discussion and Analysis

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

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

Chapter 4 Management Discussion and Analysis

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

Notes:

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

Chapter 4 Management Discussion and Analysis

(v) Reputational risk management

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

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

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

Chapter 4 Management Discussion and Analysis

(vi) Legal and compliance risk management

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

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

(vii) IT risk management

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

Chapter 4 Management Discussion and Analysis

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

In 2022, the Bank strengthened the identification, measurement, monitoring and control of IT risks through optimizing its IT risk management system, building the strong fintech security firewall, and strengthening business continuity management capacity. The Bank also established a comprehensive IT risk management mechanism covering all periods and aspects. Firstly, the Bank optimized its IT risk management system. The Strategic Plan of Information Technology Outsourcing Management (《信息科技外包管理戰略規劃》) and the Management Rules of Information Technology Subcontractors (《信息科技外包服務商管理規定》) were amended and refined. The Bank further enhanced risk management to prevent IT risk and secure the safe and stable operation of information system effectively. The Bank also organized quarterly IT risk appraisal and performed comprehensive analysis and appraisal on IT risks and management based on IT governance, major IT infrastructure management, IT safety management, branch safety management, network safety management, server safety management, system development and testing management, business continuity management and IT outsourcing management, which has improved the risk identification and management level and established an outstanding IT risk appraisal mechanism of the Bank. The Bank conducted four IT-related inspections and audits, covering IT structure, system development, system alteration, data backup, business continuity and outsourcing management. The Bank organized four promotion activities, namely the IT promotion week and the 5th anniversary of the implementation of network safety law, to promote network safety and related legal knowledge, which effectively enhanced the information safety awareness of employees. The Bank actively arranged network security skills training by making use of online and offline methods, and organized hacking and defense drills to effectively enhance the information security skills of technicians and raise the risk prevention ability of employees. Secondly, the Bank built the strong fintech security firewall. The Bank established and refined its security protection mechanism through strengthening the security protection, improving the rules of systems and enhancing the safety awareness. The Bank put more efforts in the management of network security by developing a network security technology protection system covering all aspects and procedures. The ability to cope with major network threats, material disasters and contingent events was enhanced. The Bank formulated its information security working plan and procurement budget for 2022 based on the ISO 27001 system, implemented key tasks such as network architecture optimization and data governance, and continuously optimized internal control management strategies and procedures of technologies. The Bank built the software-defined networking (SDN), supported inter-regional boundary protection and traffic management through virtualization, supported dynamic optimization of security strategy, and completed overall optimization of network architecture. The Bank carried out business monitoring platform testing, production network changes, Internet security protection and other work to provide guarantee for the safe and reliable operation of business systems, and also to support the quick launch of the rapidly growing business systems. The Bank improved the security strategies such as firewall, IDS, IPS and WAF, consolidated network security, and continued to optimize the automatic operation and maintenance platform to perform active analysis and intelligent research and judgement

Chapter 4 Management Discussion and Analysis

on massive security alerts. Security events were handled automatically, and the intelligent and integrated operation and maintenance were achieved. Thirdly, the Bank strengthened its business continuity management capabilities. The Bank further refined its operation and maintenance system with ISO 22301 system as its guidance to achieve more standardized and systematic management of IT operation and maintenance and business continuity. A risk management system with focus on prevention and continuous improvement was set up to facilitate more efficient IT services and business continuity. Based on the analysis of business impacts, the Bank modified various contingency plans and formulated emergency drill plans. In 2022, the Bank organized 14 emergency drills, including data center power system, core database, data backup system and switching of external links, etc., in order to improve capabilities to cope with contingency and evaluate the effectiveness of emergency plan and sufficiency of emergency resources and improve risk awareness and capabilities to cope with contingency of the emergency team and ensure the safe and reliable operation of the data center and business system.

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

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

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

Chapter 4 Management Discussion and Analysis

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

Chapter 4 Management Discussion and Analysis

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

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

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

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

(b) Risk Management of the Subsidiaries

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

Chapter 4 Management Discussion and Analysis

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.

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(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 10.5%, 10.5%, 10.5%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 8.5%, 8.5%, 8.5%, 8.5% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 7.5%, 7.5%, 7.5%, 7.5% and 7.5%, respectively, as of December 31, 2018, 2019, 2020, 2021 and 2022.

Chapter 4 Management Discussion and Analysis

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

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

Notes:

(1) Primarily includes other intangible assets excluding land use rights, goodwill and deferred tax recognized for tax losses.

(2) Primarily includes tier-one capital instruments such as preferred shares and their premiums and eligible portion of non-controlling interests.

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, 2022. 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, 2022, the Bank was the holding company of 15 majority-owned subsidiaries, 19 non-majority-owned subsidiaries and 1 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, 2022 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.

Chapter 5 Report of the Board of Directors

The Group believes that continued growth depends on the ability and contribution of its employees. The Group attracts and retains talents through efficient recruitment, 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 has also established an scientific and effective 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, 2022, the Group had 70,136 retail borrowers with total loans and advances to customers of RMB26,984.8 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, 2022, the Group's retail deposits totalled RMB173,073.1 million.

Chapter 5 Report of the Board of Directors

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, 2022, the Group had 4,374 corporate borrowers with loans and advances totalling RMB145,044.6 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, 2022, the Group had 3,189 SME customers with loans and advances totalling approximately RMB113,270.3 million.

V. Profits and Dividend

The Group's revenue for the year ended December 31, 2022 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, 2022. The Board will propose the abovementioned resolution at the 2022 annual general meeting for approval. The Bank will issue an announcement separately if there are any changes in the arrangement of the abovementioned distribution of dividend.

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VI. 2022 Annual General Meeting and Book Closure Date

The 2022 annual general meeting will be held on Friday, June 16, 2023. In order to determine the holders of H Shares who are eligible to attend the 2022 annual general meeting, the H share register of the Bank will be closed from Wednesday, May 17, 2023 to Friday, June 16, 2023 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to qualify for attending the 2022 annual general meeting, 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 16, 2023. Holders of H shares of the Bank who are registered with Computershare Hong Kong Investor Services Limited on Friday, June 16, 2023 are entitled to attend the 2022 annual general meeting.

A Shareholder or his/her proxy should present proof of identity when attending the 2022 annual general meeting. 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 2022 annual general meeting 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).

VII. Changes in the Reserves

Details of the Group's changes in the reserves and the distributable profit reserve for the year ended December 31, 2022 are set out in "Consolidated Statement of Changes in Equity" of this annual report. As at December 31, 2022, the distributable profit reserve of the Bank amounted to RMB2,331,619,791.62.

VIII. Summary of Financial Information

The summary of the operating results and assets and liabilities of the Group for the year ended December 31, 2022 is set out in "Financial Highlights" of this annual report.

IX. Donations

For the year ended December 31, 2022, the Group made charity and other donation of RMB36.1 million in aggregate.

Chapter 5 Report of the Board of Directors

X. Property and Equipment

Details of the changes in property and equipment of the Group for the year ended December 31, 2022 are set out in “Note 26 to the Consolidated Financial Statements” of this annual report.

XI. Retirement Benefits

Details of the retirement benefits provided by the Group to employees are set out in “Notes 3 and 37 to the Consolidated Financial Statements” of this annual report.

XII. Substantial Shareholders

Particulars of the substantial Shareholders as of December 31, 2022 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.

XIII. 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.

XIV. 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.

XV. Major Customers and Major Suppliers

As of December 31, 2022, 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.

Chapter 5 Report of the Board of Directors

XVI. 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.

XVII. Members of the Board

Up to the Latest Practicable Date, the Board comprises:

Executive Directors:

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.

XVIII. 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.

Chapter 5 Report of the Board of Directors

XIX. 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 of the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Bank had any interests and short positions in the shares, underlying shares or debentures of the Bank or any associated corporations (within the meaning of Part XV of the SFO) which shall be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/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 Bank and the Hong Kong Stock Exchange or which would be required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Bank 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 ⁽³⁾	Former Chairman and Executive Director	Domestic Shares	Beneficial owner	382,017 (L) ⁽²⁾	0.01	0.01
Yuan Chunyu	Executive Director, vice president, Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	60,815 (L) ⁽²⁾	0.00 ⁽⁴⁾	0.00 ⁽⁴⁾
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	417,742,818 (L) ⁽²⁾	10.17	8.23
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	140,805,193 (L) ⁽²⁾	3.43	2.77
Hu Guohuan	Shareholder Supervisor	Domestic Shares	Beneficial owner	4,001,953 (L) ⁽²⁾	0.10	0.08

Notes:

- (1) As of the end of the Reporting Period, the Bank had a total of 5,074,191,569 Shares in issue, including 4,107,690,457 Domestic Shares and 966,501,112 H Shares.
- (2) L represents long position.
- (3) Mr. Gao Bing resigned from the executive Director and chairman and other positions of the Bank on March 17, 2023.
- (4) The percentage is rounded to two decimals.

Chapter 5 Report of the Board of Directors

XX. 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.

XXI. 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).

XXII. 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.

XXIII. 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.

XXIV. 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.

Chapter 5 Report of the Board of Directors

XXV. 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 47 to the Consolidated Financial Statements” of this annual report. The related party transactions set out in “Note 47 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.

XXVI. Remuneration Policies for Directors, Supervisors, Senior Management Members and Employees

Under the guidance of the relevant policies of the PRC, the Bank continues to improve the performance-based remuneration system for Directors, Supervisors, senior management members and employees. The Board is responsible for the design of the Bank’s remuneration management system and policies. The Remuneration Committee under the Board is responsible for the formulation of remuneration policies and systems, and is responsible for evaluating the performance of senior management and overseeing the implementation of the compensation system. The remuneration at each level of the Bank is linked to the operating performance and risk control assessment results, and the Board issues an operating target plan to the management every year. By setting the operating targets, the Board conveys the Board’s strategic development guidance and risk appetite to the management to ensure sound development and stable operation. The management decomposes and implements the management targets to the business departments and branches, and links the remuneration to the management targets, and pays the remuneration according to the assessment results after layers of assessment.

Chapter 5 Report of the Board of Directors

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 implements the management of deferred performance pay for senior management and employees in positions that have significant risk impact. The proportion of deferred payment of remuneration for senior management is 50% of the performance remuneration in the year, and the proportion of deferred payment of performance remuneration for other employees is 40% of the performance remuneration in the year. The period of deferred payment of performance remuneration is generally three years. The deferred performance compensation is paid in 3-year installments in the ratio of 3:3:4 from the following year onwards. During the Reporting Period, there was no withholding for any reason.

Chapter 5 Report of the Board of Directors

XXVII. 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.

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XXVIII. Tax Relief

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

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise Shareholders whose names appear on the H Share register in the distribution of final dividend. As any Shares registered in the name of non-individual Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other 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稅法》) and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告 2015年第60號)) (the "Tax Convention Announcement"), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual Shareholders whose names appear on the H Share register ("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:

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- 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.

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XXIX. 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 2021 annual general meeting, the Bank has re-appointed CAC CPA Limited Liability Partnership as the auditor for the PRC GAAP financial statements of the Bank for 2022 and will continue to engage SHINEWING (HK) CPA Limited as the auditor for the IFRS financial statements of the Bank for 2022. 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.

XXX. 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.

XXXI. 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.

XXXII. 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.

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XXXIII. Key Financial Performance Indicators and Analysis

As of December 31, 2022, according to the financial data prepared under the IFRS, the total assets of the Group amounted to RMB267,000.7 million, representing a year-on-year increase of 14.0%; net loans and advances to customers amounted to RMB170,597.4 million, representing a year-on-year increase of 11.8%; the non-performing loan ratio was 1.98%, representing a year-on-year increase of 0.1 percentage point; total deposits from customers amounted to RMB227,345.1 million, representing a year-on-year increase of 17.7%; the total operating income of the Group amounted to RMB6,597.1 million, representing a year-on-year increase of 3.7%; and the net profit of the Group amounted to RMB1,672.0 million, representing a year-on-year increase of 29.6%. As of December 31, 2022, the Group's capital adequacy ratio, tier one capital adequacy ratio and core tier one capital adequacy ratio was 11.50%, 9.01% and 8.91%, respectively. The gearing ratio of the Group, calculated by dividing the total liabilities by total assets, as of December 31, 2022 was 93.03%.

XXXIV. 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 2022, 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 all applicable provisions contained in the Code of Corporate Governance, and satisfied substantially all requirements of recommended best practice provisions as set out in the rules above. For details of the governance of the Bank, please refer to “Corporate Governance Report” of this annual report.

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XXXV. Compliance with Laws and Regulations

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. As of December 31, 2022, 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.

Chapter 5 Report of the Board of Directors

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.

XXXVI. License Requirements

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

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XXXVII. 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.

XXXVIII. Capital Reserve Capitalization

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

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

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XXXIX. Issuance of Bonds

For the year ended December 31, 2022, the Bank issued 5 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB2,500.0 million. The interbank certificates have a term of one year and bear interest at effective rates between 2.85% and 3.50%.

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

In July 2021, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB2,000.0 million. The bonds have a term of 10 years and bear interest at the rate of 4.80% per annum.

XL. Equity-linked Agreement

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

XLI. 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.

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(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. The extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was considered and approved at the 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 on the Plans on the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the Board meeting held on August 30, 2021, pursuant to which, the Board adjusted and updated the issue price and other matters under the Plans on the Private Placement of Domestic Shares and the Non-public Issuance of H Shares based on market conditions and actual situation of the Bank. As the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares expired on June 18, 2022, the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was considered and approved at the Board meeting of the Bank held on March 30, 2022 as well as the 2021 annual general meeting, the first domestic share class meeting of 2022 and the first H share class meeting of 2022 held on June 17, 2022. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcements dated July 12, 2018, August 23, 2019, August 28, 2020, March 30, 2021, August 30, 2021, September 30, 2021 and March 30, 2022 and the circulars dated August 15, 2018, September 13, 2019, September 30, 2020, May 7, 2021 and April 27, 2022 of the Bank, respectively.

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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.

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

(1) Significant acquisitions and disposals

From January 1, 2022 to December 31, 2022, 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

On November 18, 2021, the Bank entered into an equity transfer agreement with Mengshang Bank Co., Ltd. (“Mengshang Bank”, an independent third party of the Group) in relation to Jiutai Longjia Village and Township Bank. According to the agreement, Mengshang Bank sold its 15.00% equity interest in Jiutai Longjia Village and Township Bank to the Bank for a consideration of RMB16.4 million. On January 4, 2022, after the Bank settled the last transaction payment, the transaction was completed. On the same day, the Bank and 4 other shareholders (holding an aggregate of 40.00% equity interest in Jiutai Longjia 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 Jiutai Longjia Village and Township Bank. Jiutai Longjia Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary. The Bank believes that these transactions can expand the Group’s business network and enhance the Group’s competitiveness. The applicable percentage ratios under Rule 14.07 of the Hong Kong Listing Rules in respect of aforesaid transactions are below 5%.

XLIII. Events after the Reporting Period

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

Chapter 5 Report of the Board of Directors

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

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

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

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, 2022.

XLV. Publication of 2022 Annual Report

The Bank has prepared its 2022 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).



Chapter 5 Report of the Board of Directors

XLVI. 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.

On behalf of the Board
Yuan Chunyu
Joint Company Secretary

Chapter 6 Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors performed its duties in strict accordance with the provisions of the Company Law, relevant laws and regulations and the Articles of Association. With focus on strategic decision-making supervision, internal control management supervision and risk control supervision, and aiming at regulating operations, strengthening management and preventing risks, the Board of Supervisors seriously supervised the performance of its duties, faithfully protected the legitimate rights and interests of the Bank and its shareholders, and effectively promoted the stable and healthy development of the Bank.

I. Basic Information of the Board of Supervisors

The Board of Supervisors of the Bank consists of 7 Supervisors, including 3 employee Supervisors and 4 external Supervisors (including 1 Shareholder supervisor), with the ratio of employee Supervisors and external Supervisors being no less than one-third. 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 number and composition of the Board of Supervisors and the persons in charge of its special committees are in compliance with the regulations. There is no relationship between the external Supervisors and the Bank and its major shareholders that may affect their independent judgment.

II. Main Work of the Board of Supervisors

In 2022, the Board of Supervisors of the Bank closely focused on its central work, supervised the implementation of the resolutions of the General Meeting, monitored the overall work of the Board of Directors and the senior management, supervised and inspected the strategic direction, business operations, financial position and the performance of duties of the Directors and senior management of the Bank, actively protected the legitimate rights and interests of shareholders and employees, carried out its work independently in accordance with the law, ensured that the Bank's operation and management activities were legal and regulated and operated in an orderly manner, and gave full play to its supervisory functions.

Chapter 6 Report of the Board of Supervisors

(I) Strictly performing supervisory duties. The Board of Supervisors closely focuses on strategic decision-making, internal control risks, systems and regulations, quality of assets, financial management, business operation processes, and the authenticity, legality and risks of new business development; performs its supervisory functions; and plays a supervisory role in participating in decision-making and supporting business management activities. Firstly, the Board of Supervisors pays attention to business decisions and implement comprehensive supervision. In its work, the Board of Supervisors adheres to the principles of organization, and in accordance with the spirit of the policy documents and relevant laws and regulations, and in conjunction with the strategic decisions, business policies and management philosophy of the Board of Directors and senior management, actively completes the various tasks for which the Board of Supervisors is responsible. On the one hand, it puts forward rationalized suggestions or supervisory opinions in the decision-making process, and on the other hand, it implements and executes them seriously, so that the supervisory role of the Board of Supervisors can be carried out in the whole process of operation and management. Secondly, it participates in various meetings and strengthens the supervision of attendance. In accordance with the law, the Board of Supervisors attends general meetings, the Board meetings and management meetings. The Board of Supervisors attended 3 general meetings, supervised the voting of all resolutions at the meeting, and ensured that the legality and compliance of the convening and voting procedures of the meeting. The Board of Supervisors has actively participated in the Board meetings and related management meetings, appointed Supervisors to attend or participate in various meetings for more than 120 times, and effectively fulfilled the work responsibilities of the Board of Supervisors. Thirdly, it supervises key areas and prevents business risks. It supervised and coordinated the prevention and solution of credit risks, required the management to do a good job in post-loan management and early warning and monitoring, ensured that the quality of capital products was maintained at a reasonable level, strengthened the monitoring of daily indicators, reasonably matched the amount, maturity and structure, adapted to the new regulatory requirements, further studied the monitoring measures of liquidity matching ratio, quality asset adequacy ratio and other indicators, comprehensively improved the level of liquidity risk management, strengthened efforts to investigate various types of risks, prevented market risk, operational risk and reputation risk, and ensured the safe and stable operations.

Chapter 6 Report of the Board of Supervisors

(II) Adhering to standardize performance assessment. Firstly, the Board of Supervisors assessed the performance of the Board and the Directors, the senior management and its members, and the members of the Board of Supervisors. The Board of Supervisors standardized the approach, content and procedure for performance assessment of the Directors and senior management, and performed assessment via three steps including self-assessment, cross assessment and final assessment. Based on the self-assessment and cross assessment reports and materials submitted by the Board and senior management, and through investigation and interviews with the Directors and senior management and reviewing various business reports and the work summaries and work reports of the Directors and senior management, the Board of Supervisors understood their duty performance and conducted objective performance assessment according to the specific requirements of duty performance assessment. Meanwhile, based on the results of self-assessment and cross assessment of Supervisors, the Board of Supervisors assessed the Supervisors' supervision work and performance for the year, prepared the final assessment report on the Board, senior management and Supervisors, and put forward to the Shareholders' general meeting. Secondly, the Board of Supervisors performed self-assessment. Based on the actual condition of the Bank and according to the requirement of the relevant requirements, the Board of Supervisors conducted the self-assessment diligently, which covered 8 aspects, namely organizational structure of the Board of Supervisors of the Bank, supervision and inspection, performance assessment, suggestions and risk alerts, convention of meetings, daily management, system construction and business risk management, and conducted the assessment on the work of the Board of Supervisors item by item.

(III) Initiatively conducting in-depth researches. Centering on social situation, the banking industry trend, the development strategies, market positioning and management approach of the Bank, the Board of Supervisors conducted researches on aspects including the marketing strategy, development condition of rural and township banks, risk management and E-bank. The Board of Supervisors organized 4 collective researches and prepared 4 research reports and put forward to the Board and management in a timely manner, providing reference for the Bank's operation and management decision-makings. Furthermore, the Board of Supervisors conducted self-inspection research on the Bank's risk exposure duly and diligently according to the arrangement and deployment of the institution at an upper level, and prepared the specific research report.

Chapter 6 Report of the Board of Supervisors

(IV) Effectively conducting special inspection. The Board of Supervisors fully exerted the supervision functions, continuously strengthened the effectiveness of the Supervisory Committee and enhanced risk control capabilities. Throughout the year, four specific inspections were carried out on large-scale loans, wealth management business, internal control and financial management, to closely monitor and supervise the Bank's credit, finance, internal control, risk management and compliance management, and made rectification advice on existing related concerns, and guaranteed the steady operation of the Bank. At the same time, the Board of Supervisors guided the audit department to intensify its audit efforts and relied on the audit department to conduct comprehensive inspections in terms of risk, internal control and finance.

(V) Rigorously issuing risk alerts. 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. Throughout the year, the Board of Supervisors issued six risk alerts, and urged the effective rectification by relevant departments or institutions, so as to scientifically prevent operational risks through the alert mechanism.

(VI) Effectively enhancing daily management. Firstly, the Board of Supervisors conducted meetings in strict compliance with the rules. During the year, 4 meetings of the Board of Supervisors were convened and 124 resolutions were considered and approved. The Supervisory Committee had convened 4 meetings and approved 64 resolutions. The Nomination Committee had convened 3 meetings and approved 8 resolutions. All Supervisors 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 adhered to training courses. The Board of Supervisors constantly promoted the construction of policies and system, collected and prepared the Compilation of Laws, Regulations and Rules. Through online and offline and other methods, the Board of Supervisors organized business conferences and training programs for the Supervisors and other officers of the Board of Supervisors regularly. 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, in order to improve the theoretical level and practical ability of the members of the Board of Supervisors.

Chapter 6 Report of the Board of Supervisors

III. Independent Opinions of the Board of Supervisors

(I) 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 has always been political, worked together diligently and prudently in respect of the development and major strategic 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, and operated and managed in accordance with laws to ensure the successful completion of the tasks of the year.

(II) Compliance operation. During the Reporting Period, the operation of the Bank complied with the requirements of the Code of Corporate Governance of Banking and Insurance Institutions 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) True situation of the financial report. SHINEWING (HK) CPA Limited has audited the financial report for the year of 2022 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) 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.



Chapter 6 Report of the Board of Supervisors

(V) 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) 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) Implementation of resolutions of the Shareholder's general meetings. During the Reporting Period, the Supervisors attended or were present at 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.

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, 2022, the share capital of the Bank was as follows:

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

There were no changes to the share capital of the Bank during the period from January 1, 2023 to the Latest Practicable Date.

Chapter 7 Changes in Share Capital and Particulars of Shareholders

II. Particulars of Shareholders

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

As of December 31, 2022, the top ten holders of the Domestic Shares of the Bank are set out as follows:

No.	Name of Shareholder	Total number of Shares held at December 31, 2022	Approximate percentage in the total issued share capital of the Bank at December 31, 2022 (%)	Pledged or frozen
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	487,618,170	9.61	—
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	417,742,818	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)	231,580,506	4.56	—
4	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	140,805,193	2.77	—
5	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	136,956,137	2.70	95,700,000
6	China Wood (Group) Co., Ltd. (中國木材(集團)有限公司)	127,786,982	2.52	127,786,982
7	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)	125,552,340	2.47	—
8	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	111,599,871	2.20	—
9	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	106,067,642	2.09	—
10	Changchun Changqing Pharmaceutical Group Co., Ltd. (長春長慶藥業集團有限公司)	100,439,713	1.98	—
Total		1,986,149,372	39.14	223,486,982

Chapter 7 Changes in Share Capital and Particulars of Shareholders

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

To the best knowledge of the Bank, as at December 31, 2022, 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 2022 on the basis of 10 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 2022.

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held ⁽⁶⁾	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	487,618,170(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	417,742,818(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	231,580,506(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	231,580,506(L)	4.56	5.64
Song Yilin (宋一霖) ⁽²⁾	Interest in controlled corporation	Domestic Shares	231,580,506(L)	4.56	5.64

Chapter 7 Changes in Share Capital and Particulars of Shareholders

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held ⁽⁶⁾	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	179,778,119(L)	3.54	18.60
Wang Tao ⁽³⁾	Interest in controlled corporation	H Shares	179,778,119(L)	3.54	18.60
Suhang Investment Holdings Limited	Beneficial owner	H Shares	127,338,750(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	127,338,750(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	127,338,750(L)	2.51	13.18
Longyuan International (Hongkong) Limited	Beneficial owner	H Shares	127,891,523(L)	2.52	13.23
Aurum Thrive Limited (金隆有限公司)	Beneficial owner	H Shares	57,232,401(L)	1.13	5.92
Zhang Dan (張丹) ⁽⁶⁾	Interest in controlled corporation	H Shares	57,232,401(L)	1.13	5.92
Huijin Capital Limited	Beneficial owner	H Shares	60,167,559(L)	1.19	6.22
Mia Chen ⁽⁷⁾	Interest in controlled corporation	H Shares	60,167,559(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) Mr. Wang Tao holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Wang Tao is deemed to be interested in the Shares held by China Create Capital Limited.
- (4) Suhang Investment Holdings Limited is a wholly-owned subsidiary of Pure Virtue Enterprises Limited. Pure Virtue Enterprises Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. According to the SFO, Huarong Huaqiao Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (5) Suhang Investment Holdings Limited is a wholly-owned subsidiary of Pure Virtue Enterprises Limited. Pure Virtue Enterprises Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited. China Huarong Overseas Investment Holdings Co., Limited is a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a majority shareholder of Huarong Huaqiao Asset Management Co., Ltd. Huarong Zhiyuan Investment & Management Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (6) Zhang Dan holds the entire issued share capital of Aurum Thrive Ltd. Aurum Thrive Ltd. directly holds 57,232,401 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Ltd.

Chapter 7 Changes in Share Capital and Particulars of Shareholders

- (7) Mia Chen holds 100% equity interest in Huijin Capital Limited. Huijin Capital Limited directly holds 60,167,559 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, 2022, 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 487,618,170 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 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. Liang Xiangmin (梁向民)	57	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)	51	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)	58	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)	73	Non-executive Director	April 2015	June 2024	Same as above
Mr. Wu Shujun (吳樹君)	64	Non-executive Director	December 2012	June 2024	Same as above
Mr. Zhang Lixin (張立新)	46	Non-executive Director	August 2021	June 2024	Same as above

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

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Ms. Wang Ying (王瑩)	39	Non-executive Director	August 2021	June 2024	Same as above
Ms. Zhang Qiu Hua (張秋華)	60	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)	60	Independent Non-executive Director	August 2021	June 2024	Same as above
Ms. Jin Xiaotong (金曉彤)	59	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Sun Jiafu (孫甲夫)	51	Independent Non-executive Director	August 2021	June 2024	Same as above
Mr. Fong Wai Kuk Dennis (方緯谷)	46	Independent Non-executive Director	September 2021	June 2024	Same as above

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

Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	51	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)	54	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)	47	Employee Supervisor	December 2015	June 2024	Same as above
Ms. Dai Yundi (戴昀弟)	60	Non-employee Supervisor	June 2021	June 2024	Supervision of the Board of Directors and senior management
Mr. Liu Jianxin (劉建新)	53	Non-employee Supervisor	June 2021	June 2024	Same as above
Mr. Dong Shuaibing (董帥兵)	51	Non-employee Supervisor	June 2021	June 2024	Same as above
Ms. Hu Guohuan (胡國環)	60	Shareholder 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)	52	President	June 2021	June 2024	Responsible for the overall management of the business operations
Mr. Li Guoqiang (李國強)	54	Vice President	December 2008	June 2024	Responsible for the business operations and management of branches within the Jiutai region, Three Rurals Financial and party community work
Mr. Gao Zhonghua (高中華)	58	Vice President	February 2015	June 2024	Responsible for information technology
Mr. Yuan Chunyu (袁春雨)	51	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)	55	Assistant to the President ⁽¹⁾	August 2021	June 2024	Responsible for the business operations and management of branches outside the Jiutai region and manage certain business departments and offices
Mr. Qin Lei (秦磊)	40	Assistant to the President	August 2022	June 2024	Responsible for assisting the management of business operations of branches within the Jiutai region

Note:

- (1) On June 7, 2022, the Board of the Bank resolved to appoint Mr. Du Ping as the vice president of the Bank and his term of office shall commence on the date on which his qualification is approved by regulatory authorities. As of the Latest Practicable Date, the qualification of Mr. Du Ping as the vice president remains subject to the approval of regulatory authorities.

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

II. Changes in Directors, Supervisors and Senior Management Members

(I) Changes in Directors

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

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

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

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

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) Changes in Supervisors

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

On June 7, 2022, the Board of the Bank resolved to appoint Mr. Du Ping as the vice president of the Bank, with effective from the date of obtaining the approval by the regulatory authorities. As of the Latest Practicable Date, the qualification of Mr. Du Ping as the vice president was pending for approval by the regulatory authorities.

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

On June 7, 2022, the Board of the Bank resolved to appoint Mr. Qin Lei as the assistant to the president of the Bank. After the approval by the CBIRC Jilin Bureau, Mr. Qin Lei has served as the assistant to the president of the Bank since August 24, 2022.

Due to his age, Mr. Zhu Weidong has applied to resign from the position of vice president. On March 30, 2023, the Board of Directors resolved to terminate the appointment of Mr. Zhu Weidong as vice president.

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. 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.

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

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.

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

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.

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

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 Qihua (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 Qihua 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 Wurzburg, Germany to carry out research on cooperation project, focusing on comparison of company laws of China and Germany. Ms. Zhang Qihua 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 Qihua 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.

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

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.

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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 director of Jilin You Tong Law Firm (吉林攸同律師事務所). Mr. Sun was a lawyer at Jilin Jida Law Firm (吉林吉大律師事務所) from July 2001 to September 2005, and a senior partner of Jilin Jida Law Firm (吉林吉大律師事務所) from September 2005 to May 2014, and a director of Jilin Jida Law Firm (吉林吉大律師事務所) from May 2014 to May 2018. Mr. Sun was a senior partner of Jilin Jida Law Firm (吉林吉大律師事務所) from June 2018 to May 2019 and a senior partner of Jilin Chuangyi Law Firm (吉林創一律師事務所) from May 2019 to August 2022. 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 deputy director of the Criminal Compliance Law Research Center of Jilin University Law School, a deputy director of the Corporate Law Committee of Changchun Bar Association, and a vice chairman and the chairman of legal committee of Jilin Commercial Association (吉商聯合會), and the vice president of Jilin Private Enterprise Federation (吉林省民營企業聯合會). 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.

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(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.

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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.

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Ms. Hu Guohuan (胡國環) has been the Bank's Shareholder 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.

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(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. 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.

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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.

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Mr. Qin Lei (秦磊) has been the assistant to the President of the Bank since August 2022. Mr. Qin worked at the Yushu Rural Credit Cooperative Union from June 2007 to March 2012, held various positions including teller, assistant director of the Credit Cooperative, and deputy director of the Credit Cooperative's field service. Mr. Qin joined the Bank in March 2012 and served as the vice president of Gaoxin Sub-branch from August 2012 to December 2016; the deputy director of the business department of Changchun Branch from December 2016 to November 2017; the responsible person of Tongzhi Street Sub-branch from November 2017 to June 2019; and the president of Tongzhi Street Sub-branch from June 2019 to December 2019. Mr. Qin had been a member of the Party committee and vice president of Tonghua Rural Commercial Bank Co., Ltd. from December 2019 to November 2021; Mr. Qin has been the deputy general manager of the Bank's Business Department since November 2021. Mr. Qin graduated from Changchun Taxation College (currently known as Jilin University of Finance and Economics) by correspondence in June 2009, majoring in business administration, and completed his postgraduate study in social security of Changchun University of Technology and obtained a master's degree in management in June 2018.

(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), aged 37, 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.

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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.

During the Reporting Period, the remuneration of Directors, Supervisors, senior management who received remuneration from the Bank and the employees in positions with significant impact on the Bank's risks were implemented in accordance with the remuneration management regulations of the Bank, and there were no exceptions beyond the original remuneration package.

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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, 2022, the Group had 6,605 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of Employees	Percentage (%)
Retail banking	2,982	45.15
Management	834	12.63
Finance and accounting	879	13.31
Corporate banking	976	14.78
Risk management, internal audit and legal and compliance	201	3.04
Treasury operations	70	1.06
Information technology	75	1.14
Others	588	8.90
Total	6,605	100.00

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As of December 31, 2022, 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, 2022, the Group also had 169 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 Bank's compensation for full-time employees generally includes basic salary, discretionary bonuses and various benefit plans. The Bank prepares compensation budgets, determines total annual compensation and implementation plans in accordance with its annual management plan, organization building and job establishment, salary standards, and performance appraisals, and submits to the Board for consideration and approval before implementation. At the end of each year, discretionary bonuses for employees are determined based on operating results and employee performance.

According to the relevant regulations, the Bank shall bear the premiums and benefit contributions for various employee benefit plans (such as pension insurance, medical insurance, unemployment insurance, maternity insurance, housing provident fund and enterprise annuity), which are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Bank 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.

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(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
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	5 sub-branches
Lujiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhui Province, PRC	5 sub-branches
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	8 sub-branches
Da' an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	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

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

Subsidiaries	Places of business	Remarks
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
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, Huadian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	10 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	4 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)	Headquarters business building, the side of Jincheng Avenue (Daling village), 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

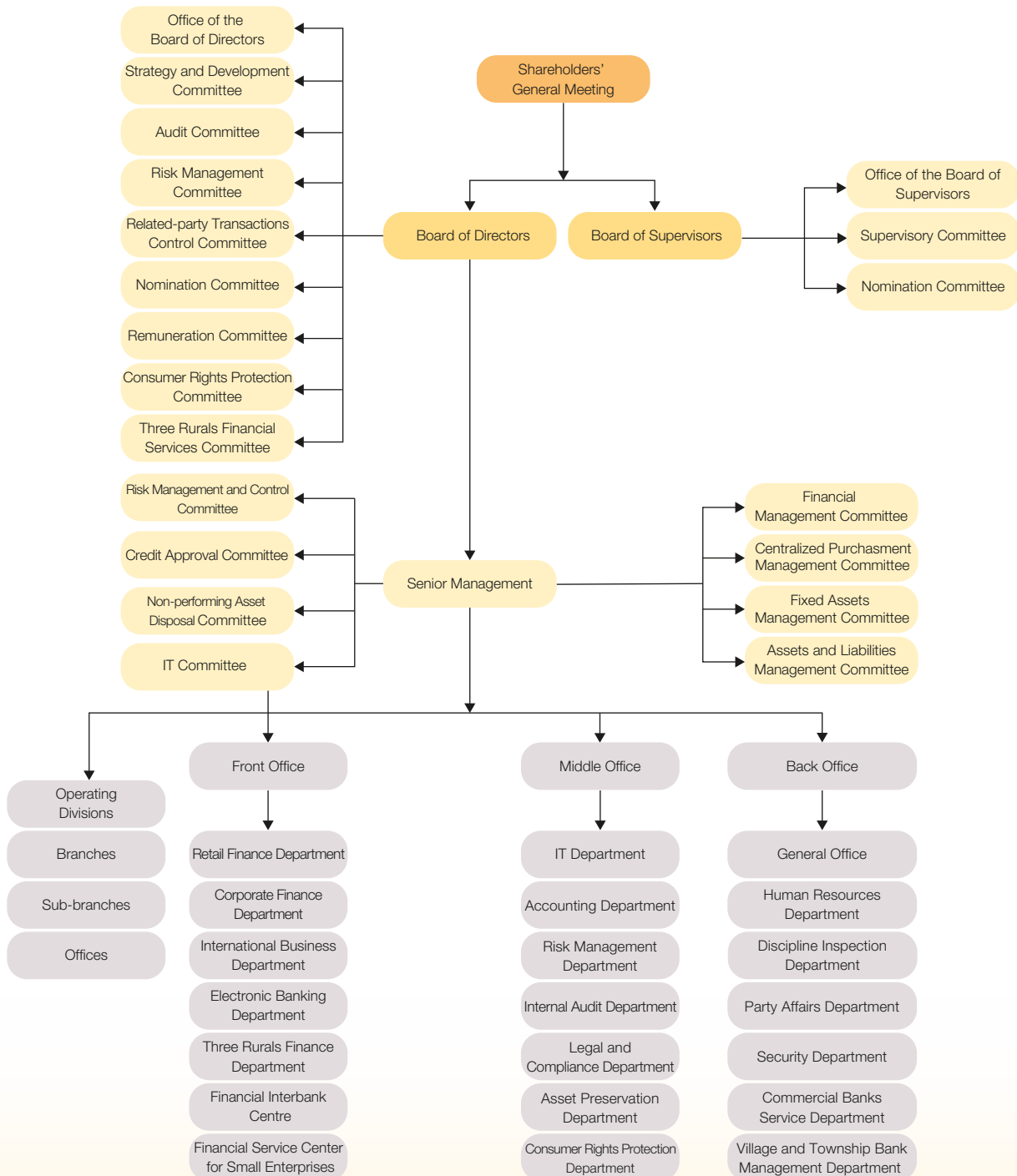
Chapter 8 Directors, Supervisors, Senior Management, Employees and Organisations

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	5 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	5 sub-branches
Jiutai Longjia Village Bank Co., Ltd. (九台龍嘉村鎮銀行股份有限公司)	Block 4, Sunshine Garden, Intersection of Shuguang Street and Qianjin Road, Jiutai City, Jilin 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:



Chapter 9 Corporate Governance Report

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 policies. 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 all applicable provisions contained in the Code of Corporate Governance. The Directors were not aware of any information that indicated the non-compliance with the code provisions as set out in the Code of Corporate Governance by the Bank. 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.

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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. As at the end of the Reporting Period, these measurable targets have been met.

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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. As of the Latest Practicable Date, the diversified composition of members of the fifth session of the Board is as follows:

Sex			Age		
Male	Female		Below 50	50 (inclusive) to 60 (inclusive)	Above 60
8 persons	4 person		3 persons	7 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
2 persons	5 persons	5 persons	8 persons	2 persons	2 person

The Nomination Committee of the Board and the Board consider that the Board members have generally achieved diversity in different aspects. The Board values the importance and benefits of gender diversity at the Board level. Currently, among the 12 Directors in the Board of the Bank, there are 4 female Directors. The Board believes that the current composition of the Board complies with the Hong Kong Listing Rules regarding gender diversity among Board members and the Bank's Board diversity policy. The Bank's Board diversity policy could make sure that there will be potential successors on the Board to extend the existing gender diversity of the Board.

For details of the gender diversity of employees of the Bank, please refer to the "Environmental, Social and Governance Report" in this annual report.

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III. General Meeting

During the Reporting Period, the Bank convened a total of three Shareholders' general meetings, the details of which are set out as follows:

Annual General Meeting for 2021

The annual general meeting of the Bank for 2021 was convened on June 17, 2022, 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 of the Bank for 2021;
2. to consider and approve the work report of the Board of Supervisors of the Bank for 2021;
3. to consider and approve the annual report of the Bank for 2021;
4. to consider and approve the final financial report of the Bank for 2021;
5. to consider and approve the profit distribution proposal of the Bank for 2021;
6. to consider and approve the annual financial budget of the Bank for 2022;
7. to consider and approve the engagement of external auditing firms of the Bank for 2022;

Special resolutions

8. to consider and approve the Capitalization Issue of the Bank;
9. to consider and approve the change of registered capital of the Bank;
10. to consider and approve the amendments to certain articles in the articles of association of the Bank;

Chapter 9 Corporate Governance Report

11. 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 2022 and the First H Share Class Meeting of 2022

The first Domestic Share class meeting of 2022 and the first H Share class meeting of 2022 of the Bank were convened on June 17, 2022, at which the following resolutions were 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 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.

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(I) Composition of the Board of Directors

As of the Latest Practicable Date, the fifth session of the Board consisted of 12 members, including:

- 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 Qihua (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)

Chapter 9 Corporate Governance Report

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, the Shareholders may remove the non-independent Director whose term of office has not expired by ordinary resolution, and may remove the independent Director whose term of office has not expired at a Shareholders' general meeting by special resolution, 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.

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(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.

Chapter 9 Corporate Governance Report

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;

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- (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.

The Bank has formulated internal policies (including but not limited to the Articles of Association, the Rules of Procedures for Board Meetings and the Terms of Reference of the Nomination Committee of the Board) to ensure that the Board can obtain independent views and opinions. These policies cover the election procedures and standards for Directors (including independent non-executive Directors), the abstained from voting mechanism for related directors on related proposals put forward on the Board meeting, provide necessary working conditions for independent non-executive Directors (such as the cost of engagement of intermediaries and other expenses required for exercising their powers to be borne by the Bank). The Board, through reviewing the implementation of the above mechanisms, believes that they can effectively ensure that the Board obtains independent views and opinions.

Chapter 9 Corporate Governance Report

(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, 2022. 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, 2022, 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.

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(IX) Meetings of the Board of Directors

During the Reporting Period, the Bank has convened 4 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:

Members of the Board of Directors	Number of meetings attended in person/attended by proxy/should be attended										General Meeting (actual attendance /number of meetings)
	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		
Mr. Gao Bing ⁽¹⁾	4/0/4	4/0/4								1/0/1	3/3
Mr. Liang Xiangmin	4/0/4				4/0/4	3/0/3		2/0/2			3/3
Mr. Yuan Chunyu	4/0/4	4/0/4									3/3
Mr. Cui Qiang	4/0/4						1/0/1				3/3
Mr. Zhang Yusheng	4/0/4					3/0/3		2/0/2			3/3
Mr. Wu Shujun	4/0/4			4/0/4							3/3
Mr. Zhang Lixin	4/0/4			4/0/4					1/0/1		3/3
Ms. Wang Ying	4/0/4		4/0/4								3/3
Ms. Zhang Qihua	4/0/4				4/0/4	3/0/3	1/0/1		1/0/1		3/3
Ms. Han Lirong	4/0/4	4/0/4	4/0/4	4/0/4							3/3
Ms. Jin Xiaotong	4/0/4	4/0/4	4/0/4	4/0/4							3/3
Mr. Sun Jiafu	4/0/4			4/0/4		3/0/3	1/0/1	2/0/2			3/3
Mr. Fong Wai Kuk Dennis	4/0/4	4/0/4			4/0/4	3/0/3					3/3

Note (1): Mr. Gao Bing resigned from the positions of executive Director, Chairman of the Bank, the chairman of the Strategy and Development Committee under the Board and the chairman of the Three Rurals Financial Services Committee under the Board, due to the relevant regulation regarding expiration of the term of office as a key personnel, with effective from March 17, 2023.

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(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 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.

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

Training program for the Directors

No.	Training program	Participants
1	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
2	Annual Report Highlights and Optimization Guide (年度報告之要點解讀及優化指南)	All Directors
3	Insider Information and Profit Warning/Positive Profit Analysis of Listed Companies (內幕消息及上市公司盈警/盈喜分析)	All Directors
4	New Requirements and Highlights of ESG Report (ESG報告新規及重點解讀)	All Directors
5	Highlights of Laws on Commercial Banks (商業銀行法規速遞)	All Directors
6	Regulatory Communications for Listed Issuers (上市發行人監管通訊)	All Directors
7	Governance of Listed Companies and Proper Performance of Directors and Supervisors (上市公司治理與董監事的正當履職)	All Directors
8	Special Training on Corporate Governance and Related Party Transaction Management (公司治理及關聯交易管理專題培訓)	All Directors
9	Value Management Practice of Listed Companies (上市企業價值管理實務)	All Directors
10	Cadre Training Course of the National Association of Local Laws (全國地方法學會幹部培訓班)	Ms. Zhang Qihua
	Research Symposium on Issues Related to the Antimonopoly Law (關於《反壟斷法》相關問題研究座談會)	
	Seminar on Promoting High Quality Local Economy Development in Jilin Province (推進吉林省地方經濟高品質發展座談會)	
	Report on the Study of the Spirit of the 20th National Congress of the Communist Party of China (黨的二十大精神學習報告會)	
	Special Lecture on Several Issues of Impunity for First Violation from the Perspective of Taxation (稅務視角下首違不罰若干問題探究專題講座)	
	Fair Competition Policy Publicity and Training (公平競爭政策宣講培訓)	
11	Accounting in the Era of Change: Challenges and Future (變革時代的會計：挑戰與未來)	Ms. Han Lirong
	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 Eleventh International Symposium of Quantitative Economics for 2022 (2022年第十一屆數量經濟學國際學術會議)	
	The 21st China Positive Accounting Seminar (第二十一屆中國實證會計研討會)	
12	2022 Academic Annual Conference of China University Marketing Research Association and Doctoral Forum (2022年度中國高等院校市場學研究會學術年會暨博士生論壇)	Ms. Jin Xiaotong
	2022 JMS China Marketing Science Academic Annual Conference and Doctoral Forum (2022年JMS中國行銷科學學術年會暨博士生論壇)	
	2022 Academic Lectures of the School of Business and Management of Jilin University (吉林大學商學與管理學院2022年系列學術講座)	

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No.	Training program	Participants
13	Research on Difficult Issues of Company Law (公司法疑難問題研究) Practical Analysis of Fidelity Obligation of Senior Executives (公司高管忠實義務實務分析) Corporate Compliance Practice (企業合規操作實務)	Mr. Sun Jiafu
14	Hong Kong Code on Takeovers and Mergers (香港收購及合併守則) Convertible Bonds (可換股債券) Signature of Company Documents under the Hong Kong Companies Ordinance (香港公司條例下公司文件的簽署) The Future of Legal Licenses (法律執照的未來) Risk Management of Money Laundering (洗黑錢之風險管理)	Mr. Fong Wai Kuk Dennis

(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, the Board of Directors has performed the following duties:

- (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.

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(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 17 resolutions including the Outline Development Plan of Key Task for 2022, the Village Bank Development Plan 2022, and the Capital Plan 2022-2024 were considered and approved.

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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

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

During the Reporting Period, the Audit Committee held four meetings in total, a total of 56 resolutions including the Final Financial Report for 2021, the Profit Distribution Proposal for 2021, the Annual Results Announcement for 2021, the Financial Budget for 2022, the Resolutions regarding the Appointment the External Auditors for 2022 and the Internal Audit Plan for 2022 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 2022 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 2022 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, 2023, CAC CPA Limited Liability Partnership and SHINEWING (HK) CPA Limited issued the standard unqualified audit report to the Bank within the scheduled time.

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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 11 resolutions including the Report on the Connected Transactions for 2021, and the Resolution on the Adjustment of Related Party List were considered and approved.

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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

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- to review the following special issues at least once a year:
 - the changes of the nature and extent of major risks (including environmental, social and governance 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 risks (including environmental, social and governance risks) 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 66 resolutions including the Report on Risk Management for 2021, the Work Report on Case Prevention for 2021, the Statement on Risk Preference for 2022 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.

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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 3 meetings in total, a total of 8 resolutions including the Work Report of the Nomination Committee for 2021, the Resolution regarding the Evaluation of Independence of Independent Non-executive Directors, and the Resolution regarding the Evaluation of the Structure, Composition and Diversity Policy 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 Qihua and Mr. Sun Jiafu. Ms. Zhang Qihua 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;

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- 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 2 resolutions namely the Work Report of the Remuneration Committee for 2021 and the Administrative Measures on Remuneration for 2022 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

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- 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 2021 and Work Plan for 2022 and the Consumer Rights Protection Work Plan for the First Half of 2022 and Word Plan for the Second Half of 2022 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 Qihua. 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;

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- 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 2021 and the Three Rurals Financial Services Plan for 2022 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 a 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, Employee Supervisor)
- Mr. Wang Enjiu (Employee Supervisor)

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- Mr. Liu Xiangjun (Employee Supervisor)
- Ms. Dai Yundi (Non-employee Supervisor)
- Mr. Liu Jianxin (Non-employee Supervisor)
- Mr. Dong Shuaibing (Non-employee Supervisor)
- Ms. Hu Guohuan (Shareholder Supervisor)

(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

There were no changes in the Bank's Supervisors during the Reporting Period and as of the Latest Practicable Date.

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(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;

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(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.

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(V) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened 4 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:

	Attendance in Person	Attendance by Proxy	No. of Required Attendance
Mr. Luo Hui	4	0	4
Mr. Wang Enjiu	4	0	4
Mr. Liu Xiangjun	4	0	4
Ms. Dai Yundi	4	0	4
Mr. Liu Jianxin	4	0	4
Mr. Dong Shuaibing	4	0	4
Ms. Hu Guohuan	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.

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(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;

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- (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 3 meetings during the Reporting Period, and 9 resolutions including the Performance Evaluation Report of the Board of Supervisors and Supervisors for 2021, and the 2022 Compensation Management Methods 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 executive Directors and senior management;

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- (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 64 resolutions including the Final Financial Report for 2021, and the Profit Distribution Proposal for 2021 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.

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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 regulatory 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. 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)
- Mr. Qin Lei (assistant to the president)

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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.

Chapter 9 Corporate Governance Report

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, 2022 is set out as follows:

Remuneration bands	Number of Persons
Less than RMB1.5 million	1
RMB1.5 million–RMB1.7 million	3
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.

During the Reporting Period, 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.

During the Reporting Period, 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.

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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 2021, The Group engaged CAC CPA Limited Liability Partnership and engaged SHINEWING (HK) CPA Limited as its domestic and international auditors for 2022, 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, 2022 are RMB1.6 million and RMB2.2 million, respectively, and for the non-audit service (i.e. interim review) are RMB1.3 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, both Mr. Yuan Chunyu and Mr. Lau Kwok Yin have complied with the requirement to attend not less than 15 hours of relevant professional training under Rule 3.29 of the Hong Kong Listing Rules.

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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. The main channels for the Bank to convey information to Shareholders and investors are available on the Bank's website at www.jtnsh.com and the designated website of the Hong Kong Stock Exchange at www.hkexnews.hk for reference of the Bank's financial reports (interim and annual reports), announcements, circulars and other public information. If Shareholders have any questions about their shareholdings, they should raise them with the Board or the H Share Registrar of the Bank. After implementing the above measures and upon review, the Bank believes that the existing shareholder communication policy is sufficient and effective during the Reporting Period.

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

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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 other laws and regulations, 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.

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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 2021 held on June 17, 2022.

The Capitalization Issue was completed. The amendments to the Articles of Association were reported to the CBIRC Jilin Bureau on August 29, 2022 and became effective from the same date. For details of the amendments, investors may refer to the circular of the Bank dated April 27, 2022 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.

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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.

Chapter 9 Corporate Governance Report

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;

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- 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.

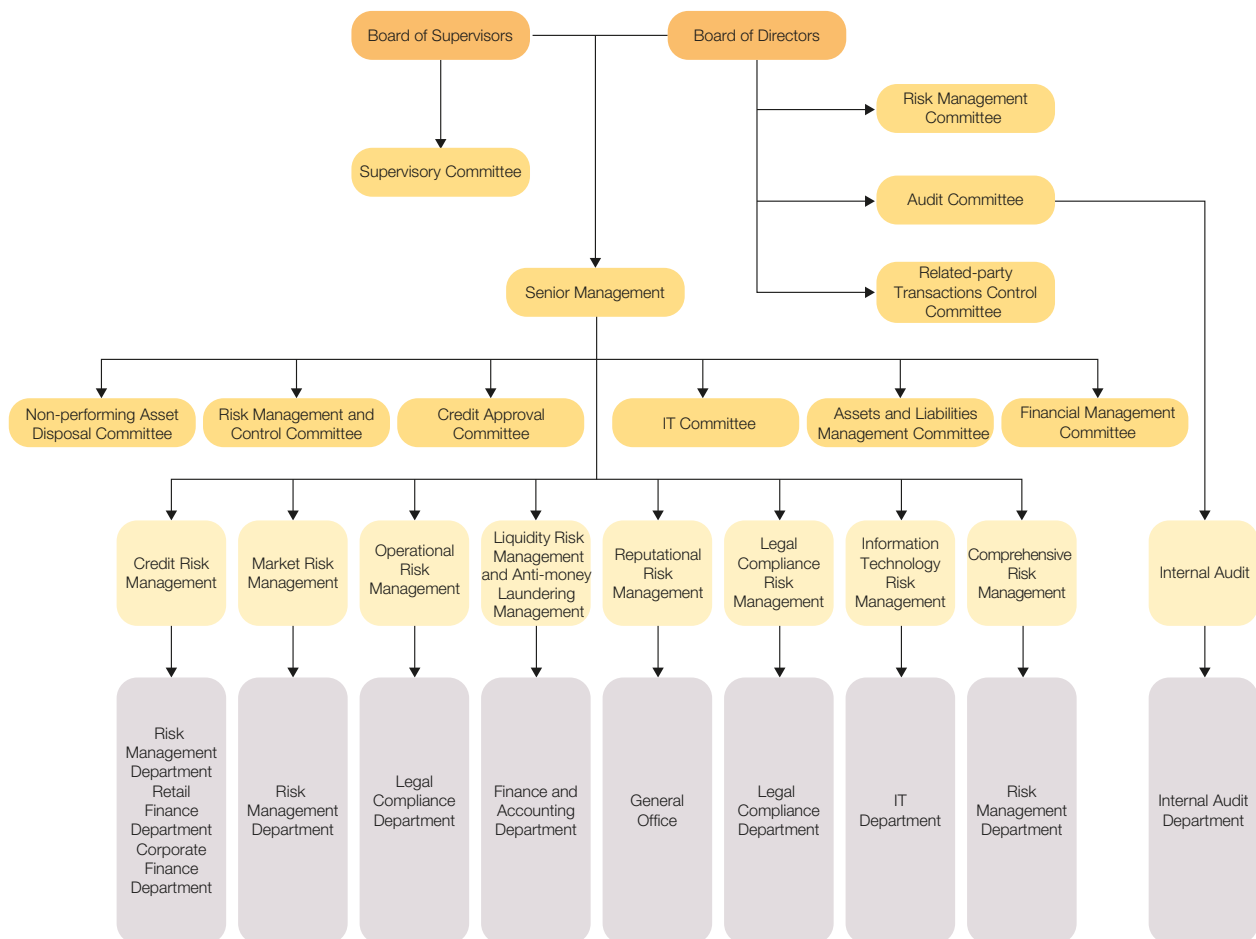
The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

Chapter 10 Risk Management, Internal Control and Internal Audit

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:



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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.

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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.

Chapter 10 Risk Management, Internal Control and Internal Audit

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.

Chapter 10 Risk Management, Internal Control and Internal Audit

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.

Chapter 10 Risk Management, Internal Control and Internal Audit

- **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.

Chapter 10 Risk Management, Internal Control and Internal Audit

(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 (《内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, 2022 to December 31, 2022 (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 Appendix 2 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.

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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 ESG 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 approved by the Board of Directors on March 30, 2023.

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 Bank adheres to the concept of sustainable development in its daily business activities and is committed to creating value for society. The Board of Directors of the Bank plays a leading role in ESG matters, is responsible for the review and decision-making of major ESG issues, and comprehensively supervises the Bank's ESG-related work, including the identification and prioritization of major ESG issues, its target commitment and actual performance supervision, to ensure the integration of ESG concepts and the Group's strategies. In order to deepen the ESG management, we have established an ESG governance structure, under which the ESG Task Force is set up to assist the Board of Directors in the implementation and management of ESG-related issues, including promoting the implementation of ESG objectives, and ensuring the sustainable and effective implementation of social responsibility work.

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2.2 Sustainable Development Strategies

The Bank has 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 improving the corporate governance structure and construction, we have enhanced our ESG governance capability and consolidated the compliance management foundation. Furthermore, we have also initiatively understood the expectation and demand of stakeholders, so as to strengthen our consciousness and support for ESG issues.

The Bank deeply cultivates four fields of social responsibilities including customer responsibility, employee responsibility, environmental responsibility and welfare responsibility. To do so, 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. During the year, the Group further performed the social responsibility, assisted in regional economy and promoting the building of “bank + community”, including supporting rural revitalization, practicing inclusive finance, conducting charitable donations, and sped up community bank construction and other plans, committing to realizing high quality development.

2.3 Environmental, Social and Governance Task Force

We understand the importance of improving our environmental and social efficiency to the sustainable operation, 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 (the “ESG Task Force”) to carry out ESG work and integrate sustainable development concept 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.

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ESG governance structure levels	Major duties
Decision-makers (Board of Directors and senior management)	<ul style="list-style-type: none">• 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
Organizers (ESG Task Force)	<ul style="list-style-type: none">• 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)	<ul style="list-style-type: none">• 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

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2.4 Communication with Stakeholders

We have, on basis of the Bank's actual condition and the industrial characteristics, 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. We maintained close conversation with difference stakeholders to fully understand their opinions and expectations of internal and external stakeholders by virtue of various communication and participation mechanism, so as to collectively identify the key directions of sustainable development in the future. The following sets forth the major communication methods of the Group with substantial stakeholders:

Major stakeholders	Major engagement methods
Shareholders/investors	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Feedback forms and suggestion boxes for employees • Work performance appraisal • Group discussion • Conferences and face-to-face discussion • Business presentation • Volunteering activities • Seminars/workshops/lectures • Employees newsletters • Employee communication meetings • Employee intranet
Customers	<ul style="list-style-type: none"> • Customer satisfaction surveys and feedback forms • Customer consultation groups • Customer service centers • Customer visits • Daily operation/interaction • Internet service platforms • Telephone and mailbox
Business partners	<ul style="list-style-type: none"> • Cooperation projects • Visits • Seminars

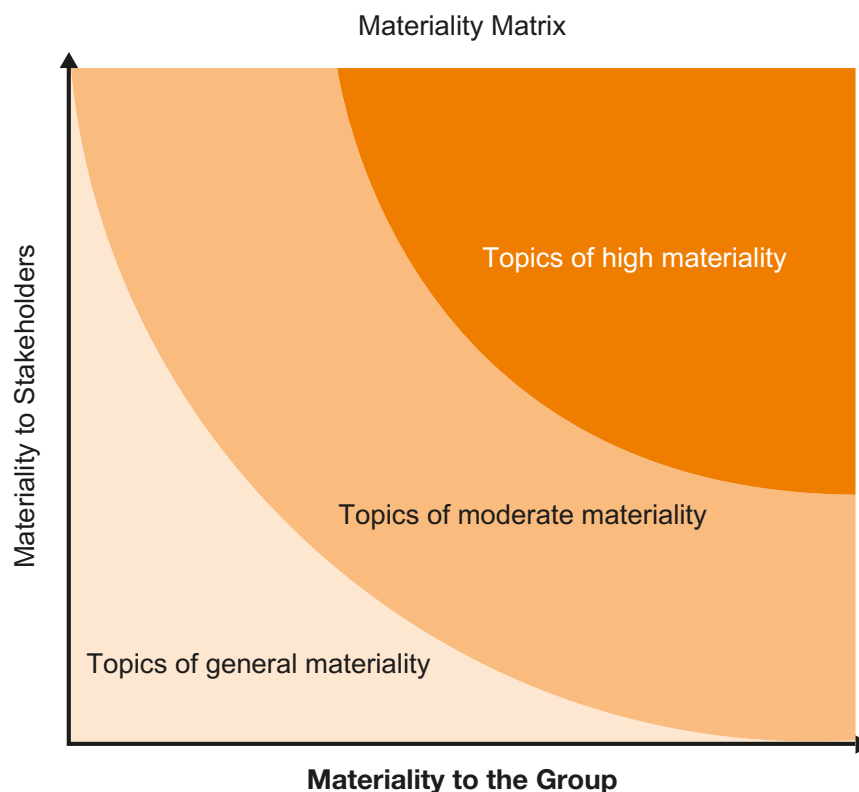
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Major stakeholders	Major engagement methods
Media	<ul style="list-style-type: none"> • Press release • Senior management interviews • Results announcements
Community/non-governmental organizations	<ul style="list-style-type: none"> • Volunteering activities • Donations • Community investment schemes • Community activities
Government	<ul style="list-style-type: none"> • Policy documents and guidance • Working conferences • Reports • Seminars
Regulatory authorities	<ul style="list-style-type: none"> • Conferences • Written response to public consultation • Compliance reports • Regulatory policies
Suppliers	<ul style="list-style-type: none"> • Supplier management procedures • Supplier/contractor assessment systems • Conferences • On-site inspection
Peers of the financial industry	<ul style="list-style-type: none"> • Strategic cooperation projects

2.5 Materiality Assessment

During the year, the Group has carried out materiality assessment, 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 select material topics in compliance with the Group's operation. We have comprehensively considered the strategic direction of the Group and the business development of its operations, the mutual importance and impact of ESG issues on the stakeholders, and identified the results of 22 material topics, including 10 topics of high materiality, 10 topics of moderate materiality and 2 topics of general materiality, which are disclosed in this Report.

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Topics of high materiality	Topics of moderate materiality	Topics of general materiality
<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Anti-corruption • Corporate governance • Labor rights • Employee health and safety • Responsible marketing and promotion • Public welfare and charity • Promoting financial technology application • Universal financial knowledge • Inclusive finance • Facilitating strategic cooperation 	<ul style="list-style-type: none"> • Sustainable supply chain management • Dealing with climate change

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3. Strengthening Sound Operation

In strict compliance with relevant laws and regulations and relevant regulatory requirements, the Bank has committed to strengthen internal control construction, persistently improve the compliance and risk control capability. The Bank has taken our primary responsibility to establish an internal control organizational system through coordination and joint management of the Board of Directors, Board of Supervisors, senior management and all departments. The Bank has proactively advocated and performed compliance obligation in its daily operation, integrated compliance concept into every operation procedure. It has established a regular supervision and inspection mechanism, so as to ensure that its operating activities comply with laws, regulations, regulatory requirements and internal procedures.

3.1 Comprehensive Risk Management

In strict compliance with regulatory requirements, the Bank has been perfecting its comprehensive risk management system and improving its risk management capability. The Board of Directors is responsible for establishing the Bank's overall risk appetite and risk resistance level, reviewing risk management strategies, policies and procedures, urging the senior management to take necessary risk response measures, monitoring and evaluating the comprehensiveness and effectiveness of the Bank's internal control. An asset and liability committee, a risk control committee and a credit approval committee have been established at the management level, and the responsible department performs risk control responsibilities in key risk areas such as risk measurement and reporting, limit set-up, risk identification, etc. In order to ensure the adaptance of risk prevention and control to business development, the Bank has formulated the Provisional Guidelines for Comprehensive Risk Management (《全面風險管理暫行辦法》), the Provisional Guidelines for Risk Appetite Management (《風險偏好管理暫行辦法》), the Management Rules of Major Risk Identification and Assessment (《主要風險識別與評估管理辦法》), the Provisional Rules of Liquidity Risk Management (《流動性風險管理暫行辦法》), the Provisional Rules of Market Risk Management (《市場風險管理暫行辦法》), the Provisional Rules of Operational Risk Management (《操作風險管理暫行辦法》) and other major risk management measures, covering all business and operational procedures, make ensure that the matching between risk management and risk exposure.

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In order to improve risk management ability, we have established “three defensive lines”. At the first defensive line, all business departments and branches are 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. At the second defensive line, the Risk Management Department, Legal and Compliance Department and other relevant 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. At the third defensive line, the audit department, as an independent department managing and supervising risks, 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.

Furthermore, we have implemented multi-level risk responsibility mechanism and a clear authorized operation management, and established an operating mechanism of mutual coordination and effective checks and balances between departments. At the first-level risk management units, the chairman and president of the Bank, as the responsible persons of the level, 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.

3.2 Compliance Internal Control Management

The Bank has established an internal control management mechanism with clear responsibilities of front, middle and back offices, mutual check and effective coordination, and formed a business operation structure with complete marketing service function of front office, strict risk control of middle office and strong support of back office. In combination with requirements of relevant laws and regulations and regulatory authorities, the Basic Regulations on Internal Control and the Implementation Rules for the Internal Control Evaluation were formulated to improve the systems and work processes of the Group, the Bank and relevant business lines, and gradually establish a hierarchical, classified, and segmented system and process system in line with the actual development of the Bank, so as to achieve full coverage of business and risk control measures. The Bank carries out the activities of the year of compliance culture construction, strengthened the strength and execution of the system, and practically integrated the daily operation into the system management. The Bank has established a normalized business compliance inspection and case risk screening mechanism, combined strengthening internal control and promoting compliance with making up weaknesses to eliminate persistent problems, so as to effectively strengthen compliance awareness.

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3.3 Business Integrity Management

The Group strictly complies with the relevant provisions of the Constitution of the Communist Party of China (《中國共產黨章程》), the Communist Party of China on Disciplinary Actions (《中國共產黨紀律處分條例》) and other party rules and regulations, as well as the Anti-unfair Competition Law (《反不正當競爭法》), the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and other laws and regulations, and constantly strengthens the construction of style, strengthens the sense of discipline, and carries out the anti-corruption and integrity work with high quality. During the Reporting Period, we did not be aware of any lawsuits or cases of corruption, bribery, extortion, fraud and money laundering against the Group or its employees.

We have adopted the zero-tolerance approach against all unethical business practices such as bribery, extortion and fraud, and 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. The Bank has taken the primary responsibility at various levels, and formulated the Work Focus for the Party's Corruption-free Style Construction (《黨風廉政建設工作要點》), and signed the Responsibility Letter for the Party's Corruption-free Style Construction (《黨風廉政建設責任書》) and the commitment letter for integrity and self-discipline level by level. In addition, we have formulated the Work Plan for Assessing and Inspecting Corruption Risk Exposures (《廉政風險點梳理排查工作方案》) to crystalize the business integrity risk evaluation, summarize and inspect 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 also carried out pre-employment integrity reminding conversations with key personnel, implemented the Measures for the Implementation of Home Visit for Key Personnel (《重點崗位人員家訪工作實施辦法》), and publicized the policy situation and work requirements for the Party's corruption-free style construction and anti-corruption work to the interviewees and their families. 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. We collected issue information from the announced whistleblowing hotline and email address, and disciplinary supervisors and other channels. 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.

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In order to build a culture of integrity, we have strengthened integrity education. We utilized the “internet college” and other platforms to conduct the “Discipline Education Month”, integrating the study and education of Party history with the strict governance work of the Party. Through the special issue of clean governance and warning of the Half-Month Learning (《半月鑒學》), we have strengthened the explanation and analysis of typical cases, elaborated the material harmfulness of violations of disciplines and laws, and promoted the normalization of warning education. During the Reporting Period, all Directors and cadres and employees participated in more than 7,300 hours of anti-corruption training in total, effectively improving the integrity and self-discipline awareness of cadres and employees of the Bank. Before the New Year’s Day, the Spring Festival, the May Day, the Dragon Boat Festival, the Mid-Autumn Festival and other major festivals, the Group made clear to employees the importance of integrity and self-discipline through collective talks, holding meetings, forwarding typical cases of violation of the spirit of the eight-point frugality code issued by the CPC Central Committee, and sending messages of integrity, and strengthened supervision and inspection before the festivals, creating a clean working atmosphere of the Bank.

3.4 Anti-money Laundering and Anti-counterfeit Currency Management

The Group requires our employees 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》) 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 the Anti-money Laundering and Anti-terrorist Financing Management Measures (《反洗錢和反恐怖融資管理辦法》) and various requirements of the Bank. The anti-money laundering steering group has been established 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. At the beginning, we will conduct customer identification, customer due diligence, suspicious transaction identification and money laundering risk assessment for new businesses and new products. Then, we will analyze and report suspicious and large-amount transaction data, maintain transaction data, and classify and adjust customer risk levels. Also, we will intensify anti-money laundering business training and publicity to improve the compliance and effectiveness of anti-money laundering work.

We strictly comply with relevant requirements of the Management Measures for the Administration of Currency Identification and Counterfeit Currency Seizure and Authentication (《貨幣鑒別及假幣收繳、鑒定管理辦法》) released by the People’s Bank of China, constantly optimize and integrate the business process of counterfeit currency collection and authentication, summarize the operating points of cash collection and payment, strengthen the management of cash machines and tools, and improve the quality of cash services. For cash practitioners, regular trainings on anti-counterfeit currency knowledge of Renminbi and major foreign currencies were carried out, and multi-level, wide-dimensional and down-to-earth anti-counterfeit currency publicity activities were actively carried out to create a good financial environment.

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3.5 Supplier Management

We have strictly complied 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, and formulated the Administrative Measures for Central Procurement (《集中採購管理辦法》) to actively practice the concept of responsible procurement, and constantly improve the supplier risk management system. During the year, the Group had 38 major suppliers from Changchun, Beijing, Hangzhou, Hefei, Foshan and Guangzhou, etc. Its procurement includes goods and services such as office furniture and electronic equipment.

Central procurement of the Bank adheres to the practice of openness and transparency, 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.

The Bank strengthened its attention to suppliers’ social and environmental risk management. Under the Bank’s supplier supervision mechanism, the suppliers are also required by the review group to fulfil the compliance standard for their performance in environmental and social aspects on the premise that the quality of the materials, engineering and services procured by the suppliers complies with standards and the price is reasonable. In respect of society, suppliers are strictly prohibited from hiring child labor and 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 respect of the environment, suppliers are required to endeavor to protect the environment and minimize the environmental impact caused by business operation. We also only procure electronic equipment that meets the national and industrial environmental standards, so as to urge suppliers to increase in utilization of environmental-friendly products and services. In addition, the Group also gives priority to local suppliers in the procurement process, expects to reduce the carbon footprint caused by procurement through local procurement, while supporting local economic development and creating employment opportunities for local communities.

The Bank has adopted an effective supplier monitoring system, 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.

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3.6 Intellectual Property Management

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, to comprehensively manage the operation procedures including software purchasing, installation and application, asset management, audit supervision and inspection. During the Reporting Period, the Group owned 39 registered patents.

The Bank proactively make application for, manage and protect the intellectual property rights, and also respect the legitimate rights of others to prevent the risk of intellectual property infringement. In order to prevent the occurrence of intellectual property infringement, our employees are strictly prohibited from using pirated software. Meanwhile, we also 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. In addition, the Group also 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, the Group was not aware of any illegal issues related to infringement of intellectual property rights.

4. Enhance Customer Services

The Group adheres to the “customer-centric” service philosophy, continues to optimize the construction of service channels, provides customers with professional and humanized financial services; continues to optimize the management mechanism, continuously improves service quality, handles customer complaints in a standardized manner, protects the legitimate rights and interests of financial consumers, and strives to create a safe and convenient financial service environment.

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4.1 Optimization of Channel Construction

On the basis of optimizing the outlet layout and steadily promoting the construction of “Huinong Financial Service Stations (惠農金融服務站)” and “Rural Service Point (裕農服務站)”, the Bank continued to optimize and expand service channels and improve service means around the two main lines of intelligent-driven and digital empowerment to effectively extend the financial service coverage and meet the diversified financial needs of customers. Following the trend of financial technology development, the Bank clearly defined the direction of smart network construction as “smart, scenic and light” in accordance with the working idea of “outlet classification, functional division, business triage, customer stratification and product distribution”, and has put online a series of advanced smart devices such as self-service bill filling machines, self-service card issuing machines, intelligent call machines, handheld PADs for lobby managers, “over-the-counter clearing”, smart counters and high-speed deposit and withdrawal machines at all its network locations. The Bank has popularized the use of smart counters to enhance customer experience and financial services. Meanwhile, the Bank increased product and service innovation and launched Personal Mobile Banking Version 3.0 and Personal Internet Banking Version 3.0, as well as a new large-print version of age-friendly services. WeChat Bank has added new content sections including Jiushang Finance (九商金融), Jiu e Loan (久e貸) and Gong Yi Life (工益生活), realized business synergy, scenario overlap and ecological circle. We also launched a new version of “TV Bank”, created a “manless bank”, and built a new platform for customer service.

4.2 Protecting Customer Interests

In accordance with the laws, regulations and regulatory documents such as the Law of the People’s Republic of China on the Protection of Consumers’ Rights and Interests (《中華人民共和國消費者權益保護法》), the Guidelines for the Protection of Consumers’ Rights and Interests in the Banking Industry (《銀行業消費者權益保護工作指引》), and the Implementation Measures of the People’s Bank of China on the Protection of Financial Consumers’ Rights and Interests (《中國人民銀行金融消費者權益保護實施辦法》), the Bank formulated the Regulations on the Protection of Consumers’ Rights and Interests (《消費者權益保護管理辦法》), which provide detailed regulations on the organization structure and work responsibilities, product and service management, complaint management and emergency response, publicity and training, supervision and evaluation, information reporting and disclosure, and others, so to further protect customers’ rights and interests.

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We are committed to protecting our customers' right to know. We require our employees to strictly comply with relevant laws and regulations, regulatory requirements and industry rules when providing services to our customers. Before recommending our products or providing services to our customers, we will clearly explain to them the legal, policy and market risks involved in the products and services, make an objective assessment of their risk tolerance, and match them with financial products that are suitable for their risk tolerance. We strictly prohibit our employees from providing customers with products and services that do not match their tolerance. We strictly prohibit our employees from concealing risks, making false and misleading statements, making promises or guarantees to clients that do not comply with the relevant laws and regulations of the Bank, exaggerating returns, or engaging in forced trading in order to conclude transactions. When providing advice to our customers, we will keep evidence of the process in the form of "double recording", and provide information to our customers with honesty and accuracy.

We also strictly comply with the Advertising Law (《廣告法》), the Advertising Management Ordinance (《廣告管理條例》) and other laws and regulations related to advertising and labeling of products and services, and strengthen the management and audit of advertising of financial products and services. We established the "Graded Review Mechanism for Information Release" (《信息發佈分級審核機制》), which provides for the graded management of information release and external publicity materials, and requires that information and materials quoted in product information and publicity materials are true and accurate. We also established the "Service Price Management Regulations" (《服務價格管理辦法》) and provide relevant service price catalogs or instruction manuals at prominent locations in our business premises, or disclose service price information through electronic displays or multi-media terminals. We also provide consumers with a comprehensive after-sales feedback and evaluation mechanism for products and services, and actively collect customers' comments and suggestions on the products and services and the sales process. During the Reporting Period, the Group did not violate any relevant laws and regulations regarding advertising, labeling and privacy issues and remedies for the products and services provided.

4.3 Standardization of Complaint Handling

The Bank strictly complies with the regulatory requirements such as the "Regulations on Handling of Consumer Complaints in the Banking and Insurance Industry" (《銀行業保險業消費投訴處理管理辦法》) and the "Regulations on the Implementation of the Rights and Interests of Financial Consumers of the People's Bank of China" (《中國人民銀行金融消費者權益保護實施辦法》), and formulated systems such as the "Emergency Management Regulations on Handling of Major Consumer Complaints" (《重大消費投訴處理應急管理辦法》) and "Management Regulations on Handling of Consumer Complaints" (《消費投訴處理管理辦法》) to clarify the requirements of organization management, departmental responsibilities and handling process of customer complaints, to ensure a smooth channel for customer complaints and the timely and proper handling of customer complaints.

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The Bank emphasizes effective communication with customers, and provide timely feedback and multiple channels to answer customers' questions and problems. We continue to develop multiple channels of communication to effectively understand our customers' needs, including but not limited to: telephone, comment book, web site, mail, regulatory referral, media and website. In order to enhance the quality of our services and customer satisfaction, we have also established the Consumer Rights Protection Department, which is responsible for the Group's client and consumer complaint work, conducting assessment and evaluation of complaint work, and organizing training related to consumer complaints to facilitate the orderly progress and development of consumer complaint handling work.

The Bank attaches great importance to the needs and problems of customers and, based on the principles of timely acceptance, proper handling and timely visits, requires its customer service staff to handle complaints from customers in strict accordance with the provisions of the "Customer Service Center Business Management Regulations" (《客戶服務中心業務管理辦法》) and the "Customer Service Center Linkage Work Regulations" (《客戶服務中心聯動工作規範》). After receiving a consumer complaint, the Bank will handle it in a timely manner according to the cause of the complaint, the object under complaint and the consumer's request, and inform the consumer of the result within the prescribed time limit. We keep detailed records of the background information of each complaint case, and promptly transmit the relevant information to the relevant business management departments and offices in order to solve the customer's problems and questions as soon as possible. We also conduct in-depth analysis of the causes of the problems, take immediate corrective measures, return visits, and check the effectiveness of the corrective measures. During the year, we received 36 complaints about our products or services, and our resolution rate reached 100%.

In order to resolve financial consumer disputes in a fair and compliant manner, the Group organized the Financial Consumer Dispute Resolution Committee and formulated the "Regulations on Financial Consumer Dispute Resolution" (《金融消費糾紛調解管理辦法》) to formulate solutions to problems arising from products and services and amended business rules and operational procedures in a timely manner to effectively protect the basic rights of financial consumers.

4.4 Protection of Information Security

We attach great importance to information security and privacy protection for business and customer, and strictly prohibit the illegal collection and illegal use of customer information. Combining the requirements of relevant laws and regulations such as the Commercial Bank Law (《商業銀行法》) and the Commercial Bank Information Technology Risk Management Guidelines (《商業銀行信息科技風險管理指引》), we have formulated the Data Asset Classification Management Regulations (《數據資產分級管理辦法》), the Production Environment Information and File Transmission Management Regulations (《生產環境數據及文件傳輸管理規定》), the Data Governance Platform Management Regulations (《數據治理平台管理辦法》), the Key Management Regulations (《密鑰管理辦法》), and the Staff Handbook (《員工手冊》) to regulate the rules and procedures for staff handling customer information to protect the privacy of customer personal information.

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In terms of information management, we strengthened the management and standardized the data upload and download process. The withdrawal of information, documents, data, configuration parameters and others from the server room must go through the approval process of the technology executive information system. In addition, we implemented data asset classification management, which takes into account the confidentiality, integrity, and availability of data, and evaluates it from four perspectives including national security, public interest, personal privacy, and corporate legal interest, to achieve orderly information management. Meanwhile, we also regularly backup our systems. We designated specialists to properly store all backup media, and arranged for the backup media of important business systems to be stored offsite to ensure business continuity and data integrity.

In order to control the risk of information leakage, we require our employees to observe strict confidentiality discipline during and after their employment, and we also keep client data and transaction information files properly to prevent our employees from becoming a source of information leakage risk. In this regard, we require our employees in relevant positions to sign the “Undertaking on Confidentiality of Personal Financial Information of Important Positions” (《重要崗位個人金融信息保密承諾書》) and implement a permission management policy to restrict the access rights of different staff positions and duties. Meanwhile, we adopted effective measures for the collection, use and retention of personal financial information, including the establishment of confidentiality agreements and IT service complaint mechanisms for our customers, in order to protect the rights of our customers in terms of information disclosure and channel usage.

We are committed to reducing the impact of information security, therefore, we have prepared the Critical Information System Emergency Response Plan in accordance with the “Banking Industry Code of Practice for Critical Information System Emergencies” (《重要信息系統突發事件應急預案》) and related institutional regulations. We have conducted an incident level classification and disposal process for critical information system emergencies with identified risks. In order to enhance our emergency response capability, we formulated an annual emergency drill plan for important information systems, specifying the time, content, basis, purpose, responsible person and relevant cooperating organizations, and have conducted regular drills on the plan.

During the Reporting Period, the Group did not have any complaints or litigation regarding data protection.

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4.5 Dissemination of Financial Knowledge

The Group formulated the “Regulations on the Promotion and Education of Financial Literacy for Consumers” (《消費者金融知識宣傳教育管理辦法》), actively responded to the requirements of the regulatory authorities and combined with the actual situation to formulate ways and means of financial literacy and education that are in line with the characteristics of the Group and the features of the target groups. During the year, the Group participated in activities related to the “3.15 International Consumer Rights Day”, the “Financial Literacy Campaign, Keep Your Money Safe” and the “September Joint Financial Education Campaign”, as well as large-scale financial literacy promotion and education activities initiated by the Bank. In addition, we also launched regular consumer education efforts by setting up a fixed area in our outlets as a public interest financial knowledge promotion and education area, equipped with financial knowledge education materials independent of product and business introductions, and clearly differentiated from the Bank’s product marketing materials, thus highlighting the public interest nature of our popularization and education activities.

Through the interpretation of financial policies to the public, we popularize financial knowledge, introduce service fee policies, reveal the risks of financial products, and guide consumers to rationally defend their rights in accordance with the law. Meanwhile, we also attach importance to the popularization of financial knowledge and education for special groups. Through the promotion of financial literacy, we popularized the use of banking accessibility facilities and tools, and increased the level of equal participation of special groups in financial activities.

5. Strengthen Team Building

In line with our “people-oriented” philosophy, the Bank strives to provide our employees with a fair, inclusive, healthy and safe working environment and good career development opportunities while protecting their rights and interests, and to create a diverse and inclusive working atmosphere. During the year, the Group had 6,605 employees, of which 3,041 were male and 3,564 were female.

5.1 Protecting Employee Interests

The Bank strictly complies with the laws and regulations such as the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), and formulated the Staff Management Regulations (《員工管理辦法》), the Staff Handbook (《員工手冊》) and the Recruitment Management System (《招聘管理制度》). The Bank follows the principles of equality and democracy in the management of its employees and insists on protection of employees’ rights and interests. During the Reporting Period, there were no cases of non-compliance in relation to employment, employment of child labour or forced labour, nor were there any cases of non-compliance in relation to equal opportunities, diversity and anti-discrimination.

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Employee Diversity

The Group promotes equal employment opportunities and builds an equal, diverse and non-discriminatory working environment for its employees. We uphold fair and equitable human resources management principles in the areas of recruitment, promotion and dismissal, training and appraisal, to protect our employees from any form of discrimination based on gender, nationality, race, disability, marital status, sexual orientation, etc. and to allow our employees to realize their potential in an environment of equal opportunity.

The Bank values gender diversity in its employees. As of the end of the Reporting Period, the proportion of male and female employees (including senior management) of the Bank was 46.04% and 53.96%, respectively. The Board is satisfied with the gender diversity of employees (including senior management) of the Bank. The Bank will continue to implement measures to support gender diversity in employees.

Recruitment and Departure

In order to enrich our team of high-end and practical professionals, we are committed to building a team of high quality talents that matches our goal of being a “a first-class modern rural commercial bank in the PRC”. We implemented the “Provisional Measures for the Management of the Admission of Professional Talents” (《引進專業人才管理暫行辦法》) to attract high-level financial talents, including management talents, business talents, professional service talents and financial research talents. We have launched various recruitment channels, such as the media, the job market, and graduates from universities, for open recruitment. For general positions, we select suitable and qualified candidates through external recruitment and internal recommendation.

In the recruitment process, we recruit outstanding talents with the attitude of meritocracy and the principle of “open recruitment, equal competition and selection of the best”. Meanwhile, we established a standardized and fair employment and termination process, signed labor contracts with our employees in accordance with the law, clearly stated the rights and obligations of both parties to the contract, so to protect the legitimate rights and interests of our employees, and built a harmonious and stable employment relationship. In addition, we will follow the termination guidelines and procedures set out in the Staff Handbook in handling employee termination matters, and all illegal dismissals are strictly prohibited. If any employee is found to be in violation of discipline, negligence or other serious misconduct that is detrimental to the interests of the Company, we will follow the procedures for dismissal.

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We are committed to establishing sound labor relations and eliminating the use of child labor and forced labor. During the recruitment, our review department closely examines the authenticity of applicants' background information and collects proof of identity, education and qualifications, and prohibits the employment of persons under the legal working age. In addition, we refuse to force employees to work by illegal acts or unethical methods. Therefore, we reasonably arrange working hours and rest time for our employees, and implement a working system of 8 hours per day and 40 hours per week on average. If there is a need for flexible working hours in some positions, we will adopt a combination of calculated working hours and variable working hours in order to avoid forced labor. The Group will impose internal penalties if violations or any non-compliance with labor laws and regulations are found. During the Reporting Period, we did not find any cases of child labor or forced labor violations.

Compensation and Treatment

To ensure the stability of our talent pool, we have developed and continue to improve a series of compensation and benefits policies and systems to provide our employees with a highly competitive compensation system and benefit protection system. We have established a compensation incentive system that matches the Company's operating position through performance appraisals and annual discretionary bonuses based on the performance of our employees and the Bank's operations. In terms of performance appraisal, taking into account the actual situation of each relevant business line, we formulated relevant systems as the "Teller Performance Appraisal Management Regulations" (《櫃員績效考核管理辦法》) and the "Electronic Banking Marketing Performance Appraisal Plan" (《電子銀行營銷績效考核方案》) to further refine the relevant business performance standards, improved the performance appraisal system, and mobilized the initiative and enthusiasm of our staff members.

In terms of holidays, the Group provides employees with personal leave, sick leave, wedding leave, funeral leave, maternity leave and maternity leave in addition to the statutory holidays and public holidays stipulated by the state. To cater to the needs of female employees, we also provide daily breastfeeding time for female employees with babies under one year old, showing our care for working mothers.

In terms of benefits, all of our employees are entitled to various employee benefit plans, including pension insurance, medical insurance, work injury insurance, unemployment insurance, maternity insurance, housing provident fund and enterprise annuity. We established a long-term incentive mechanism for talents and implemented the Corporate Pension Plan (《企業年金方案》) for eligible employees to protect and improve the standard of their treatment after retirement. During the year, we implemented the Provisional Rules for the Administration of Supplementary Medical Insurance (《補充醫療保險管理暫行辦法》) to provide supplementary medical insurance to regular employees (including current employees and retirees) who have participated in their local basic medical insurance and paid the basic medical insurance premiums in full, with the aim of improving medical protection for current employees and retirees.

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5.2 Facilitating the Development of Talents

Employee Training

With the goal of improving the quality of our team, we continued to increase the training of our employees by offline and online means, to improve the overall quality and business ability of our employees. During the year, due to the impact of the recurrence of the pandemic, staff education and training was mainly conducted on the online platform. We conducted online training through various learning modes such as online learning and live public classes. We have organized a total of 45 online training sessions and live open classes for our employees, with a total of 9,250 training participants. In order to enhance the level of teaching, we actively communicated with external specialized training institutions to expand training program resources. During the year, we organized 5 online training sessions for account managers, lobby managers and branch managers organized by the Education and Training Department of the provincial federation, with a total of 798 training participants. As a member of the Board of Directors of the Asian Union Financial Training Institute, we published 36 online courses for external training institutions and all Bank staff to learn.

In order to ensure the timely implementation and high quality of training activities, we focused on strengthening the assessment and supervision of training management. During the year, we organized four quarterly online examinations on the Online Academy within the Bank and reported the examination results; we completed four quarterly course on the Online Academy, with a total of 6,595 courses on the platform, added 424 courses compared with the previous year. Meanwhile, new courses such as “Career Planning for Employees” (《員工職業生涯規劃》), “Time Management” (《時間管理》) and “Code of Ethics and Daily Behavior for Banking Practitioners” (《銀行業從業人員職業操守與日常行為規範》) were newly introduced in this year. To enhance employees’ learning enthusiasm, we set up bonus point redemption activities on the Online Academy platform, and students can redeem gifts based on the accumulated bonus points. During the year, 426 participants participated in the program, and 1,167 gifts were redeemed.

We established a ladder training program for different positions. We established the “Rural Finance Research Institute” at Jilin University of Finance and Economics and the “Rural Revitalization Finance College” with Changchun Finance College to cultivate practical talents in rural finance. We developed “inspirational class” and “customized” training mode, to allow students become our regular employees when graduating and meeting the employment requirements of the Bank.

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Cultivation of Talents

The Bank has been actively promoting the construction of various talent cultivation projects such as the “Hundred Talents Cultivation Project” and the “Young Eagles Project” in accordance with the construction idea of “complete professionalism and categorized reserve”. The Bank has launched a ladder training program for different positions to cultivate a full range of complex talents for the Bank by establishing a mentor training system, independent learning, position rotation, and regular centralized training. Meanwhile, the Bank insisted on stage inspection and dynamic management of all types of reserve cadres, and selected and assigned reserve cadres and outstanding backbone young staff to work in other places, so as to promote reserve talents to receive training, undergo tests and grow up.

The Group established a scientific appraisal system in line with the concept of “making the best use of talents” and follows the principles of objectivity, fairness, standardization and transparency in the appraisal, promotion and advancement of employees. In addition, we also conducted fair and impartial assessment on the promotion of cadres in terms of morality, competence, diligence, performance and integrity through democratic evaluation and staff talks, so as to select a cadre with high quality, dedication, morality and talent. In order to further deepen the personnel management of the Bank’s cadres, we formulated the “Guidance on the Implementation of Cadre Recruitment” (《幹部競聘上崗實施指導意見》) and strictly implemented the term target assessment and annual appraisal system for the cadres who have been appointed, so as to explore the mechanism of “being able to move up and down” in the construction of the talent team.

5.3 Safeguarding the Health of Employees

The health of our employees is the cornerstone of the Group’s stable development. We attach great importance to the health of our employees and strictly comply with the Occupational Disease Prevention and Control Law of the People’s Republic of China (《中華人民共和國職業病防治法》), the Work Injury Insurance Ordinance (《工傷保險條例》) and other laws and regulations relating to occupational health and safety. The Group formulated the “Provisional Rules for Employee Health Examination Management” (《員工健康體檢管理暫行辦法》) and arranges annual health examination for employees. Through timely understanding of employees’ health conditions, we can detect potential physical diseases for employees and achieve early detection, early diagnosis and early treatment of diseases, thereby reducing the incidence of diseases and subhealth of employees. In order to improve the health knowledge and awareness of our employees, we also provide them with various health and safety knowledge from time to time to enhance the effectiveness of disease prevention.

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Meanwhile, we are committed to providing a safe and comfortable working environment for our employees. We ensure that our workplaces comply with national environmental safety regulations. We conduct regular safety inspections of the workplace to eliminate potential accidents. In addition, we also raise the awareness of occupational safety among our employees at all times and organize regular occupational safety and health training to publicize and promote a safety culture. During the Reporting Period, the Group did not receive any complaints and lawsuits regarding violations of health and safety related laws, and there were no cases of work-related fatalities in the past three years.

During the year, under the repeated prevention and control of the pandemic, we paid close attention to the development of the Covid-19. Meanwhile, we actively cooperated with the government's pandemic prevention and control strategy and implemented a normalized pandemic prevention and control mechanism. In terms of operational arrangements, we rationalized our business hours, strengthened pandemic investigation at our outlets, improved environmental hygiene, cleaning and food sanitation, and protected the health of our employees and customers. In terms of personnel arrangement, we implemented the responsibilities of the person in charge of pandemic prevention and control of each organization, and grasped the health monitoring of our outlets and employees, especially we strengthened the management of personnel returning from medium and high-risk areas and overseas. Besides, we also arranged vaccination for our employees and distributed pandemic prevention materials to our staff on a regular basis, so as to ensure the protection of materials and personnel for pandemic prevention and control.

6. Strengthening Responsibility

While accelerating our own development, the Group always keep our social responsibility in mind, and has been committed to serving the real economy, making it our unshrinkable mission to serve local economic development. During the year, in the face of the complicated situation and economic downward pressure, we fully implemented the requirements of "preventing pandemics, stabilizing the economy, and securing development", continuously enriched financial products, innovated financial service models, improved the quality and efficiency of financial services, and took practical actions to help the revitalization of villages and the development of small and medium-sized enterprises, demonstrating the value of inclusive finance and helping farmers and enterprises. Besides, we have been actively exploring in consolidating the achievements of poverty eradication, helping community construction, supporting the development of charity, and helping epidemic prevention and control, making positive contributions to society.

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6.1 Contribution to the Revitalization of Villages

The Bank made the revitalization of villages and the common prosperity a top priority of its work, and provided strong financial support for the revitalization of villages by focusing on key areas such as food production, livestock and poultry breeding and urban-rural integration, and continuously increasing its investment in the three rural areas. Firstly, the Bank has been implementing the strategy of “storing grain in the land and storing grain with technology”. On the basis of solid promotion of the whole village credit, in order to open up the chain of grain production and marketing, crack the difficulties of grain storage for farmers and new agricultural business entities and the difficulties of liquidity for grain collection and storage enterprises, the Bank continuously optimized its financial services, proactively contacted the main grain producing areas and grain collection and storage enterprises, and innovated the four-in-one service model of “finance + enterprise + supervision + order”, bringing the financial water into the various steps in grain production, acquisition, processing, storage and circulation, and actively supported the “100 Billion Pounds of Food” project in Jilin Province. Secondly, the Bank has led the comprehensive reform of rural finance. The Bank was the first in the province to introduce mortgage loans for farmers’ housing property rights and mortgage loans for rural land for collective business construction, which helped the development of modern agriculture. The Bank actively supported Jilin Province’s “straw into meat” and 10 million head of beef cattle project, and innovatively launched the “Jiutai Pasture Loan (九牧寶)” live mortgage loan business, specifically supported leading enterprises, professional cooperatives, family farms and large farmers engaged in beef cattle breeding, and supported the development of the whole industrial chain of beef cattle. Thirdly, the Bank followed the integration of urban and rural areas and actively innovated urbanization finance by launching products such as “Community Pass (社區通)” and “Venture Loan (創業保)” to support farmers to move into new urban communities and rural workers to start their own businesses in urban areas. The Bank actively contributed to the improvement of the ecological environment in rural areas by providing favorable credit policies to areas such as the ecological tourism agriculture, green organic agriculture, and green agricultural product brands in accordance with local conditions. Through “mortgage of forest rights” and “pledge of operation fee rights”, we focused on supporting the planning and construction of Jiutai’s unique rural tourism areas and helping to turn “green mountains and water” into “golden mountains and silver mountains”.

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6.2 Support for the Real Economy

In the face of the repeated pandemic and the uncertainty of the economic environment, the Bank fully implemented the government's decisions and regulatory policies, took the initiative to support and stabilize the regional economy, increased credit resources by all means, and enhanced the quality and effectiveness of financial services. Firstly, the Bank helped enterprises to alleviate their difficulties. The Bank adopted a policy of non-drawal and non-cancellation of loan for enterprises in the production industry, enterprises in the innovative field of "specialties and novelties", enterprises in key industries such as medicine and medical care, and enterprises in industries seriously affected by the pandemic such as catering and logistics. Meanwhile, based on the supporting policies from the People's Bank of China, including the refinancing policy to support agriculture and to support small and medium-sized enterprises, the support policy for small and medium-sized enterprises affected by the pandemic, and the inclusive financial support policy, the Bank increased credit facilities in an orderly manner and actively made concessions to the real economy, especially to small and medium-sized enterprises in difficulty, helping them to overcome, survive and develop. Secondly, the Bank organized a special action of "100 cadres helping 100 enterprises". Our account managers visited the enterprises to ask questions, assisted in researching development ideas, and planned to provide convenient credit support for advantageous projects and major products, so as to grow together with our clients. Thirdly, through financial innovation and technological empowerment, the Bank continued to develop financial products to effectively meet the diverse financing needs of small and micro enterprises. In line with regional and industrial characteristics, the Bank launched 25 credit products for corporates, including "Jiuyi Loan (九易貸)", "Jiushang Loan (九商貸)", "Sunshine Loan (陽光貸)" and "Incubation Loan (紅孵貸)", as well as a series of products dedicated to microfinance, such as "Creative Finance Loan (創融通)", "Industrial Finance Loan (產融通)" and "Aggregate Finance Loan (聚融通)". The Bank developed innovative financing guarantee business and launched pledge-type products such as intellectual property rights, equity interests and accounts receivable, provided convenient services for financing small and medium-sized enterprises in a targeted manner.

6.3 Development of Green Finance

The Bank established the concept of green development, actively implemented the national strategy of "carbon peaking" and "carbon neutrality". We actively contributed to the improvement of the rural ecological environment, and provided favorable credit policies to areas such as the ecological tourism agriculture, green organic agriculture, green agricultural product brands, green technology agricultural patents, and rural cultural tourism brands in accordance with local conditions. We also provided favorable credit resources to green industries, and focused on supporting low-carbon industries such as new energy, renewable energy, biomedicine, pollution control, black land protection, and energy-saving building materials. During the year, we improved the priority mechanism for green finance, made energy saving and environmental protection an important basis for customer rating, credit access, credit management and business withdrawal. Through "mortgage of forest rights" and "pledge of operation fee rights", we focused on supporting the planning and construction of Jutai's unique rural tourism areas. In order to support green, low-carbon and circle economy, we established a special green credit channel and given priority to the credit application for green development category under the same conditions, with the aim of promoting the low-carbon transformation of enterprises.

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6.4 Building Community Finance

The Bank takes the construction of community finance as an important support for network transformation and retail transformation, actively carries out various cooperation, integrates social resources, strengthens dispatch of personnel to community, and conducts more targeted financial services and community services. Firstly, we have cooperated for construction and integrated into community governance. We have entered into the quadrilateral strategic cooperation agreement with the Department of Civil Affairs of Jilin Province, Baibuting Group Co., Ltd. and Jilin Professional Social Workers Federation to jointly explore the construction of a new pattern of grassroots social governance featuring co-construction, co-governance and sharing. We have introduced the red property management model and experience of Baibuting to three communities as pilots, including Junxingjiayuan, Lv Yuan District, Changchun City, to improve the quality of life of residents in terms of red culture construction, environmental governance, cultural and recreational activities and convenience services. We continued to improve the “four joints” working mechanism of joint organizational construction, joint promotion and education activities, joint creation of the Party building brand and joint community service, and promote the co-work of Party branches of various branches and resident communities and unit/enterprise party organizations, so as to strengthen the regional Party building alliance. We have developed more than 890 co-construction units in total, integrated “financial+” services into 103 streets and towns and 250 community service halls, and selected 277 network employees to work in the community. Secondly, we have dispatched employees to community and strengthened community service. We carried out the “100 Managers in the Community” activity to promote the real immersion and integration of main principals and customer managers of various institutions into the community. We have built a personalized and specialized community financial product system based on the characteristics of market segments to meet the “short, flat, fast and urgent” financing needs of small and medium-sized enterprises and individual businesses, as well as the diverse product needs of community residents. Additionally, we provide non-financial services to customers in a way that is close to life, spreads love and care, and strives to create an ecosystem that combines community financial services with characteristic non-financial services. Thirdly, we have carried out charity activities and created distinctive brands. We have established the Jilin Jiutai RCB Loving Community Volunteer Association, organised 153 volunteer service teams, and recruited more than 3,300 volunteers. We currently have set up more than 2,100 convenience service facilities in 325 communities, providing practical voluntary services to the residents in poverty alleviation, elderly care, safe and comprehensive treatment, civilised communities, health protection, pandemic prevention and control, and other aspects. Moreover, the “post stations” have been set up in more than 110 outlets to provide charity services for outdoor labor groups and surrounding community residents.

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6.5 Contributing to Society and the Community

Jointly fighting the pandemic

The Bank acted quickly in the new situation of severe pandemic, and organized donations of materials and funds totaling RMB44.37 million to fight the pandemic. Besides, we established more than 90 “Red Heart” Party member service teams and “Jiutai RCB Loving Community” volunteer service teams in Jiutai RCB, gathered a total of more than 1,300 volunteers, covering more than 230 communities, to coordinate various pandemic prevention efforts. In terms of financial support, we have conscientiously implemented relevant policies of regulatory authorities and governments at all levels on financial support for pandemic prevention and control and the resumption of work and production. We have introduced a series of relief measures, including arranging credit lines, opening green channels, implementing interest rate concessions and deferring repayment of principal and interest, to help small and medium-sized enterprises overcome difficulties.

Contributing to Common Prosperity

The Group strictly implements relevant policy requirements and maintains the continuity and stability of assistance policies and measures. During the year, we adapted to the characteristics of the regional economy, extended service coverage and made every effort to consolidate and expand the effective linkage between achievements of poverty alleviation and rural revitalization. Through systematic planning for the reform of industrial assistance, consumer assistance, public welfare assistance and basic financial services, we have improved the assessment mechanism for village cadres and practical talents, dynamically monitored the income and employment of underprivileged, and prevented poverty returning. Relying on the credit extension of the whole village, we continued to meet the reasonable credit needs of poverty alleviation households within our jurisdiction who have the ability to work and the desire to become rich, as well as have good credit and meet the credit conditions. On this basis, we gave full play to the advantages of agricultural featured products, innovated product services, established agricultural and industrial companies, provide credit support for land transfer, helped introduce secondary industries, carried out large-scale planting to help extend the industrial chain, and provided sufficient financial support and high-level comprehensive services for key agricultural fields such as modern agricultural development and beautiful rural construction.

Charity Activities

Since the establishment, we have donated more than RMB120 million to earthquake disaster areas, floods, pandemic prevention and control, and disadvantaged groups. We have established the “Jiutai Rural Commercial Bank Charity Fund (九台農商銀行愛心基金)” with an annual amount of RMB5 million at the Changchun Charity Association and the Jilin Charity Federation respectively. We have organized volunteer teams from all branches to continue to carry out various charity projects such as education assistance, care for elderly and disabled, helping doctors and poverty alleviation, which have received widespread praise from all sectors of society.

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7. Strengthening Environmental Protection

The Group is committed to continuously improving the environmental sustainability of our business by integrating environmental protection measures into our business operations, as well as focusing on cultivating and strengthening the environmental awareness of employees in the daily work process. We have actively responded to the 14th Five-Year Plan and the dual carbon development target, and 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. We set four environmental goals for greenhouse gas (GHG) emissions, energy efficiency, water efficiency and waste management in the previous year. During the year, we have reviewed and examined the implementation progress of all targets and environmental protection measures, and confirmed that environmental targets are also applicable for this year. We will continue to plan environmental protection work in the coming year. During the Reporting Period, the Group did not have any material non-compliance in relation to the environment.

GHG emission target	GHG emissions will be maintained or reduced in the future with a similar level of operation.
Energy efficiency target	Power consumption will be maintained or reduced in the future with a similar level of operation.
Water efficiency target	Water consumption will be maintained or reduced in the future with a similar level of operation.
Waste management target	Waste generation will be maintained or reduced in the future with a similar level of operation.

7.1 Practicing Low-carbon Operation

The Group deeply understands that the management of GHG emissions is crucial to mitigating risks of climate change. We make our best efforts to minimise the carbon footprint generated during the course of our operations, and actively practice low-carbon operation. GHG emissions of the Group mainly include emissions from fuel consumed by fixed equipment and emissions from its vehicles. The Group has conducted GHG emission audit for 36 companies under the Group, including the Bank and 35 subsidiaries, in accordance with the Greenhouse Gas Protocol (《溫室氣體盤查議定書》) 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 GHG emissions was as follows:

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GHG Emissions ⁽¹⁾	Unit	2021	2022
GHG Emissions			
Direct GHG emissions (Scope 1)	Tonnes of CO ₂ e	766.43	570.74
Indirect GHG emissions (Scope 2)	Tonnes of CO ₂ e	8,616.08	6,581.52
Total GHG emissions (Scope 1 and 2)	Tonnes of CO ₂ e	9,382.51	7,152.26
GHG Emissions Intensity			
Per square meter (Scope 1 and 2)	Tonnes of CO ₂ e/square meter	0.02	0.02
Per square meter (Scope 1 and 2)	Tonnes of CO ₂ e/employee	1.41	1.08

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.

We monitor each emission source, and identify more opportunities for energy conservation and emission reduction. In particular, we have identified that the Group's GHG emissions are mainly from fuel consumption of its vehicles and fuel consumption of fixed equipment (Scope 1) and electricity consumption during business operations (Scope 2). During the year, the Group's total GHG emissions amounted to 7,152.26 tonnes of CO₂e, representing a decrease of approximately 24% as compared to last year⁽²⁾. The target for the current year is progressing smoothly.

To reduce emissions, we have implemented business vehicle management and boiler management. In respect of business vehicle management, we reduce the need for vehicle use and encourage employees to take public transportation. Employees shall apply to the administrative department for the use of business vehicles. Besides, we also strengthen the management of vehicle fuel consumption, provide low-carbon driving training for drivers, perform regular inspection and maintenance for business vehicles to ensure vehicle efficiency and minimize unnecessary fuel wastage. 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.

Notes: ⁽¹⁾ 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.

⁽²⁾ Due to the continuous pandemic, most outlets were closed to varying degrees throughout the year, resulting in a significant decrease in total GHG emissions for the year compared to last year.

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7.2 Advocating Green Office

In combination with the national low-carbon development policy, the Group actively explores green and low-carbon measures, continuously strengthens the concept of green environmental protection, and creates a good atmosphere for energy conservation and consumption reduction, as well as a sustainable operating office environment.

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. During the year, the Group's total electricity consumption was 11,327.92 MWh, representing a decrease of 20% compared to last year⁽³⁾. The target for the current year is progressing smoothly. The table below indicates our electricity consumption:

Total electricity consumption	Unit	2021	2022
Total electricity consumption	MWh	14,122.40	11,327.92
Total electricity consumption intensity (per square meter)	MWh/square meter	0.04	0.03
Total electricity consumption intensity (per employee)	MWh/employee	2.13	1.72

We advocate the principles of green energy conservation and resource utilization, and are committed to optimizing the use of resources throughout the entire business, including optimization measures for electricity consumption, covering air conditioning systems, lighting systems, electronic equipment and other aspects.

In terms of lighting systems, we try to use daylighting as much as possible, and reduce reliance on the use of electric lights. Additionally, we reduce the number of lamps in the place where the brightness is higher than required. Offices are divided into multiple different lighting zones and independently controllable lighting switches are installed. 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 electronic equipment, we use products with high energy efficiency certification and enable power saving mode. For example, computers and printers can be switched to automatic standby or sleep mode when they are idle.

Note: (3) Due to the ongoing pandemic, most of the Group's sites were shut down to varying degrees, resulting in a significant reduction in electricity consumption for the year compared to last year.

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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 advocates a water saving culture, and promotes proper water consumption practice among employees. Water saving slogans are posted in toilets. To reduce unnecessary waste of water resources, we continuously monitor the Bank's water use performance by regularly inspecting water meter readings. Besides, we also 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 93,057.62 cubic meters during the Reporting Period, representing a decrease of 19% compared to last year⁽⁴⁾. The target for the current year is progressing smoothly. The table below indicates our water consumption:

Water consumption	Unit	2021	2022
Total water consumption	Cubic meters	114,885.95	93,057.62
Total water consumption intensity (per square meter)	Cubic meters/square meter	0.30	0.27
Total water consumption intensity (per employee)	Cubic meters/employee	17.32	14.09

Notes: (4) Due to the ongoing pandemic, most of the Group's sites were shut down to varying degrees, resulting in a significant reduction in water consumption for the year compared to last year.

(5) Due to the ongoing pandemic, most of the Group's sites were shut down to varying degrees, resulting in a significant reduction in non-hazardous waste for the year compared to last year.

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Waste Management

The Group understands the importance of good waste management. We have developed relevant measures and procedures to dispose non-hazardous and hazardous waste properly. During the Reporting Period, the Group disposed of 44.69 tonnes of non-hazardous waste in total. The intensity was 0.01 tonnes per employee. The target for the current year is progressing smoothly. The table below indicates our waste disposal:

Non-hazardous waste	Unit	2021	2022
Non-hazardous waste	Tonnes	54.62	44.69 ⁽⁵⁾
Total non-hazardous waste intensity (per employee)	Tonnes/employee	0.01	0.01

To reduce non-hazardous waste, the Bank continues to vigorously promote waste sorting. We place waste sorting and recycling bins in the office and strengthen waste sorting publicity. We reduce the use of disposable and non-recyclable products, and encourage employees 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. 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 reusing 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.

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Moreover, we have realized technology-enabled and paperless office by adopting office automation system (OA system) in the entire bank. We effectively reduce paper resource consumption by improving and promoting the use of office systems and office electronic equipment, expanding the use of video conferencing and online training, and promoting double-side printing. 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	2021	2022
Total paper consumption	Tonnes	59.07	42.95 ⁽⁶⁾
Total paper consumption intensity (per employee)	Tonnes/employee	0.01	0.01

7.3 Responding to Climate Change

The Group actively ties in with the national vision of hitting peak emissions by 2030 and achieving carbon neutrality by 2060. 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 strictly comply with regulations and policies related to addressing climate change, and carefully identify and evaluate the impact of climate change on the business and operational model of the Bank. During the year, we identified physical and transitional climate risks in accordance with the Guidelines on Climate Information Disclosure prepared by the Stock Exchange.

In terms of physical climate risk, we understand that continued rising temperature may lead to an increase in use of resources and energy, which in turn increases our operating costs. In view of this, by using more energy conservation and emission reduction measures, we can benefit the climate while reducing the risk of possible future energy price hikes. In addition, as the main energy source for the Group's operations, we also attach importance to the impact of extreme weather disasters on our outlets. Therefore, the Bank actively participates in environmental public welfare activities (such as tree planting) to contribute to mitigating global warming.

Note: (6) Due to the ongoing pandemic, most of the Group's sites were shut down to varying degrees, resulting in a significant reduction in paper consumption for the year compared to last year.

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In terms of transitional climate risk, we understand that asset values (such as house prices) may be affected by extreme weather events and rising temperatures, which poses market risks to the our businesses. In view of this, we explore carbon finance product innovation and consider climate related risks in our products and services. We understand the increasing demand for sustainable financial products from investors and customers. Therefore, we seize the opportunities for green and low-carbon development to support and promote green financial products so as to expand the share of green financial products in the market. Besides, we actively participate in green finance training to enhance our understanding of green technologies in other industries, and avoid the impact on the development of credit business due to the lack of understanding of emerging green technologies by business personnel which poses technical risks to our business.

In the future, we will continue to identify the potential risks posed by climate change risks to our business and develop adaptive capacity to flexibly respond to climate events.

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Appendix I: Sustainability Data Statements

Indicators	Unit	2022 ⁽⁷⁾
Environmental Aspect		
Emissions		
Nitrogen oxides (NOx)	Kg	1,090.25
Sulphur oxides (SOx)	Kg	2.01
Particulate matter (PM)	Kg	104.47
GHG Emissions		
Direct GHG emissions (Scope 1)	Tonnes of CO ₂ e	570.74
Indirect GHG emissions (Scope 2)	Tonnes of CO ₂ e	6,581.52
Total GHG emissions (Scope 1 and 2)	Tonnes of CO ₂ e	7,152.26
Intensity of GHG emissions		
Per square meter (Scope 1 and 2)	Tonnes of CO ₂ e/square meter	0.02
Per employee (Scope 1 and 2)	Tonnes of CO ₂ e/employee	1.08
Energy consumption		
Total energy consumption	MWh	12,916.72
Total energy consumption intensity (per square meter)	MWh/square meter	0.04
Total energy consumption intensity (per employee)	MWh/employee	1.96
Total electricity consumption	MWh	11,327.92
Total electricity consumption intensity (per square meter)	MWh/square meter	0.03
Total electricity consumption intensity (per employee)	MWh/employee	1.72
Gasoline	Tonnes	308.44
Diesel	Tonnes	0.04
Natural gas	Cubic meters	28,618.54
Water consumption		
Total water consumption	Cubic meters	93,057.62
Total water consumption intensity (per square meter)	Cubic meters/square meter	0.27
Total water consumption intensity (per employee)	Cubic meters/employee	14.09
Hazardous waste		
Toner cartridges used	Unit	532
Intensity of toner cartridges used	Unit/employee	0.08
Ink cartridges used	Unit	490
Intensity of ink cartridges used	Unit/employee	0.07
Printers used	Unit	22
Intensity of printers used	Unit/employee	0.0033
Computers used	Unit	30
Intensity of computers used	Unit/employee	0.0045
Toner cartridges recycled	Unit	532
Ink cartridges recycled	Unit	490
Printers recycled	Unit	22

Note: (7) Data have been subject to rounding adjustments.

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Indicators	Unit	2022 ⁽⁷⁾
Computers recycled	Unit	30
Non-hazardous waste		
Total non-hazardous waste	Tonnes	44.69
Total non-hazardous waste intensity (per employee)	Tonnes/employee	0.01
Paper consumptions		
Total paper consumption	Tonnes	42.95
Total paper consumption intensity per employee	Tonnes/employee	0.01
Social Aspect		
Employees		
Total number of employees	Number of employees	6,605
By gender		
Female employees	Number of employees	3,564
Male employees	Number of employees	3,041
By position⁽⁸⁾		
Junior employees	Number of employees	5,325
Middle management	Number of employees	987
Senior management	Number of employees	293
By age group		
Employees aged under 30	Number of employees	2,043
Employees aged between 30 to 50	Number of employees	4,129
Employees aged above 50	Number of employees	433
By geographical location⁽⁹⁾		
Employees from northern China	Number of employees	685
Employees from northeastern China	Number of employees	5,278
Employees from eastern China	Number of employees	142
Employees from central China	Number of employees	101
Employees from northwestern China	Number of employees	39
Employees from southern China	Number of employees	360

Notes: (7) Data have been subject to rounding adjustments.

(8) The Group did not have part-time employees.

(9) Calculated according to their place of work.

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Indicators	Unit	2022 ⁽⁷⁾
Employee turnover rate⁽¹⁰⁾		
Total turnover rate	%	1.36
By gender		
Female employees	%	1.12
Male employees	%	1.57
By age group		
Employees aged under 30	%	2.25
Employees aged between 30 to 50	%	0.9
Employees aged above 50	%	1.62
By geographical location⁽⁹⁾		
Employees from northern China	%	2.48
Employees from northeastern China	%	1.10
Employees from eastern China	%	2.11
Employees from central China	%	0.00
Employees from northwestern China	%	0.00
Employees from southern China	%	3.33
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 ⁽¹¹⁾	%	93.43
Percentage of male employees trained ⁽¹¹⁾	%	97.73
Average training hours per female employees	Hours	96.87
Average training hours per male employees	Hours	95.42
By postion⁽⁸⁾		
Percentage of junior employees trained ⁽¹¹⁾	%	96.66
Percentage of middle management trained ⁽¹¹⁾	%	96.96
Percentage of senior management trained ⁽¹¹⁾	%	67.58
Average training hours per junior employees	Hours	131.34
Average training hours per middle management	Hours	107.25
Average training hours per senior management	Hours	83.31
Summary of operation		
Distribution of suppliers		
Total number of suppliers	Number of suppliers	38
Mainland China	Number of suppliers	38
Hong Kong	Number of suppliers	0
Overseas	Number of suppliers	0

Notes: (10) 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%.

(11) Calculated by the number of employees trained in that category ÷ the total number of employees in that category at the end of the year × 100%. The training data is calculated based on the cumulative number of employees participating in trainings.

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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.
	A1.1	The types of emissions and respective emissions data.
	A1.2	Direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).
	A1.5	Description of emissions target(s) set and steps taken to achieve them.
	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. Strengthening Environmental Protection
		7.1 Practicing Low-carbon Operation Appendix I: Sustainability Data Statements
		7.1 Practicing Low-carbon Operation Appendix I: Sustainability Data Statements
		7.2 Advocating Green Office Appendix I: Sustainability Data Statements
		7.2 Advocating Green Office Appendix I: Sustainability Data Statements
		7.1 Practicing Low-carbon Operation
		7.2 Advocating Green Office

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Indicators		Chapter	
A2: Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2 Advocating 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 Advocating 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 Advocating 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 Advocating 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 Advocating 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

Chapter 11 Environmental, Social and Governance Report

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 Advocating 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 Advocating 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

Chapter 11 Environmental, Social and Governance Report

Indicators		Chapter	
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.	5.1 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
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 Safeguarding 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 Safeguarding the Health of Employees

Chapter 11 Environmental, Social and Governance Report

Indicators		Chapter	
B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2 Facilitating the Development of Talents
	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
B4: Labor Standards	B4	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.	5.1 Protecting Employee Interests
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.1 Protecting Employee Interests
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Protecting Employee Interests

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Indicators		Chapter	
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain.	3.5 Supplier 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.	3.5 Supplier Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.5 Supplier Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.5 Supplier Management

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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.	4.2 Protecting Customer Interests
	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.	4.3 Standardization of complaint handling
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.6 Intellectual Property Management
	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.	4.4 Protection of Information Security

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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.	3.3 Business Integrity Management 3.4 Anti-money Laundering and Anti-counterfeit Currency Management
	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.	3.3 Business Integrity Management
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	3.3 Business Integrity Management
	B7.3	Description of anti-corruption training provided to directors and employee.	3.3 Business Integrity Management
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. Strengthening Responsibility
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	6. Strengthening Responsibility
	B8.2	Resources contributed to the focus area.	6. Strengthening Responsibility

Independent Auditor's Report



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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)

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 460, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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.

Independent Auditor's Report (Continued)

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
- Outsourcing arrangements for information technology system

Basis of consolidation

Refer to note 57 to the consolidated financial statements and the accounting policies on page 280 to 282.

The key audit matter	How the matter was addressed in our audit
<p>The Bank operates its businesses through the Bank itself and through 35 subsidiaries as at 31 December 2022.</p> <p>As at 31 December 2022, the Bank controlled and consolidated 19 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.</p> <p>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.</p>	<p>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 controls the Non Major Subsidiaries and challenge the reasonableness of the methodologies used to assessment of control.</p> <p>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.</p>

Independent Auditor's Report (Continued)

Impairment of loans and advances to customers

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 293 to 300.

The key audit matter	How the matter was addressed in our audit
<p>Impairment allowances represent management's best estimate of the expected credit losses within the loan portfolios at the reporting date.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p> <p>We have discussed the judgement in relation to the recognition of 12 months and life time expected credit losses of loans and advances 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.</p> <p>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.</p>

Independent Auditor's Report (Continued)

Impairment of loan and advances to customers (Continued)

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 293 to 300.

The key audit matter	How the matter was addressed in our audit
<p>The audit was focused on impairment due to the materiality of the balances amounted to approximately RMB170,597,441,000 and the subjective nature of the judgement, estimation and calculation involved in the determination of the expected credit losses.</p>	<p>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.</p> <p>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.</p>

Independent Auditor's Report (Continued)

Outsourcing arrangements for information technology system

Refer to note 49 (d) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
<p>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.</p> <p>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.</p>	<p>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.</p> <p>We also assessed the reliability of the Group's IT system regarding the process in the preparation of the Group's consolidated financial statements.</p>

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.

Independent Auditor's Report (Continued)

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.

Independent Auditor's Report (Continued)

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.

Independent Auditor's Report (Continued)

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. Cheung Wang Kei.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Cheung Wang Kei

Practising Certificate Number: P07788

Hong Kong

30 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Interest income		14,382,696	12,524,305
Interest expenses		(7,867,756)	(6,347,936)
Net interest income	6	6,514,940	6,176,369
Fee and commission income		153,493	169,408
Fee and commission expenses		(71,849)	(96,706)
Net fee and commission income	7	81,644	72,702
Net trading gains	8	95,101	959
Dividend income		21,423	56,961
Net gains arising from investment securities	9	98,551	87,306
Losses on deemed partial disposal of an associate	25	–	(46,452)
Losses on deemed disposal of a subsidiary	56	(208,561)	–
Net exchange gains		8,025	11,336
Other operating (expenses) income, net	10	(14,056)	3,113
Operating income		6,597,067	6,362,294
Operating expenses	11	(3,266,177)	(3,073,881)
Impairment losses on assets, net of reversals	14	(1,360,882)	(1,569,379)
Operating profit		1,970,008	1,719,034
Share of profits of associates	25	13,469	28,521
Profit before tax		1,983,477	1,747,555
Income tax expense	15	(311,452)	(457,557)
Profit for the year		1,672,025	1,289,998

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

For the Year Ended 31 December 2022

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

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	31/12/2022 RMB'000	31/12/2021 RMB'000 (Restated)	1/1/2021 RMB'000 (Restated)
Assets				
Cash and deposits with the central bank	17	34,642,750	30,997,989	25,155,200
Deposits with banks and other financial institutions	18	11,092,260	10,866,741	8,417,943
Placements with banks and other financial institutions	19	425,218	135,018	743,762
Financial assets held under resale agreements	20	9,570,521	1,498,781	1,102,231
Financial assets at fair value through profit or loss	21	1,909,099	2,552,214	3,200,209
Loans and advances to customers	22	170,597,441	152,642,695	126,959,688
Financial assets at fair value through other comprehensive income	23	4,019,840	5,169,919	2,550,517
Financial assets measured at amortised cost	24	27,797,726	23,084,401	24,891,893
Interests in associates	25	1,297,272	961,033	1,005,130
Property and equipment	26	2,773,837	3,265,481	3,249,491
Right-of-use assets	27	519,577	614,709	664,240
Goodwill	28	15,133	401,335	401,335
Deferred tax assets	29	1,218,909	1,004,495	773,222
Other assets	30	1,121,166	945,429	1,248,409
Total assets		267,000,749	234,140,240	200,363,270

Consolidated Statement of Financial Position (Continued)

At 31 December 2022

	Notes	31/12/2022 RMB'000	31/12/2021 RMB'000 (Restated)	1/1/2021 RMB'000 (Restated)
Liabilities and equity				
Liabilities				
Borrowings from the central bank	32	3,679,787	2,851,548	4,012,154
Deposits from banks and other financial institutions	33	3,471,600	6,890,222	8,543,520
Placements from banks and other financial institutions	34	2,052,823	1,502,496	7,194,675
Financial assets sold under repurchase agreements	35	50,021	–	2,656,192
Deposits from customers	36	232,291,863	196,959,403	152,406,742
Accrued staff costs	37	193,286	179,710	176,684
Tax payable		59,653	291,529	223,806
Debt securities issued	38	5,351,209	6,290,398	7,548,535
Lease liabilities	27	429,046	518,779	591,499
Other liabilities	39	802,115	881,143	758,278
Total liabilities		248,381,403	216,365,228	184,112,085
Equity				
Share capital	40	5,074,192	4,612,901	4,393,239
Capital reserve	41	4,256,757	5,050,510	4,921,340
Investment revaluation reserve		56,566	94,661	10,401
Surplus reserve	42(a)	1,223,755	1,058,252	915,524
General reserve	42(b)	2,636,746	2,321,962	2,077,865
Retained earnings		2,639,899	1,436,812	1,353,162
Total equity attributable to owners of the Bank		15,887,915	14,575,098	13,671,531
Non-controlling interests		2,731,431	3,199,914	2,579,654
Total equity		18,619,346	17,775,012	16,251,185
Total liabilities and equity		267,000,749	234,140,240	200,363,270

The consolidated financial statements on pages 265 to 460 were approved and authorised for issue by the board of directors of the Bank on 30 March 2023 and are signed on its behalf by:

Mr. YUAN Chunyu
Director

Mr. LIANG Xiangmin
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2022

	Attributable to owners of the Bank								
	Share Capital RMB'000	Capital reserve RMB'000	Investment		General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
			revaluation reserve RMB'000	Surplus reserve RMB'000					
As 1 January 2022	4,612,901	5,050,510	94,661	1,058,252	2,321,962	1,436,812	14,575,098	3,199,914	17,775,012
Profit (loss) for the year	-	-	-	-	-	1,683,339	1,683,339	(11,314)	1,672,025
Other comprehensive expense for the year	-	-	(38,095)	-	-	-	(38,095)	(11,043)	(49,138)
Total comprehensive income (expense) for the year	-	-	(38,095)	-	-	1,683,339	1,645,244	(22,357)	1,622,887
Changes in ownership in subsidiaries without changes in control (Note 54)	-	(287,520)	-	-	-	-	(287,520)	(163,500)	(451,020)
Deemed disposal of subsidiary	-	(44,942)	-	-	(39,820)	39,820	(44,942)	(360,234)	(405,176)
Changes in share capital									
– Capitalisation of capital reserve (Note 40)	461,291	(461,291)	-	-	-	-	-	-	-
Appropriation of profits									
– Appropriation to surplus reserve	-	-	-	165,503	-	(165,503)	-	-	-
– Appropriation to general reserve	-	-	-	-	354,604	(354,604)	-	-	-
– Dividends paid to non-controlling interest	-	-	-	-	-	-	-	(15,710)	(15,710)
Acquisition of a subsidiary (Note 55)	-	-	-	-	-	35	35	93,318	93,353
At 31 December 2022	5,074,192	4,256,757	56,566	1,223,755	2,636,746	2,639,899	15,887,915	2,731,431	18,619,346

Consolidated Statement of Changes in Equity (Continued)

For the Year Ended 31 December 2022

	Attributable to owners of the Bank								
	Share Capital RMB'000	Capital reserve RMB'000	Investment		General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total RMB'000
			revaluation reserve RMB'000	Surplus reserve 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 54)	-	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 40)	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 43)	-	-	-	-	-	(658,986)	(658,986)	-	(658,986)
- Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(56,861)	(56,861)
At 31 December 2021	4,612,901	5,050,510	94,661	1,058,252	2,321,962	1,436,812	14,575,098	3,199,914	17,775,012

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2022

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

Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31 December 2022

	2022 RMB'000	2021 RMB'000 (restated)
Changes in operating liabilities		
Net increase/(decrease) in financial assets sold under repurchase agreements	50,000	(2,654,900)
Net increase in deposits from customers (including in interest payables)	44,874,050	43,343,049
Net increase/(decrease) in placements from banks and other financial institutions	550,000	(5,599,000)
Net decrease in deposits from banks and other financial institutions	(3,332,376)	(1,572,183)
Net increase/(decrease) in borrowing from central bank	862,256	(1,159,741)
Net increase in other operating liabilities (including interests payable)	1,264,154	1,138,459
Net increase in accrued staff costs	14,116	3,026
	44,282,200	33,498,710
Cash generated from operations	19,844,380	9,969,803
Income tax paid	(843,669)	(649,868)
NET CASH GENERATED FROM OPERATING ACTIVITIES	19,000,711	9,319,935
INVESTING ACTIVITIES		
Payments on acquisition of financial investments	(80,276,132)	(32,047,181)
Payments on acquisition of property and equipment	(167,626)	(330,659)
Proceeds from disposal of financial investments	75,922,356	31,297,661
Interest income from financial investments	1,316,058	1,538,683
Proceeds from disposal of property and equipment	117,463	35,287
Dividend income received from equity investments	21,423	56,961
Dividend received from associates	–	35,630
Acquisition of a subsidiary	54,756	–
Deemed disposal of a subsidiary	(2,745,700)	–
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(5,757,402)	586,382

Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31 December 2022

	2022 RMB'000	2021 RMB'000 (restated)
FINANCING ACTIVITIES		
Repayment of debt securities issued	(3,450,000)	(6,850,000)
Dividends paid	(6)	(658,512)
Payment on lease liabilities	(168,613)	(170,611)
Interest paid on debts securities issued	(195,400)	(137,200)
Dividends paid to non-controlling interests	(15,710)	(56,861)
Interest paid on lease liabilities	(21,340)	(24,076)
Net proceeds from issue of new debt securities	2,428,613	5,436,327
Payment to acquire of additional interest in a subsidiary	(468,000)	–
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	16,980	865,225
Government grants received	47,209	49,986
NET CASH USED IN FINANCING ACTIVITIES	(1,826,267)	(1,545,722)
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,417,042	8,360,595
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	29,622,412	21,261,817
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 46)	41,039,454	29,622,412
Interest received	10,884,818	12,333,482
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(6,278,099)	(4,997,963)

Notes to the Consolidated Financial Statements

For the Year Ended 31 December 2022

1. GENERAL

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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

New and amendments to IFRSs issued but not yet effective

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

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

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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

Reclassification

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

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

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

As at 31 December 2021

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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

Reclassification (Continued)

As at 1 January 2021

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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

Reclassification (Continued)

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

	As originally stated RMB'000	Reclassification RMB'000	As restated RMB'000
OPERATING ACTIVITIES			
Net increase in interest receivables	(15,274)	15,274	–
Net (increase)/decrease in other operating assets (including interest receivables)	64,268	(15,274)	48,994
Net increase in interests payable	1,033,161	(1,033,161)	–
Net increase in other operating liabilities (including interest payables)	105,298	1,033,161	1,138,459

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. For the purpose of preparation of the consolidated financial statements, information is 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 significant 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.

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;

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

- 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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 50. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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 50.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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 assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on tangible assets other than goodwill and financial assets (Continued)

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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;

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- 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.

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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 are 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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;

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) An entity is related to the Bank if any of the following conditions applies: (Continued)

- (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;
- (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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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 followings 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgement in applying accounting policies (Continued)

Income taxes

Determining income tax provisions involves judgement on the 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. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal takes place.

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 44(iii).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgement 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 security 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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)

As at 31 December 2022, the carrying amounts of deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, loans and advances to customers, debt securities classified as financial assets at fair value through other comprehensive income and financial assets measured at amortised cost were approximately RMB11,092,260,000, RMB425,218,000, RMB9,570,521,000, RMB170,597,441,000, RMB3,878,264,000 and RMB27,797,726,000 respectively (2021: RMB10,866,741,000, RMB135,018,000, RMB1,498,781,000, RMB152,642,695,000, RMB4,991,294,000 and RMB23,084,401,000 respectively), net of impairment loss amounted approximately RMB2,477,000, RMB70,000, nil, RMB5,359,554,000, RMB309,000 and RMB1,044,346,000 respectively (2021: RMB2,947,000, RMB241,000, nil, RMB4,628,054,000, RMB175,000 and RMB953,522,000 respectively).

As at 31 December 2022, the carrying amounts of provision for credit commitments and financial guarantees were approximately RMB74,063,000 (2021: RMB60,465,000).

As the COVID-19 pandemic continues to progress and evolve and other macroeconomic conditions, 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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 repossessed assets

Repossessed 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 2022, the gross carrying amount of repossessed assets were approximately RMB699,201,000 (2021: approximately RMB438,720,000), net of accumulated impairment losses amounted approximately RMB15,384,000 (2021: approximately RMB25,663,000). The net carrying amount after impairment loss were approximately RMB683,817,000 (2021: approximately RMB413,057,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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 2022, the carrying amount of property and equipment and right-of-use assets were approximately RMB2,773,837,000 and RMB519,577,000 respectively (2021: approximately RMB3,265,481,000 and RMB614,709,000 respectively).

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.

As at 31 December 2022, the carrying amount of interests in associates was approximately RMB1,297,272,000 (2021: approximately RMB961,033,000). No accumulated impairment losses were recognised for the year ended 31 December 2022 and 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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 that is applicable to the Bank and its subsidiaries is 15% to 25%.

(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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

6. NET INTEREST INCOME

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

7. NET FEE AND COMMISSION INCOME

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

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

8. NET TRADING GAINS

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

9. NET GAINS ARISING FROM INVESTMENT SECURITIES

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

10. OTHER OPERATING (EXPENSE) INCOME, NET

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

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

11. OPERATING EXPENSES

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

Notes:

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 28 (2021: 30) directors, the chief executive and supervisors were as follows:

For the year ended 31 December 2022

	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 ⁽¹⁾	-	646	229	1,771	2,646
Yuan Chunyu	-	414	163	1,077	1,654
Liang Xiangmin	-	453	167	1,191	1,811
Non-executive directors					
Zhang Lixin ⁽²⁾	-	-	-	-	-
Wang Ying ⁽³⁾	-	-	-	-	-
Wu Shujun	-	-	-	-	-
Cui Qiang	-	-	-	-	-
Zhang Yusheng	-	-	-	-	-
Independent non-executive directors					
Han Lirong ⁽⁴⁾	50	-	-	-	50
Jin Xiaotong ⁽⁵⁾	50	-	-	-	50
Sun Jiafu ⁽⁶⁾	50	-	-	-	50
Fong Wai Kuk, Dennis ⁽⁷⁾	145	-	-	-	145
Zhang Qihua	100	-	-	-	100
Fu Qiong ⁽¹⁰⁾	50	-	-	-	50
Yang Jinguan ⁽¹¹⁾	50	-	-	-	50
Chung Wing Yin ⁽¹²⁾	145	-	-	-	145
Jiang Ning ⁽¹³⁾	50	-	-	-	50
Supervisors					
Luo Hui	-	453	183	1,191	1,827
Wang Enjiu	-	558	91	144	793
Liu Xiangjun	-	130	32	24	186

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

12 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 28 (2021: 30) directors, the chief executive and supervisors were as follows: (Continued)

For the year ended 31 December 2022 (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					
Wang Zhi ⁽¹⁴⁾	25	-	-	-	25
Fan Shuguang ⁽¹⁵⁾	25	-	-	-	25
Gao Pengcheng ⁽¹⁶⁾	25	-	-	-	25
Zhang Ruibin ⁽¹⁷⁾	25	-	-	-	25
Dai Yundi ⁽¹⁸⁾	25	-	-	-	25
Liu Jianxin ⁽¹⁹⁾	25	-	-	-	25
Dong Shuaibing ⁽²⁰⁾	25	-	-	-	25
Hu Guohuan ⁽²¹⁾	-	-	-	-	-
	865	2,654	865	5,398	9,782

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 28 (2021: 30) directors, the chief executive and supervisors were as follows: (Continued)

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 ⁽¹⁾	–	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 ⁽⁸⁾	–	–	–	–	–
Cui Qiang	–	–	–	–	–
Zhang Yusheng	–	–	–	–	–
Wang Baocheng ⁽⁹⁾	–	–	–	–	–
Zhang Lixin ⁽²⁾	–	–	–	–	–
Wang Ying ⁽³⁾	–	–	–	–	–
Independent non-executive directors					
Fu Qiong ⁽¹⁰⁾	100	–	–	–	100
Zhang Qiuhua	100	–	–	–	100
Yang Jinguan ⁽¹¹⁾	100	–	–	–	100
Chung Wing Yin ⁽¹²⁾	307	–	–	–	307
Jiang Ning ⁽¹³⁾	100	–	–	–	100
Han Lirong ⁽⁴⁾	–	–	–	–	–
Jin Xiaotong ⁽⁵⁾	–	–	–	–	–
Sun Jiafu ⁽⁶⁾	–	–	–	–	–
Fong Wai Kuk, Dennis ⁽⁷⁾	–	–	–	–	–
Supervisors					
Luo Hui	–	449	163	1,191	1,803
Wang Enjiu	–	582	95	144	821
Liu Xiangjun	–	132	31	24	187

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 28 (2021: 30) 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 ⁽¹⁶⁾	50	–	–	–	50
Wang Zhi ⁽¹⁴⁾	50	–	–	–	50
Zhang Ruibin ⁽¹⁷⁾	50	–	–	–	50
Fan Shuguang ⁽¹⁵⁾	50	–	–	–	50
Dai Yundi ⁽¹⁸⁾	–	–	–	–	–
Liu Jianxin ⁽¹⁹⁾	–	–	–	–	–
Dong Shuaibing ⁽²⁰⁾	–	–	–	–	–
Hu Guohuan ⁽²¹⁾	–	–	–	–	–
	907	2,666	827	5,398	9,798

(1) Gao Bing resigned as executive director on 17 March 2023.

(2) Zhang Lixin was appointed as non-executive director on 13 August 2021.

(3) Wang Ying was appointed as non-executive director on 13 August 2021.

(4) Han Lirong was appointed as independent non-executive director on 13 August 2021.

(5) Jin Xiaotong was appointed as independent non-executive director on 5 August 2021.

(6) Sun Jiafu was appointed as independent non-executive director on 13 August 2021.

(7) Fong Wai Kuk, Dennis was appointed as independent non-executive director on 18 September 2021.

(8) Zhang Xinyou was ceased to serve as non-executive director on 13 August 2021.

(9) Wang Baocheng was ceased to serve as non-executive director on 13 August 2021.

(10) Fu Qiong was ceased to serve as independent non-executive director on 13 August 2021.

(11) Yang Jinguan was ceased to serve as independent non-executive director on 13 August 2021.

(12) Chung Wing Yin was ceased to serve as independent non-executive director on 13 August 2021.

(13) Jiang Ning was ceased to serve as independent non-executive director on 13 August 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the year ended 31 December 2021 (Continued)

- (14) Wang Zhi resigned as external supervisor on 18 June 2021.
- (15) Fan Shuguang resigned as external supervisor on 18 June 2021.
- (16) Gao Pengcheng resigned as external supervisor on 18 June 2021.
- (17) Zhang Ruibin resigned as external supervisor on 18 June 2021.
- (18) Dai Yundi was appointed as external supervisor on 18 June 2021.
- (19) Liu Jianxin was appointed as external supervisor on 18 June 2021.
- (20) Dong Shuaibing was appointed as external supervisor on 18 June 2021.
- (21) Hu Guohuan was appointed as shareholder supervisor on 18 June 2021.

Note: 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 during the years ended 31 December 2022 and 2021 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 2022 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 2022 and 2021.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2021: one) were directors and supervisors whose emoluments are disclosed in Note 12 above. The emoluments of remaining three (2021: four) individuals were as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,359	5,677
Retirement benefits scheme contributions	510	415
Discretionary bonuses	3,576	2,411
	5,445	8,503

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2022 No. of employees	2021 No. of employees
HK\$ nil to HK\$1,000,000 (equivalent to RMB nil to RMB886,446) (2021: HK\$ nil to HK\$1,000,000 (equivalent to RMB nil to RMB816,660)	–	–
HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB886,447 to RMB1,329,669) (2021: HK\$1,000,001 to HK\$1,500,000 (equivalent to RMB816,661 to RMB1,224,990)	–	–
HK\$1,500,001 to HK\$2,000,000 (equivalent to RMB1,329,670 to RMB1,772,892) (2021: HK\$1,500,001 to HK\$2,000,000 (equivalent to RMB1,224,991 to RMB1,633,320)	–	–
HK\$2,000,001 to HK\$2,500,000 (equivalent to RMB1,772,893 to RMB2,216,116) (2021: HK\$2,000,001 to HK\$2,500,000 (equivalent to RMB1,633,321 to RMB2,041,650)	3	3
HK\$2,500,001 to HK\$3,000,000 (equivalent to RMB2,216,116 to RMB2,659,339) (2021: HK\$2,500,001 to HK\$3,000,000 (equivalent to RMB2,041,651 to RMB2,449,980)	–	–
HK\$3,000,001 to HK\$3,500,000 (equivalent to RMB2,659,340 to RMB3,102,562) (2021: HK\$3,000,001 to HK\$3,500,000 (equivalent to RMB2,449,981 to RMB2,858,310)	–	1
	3	4

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 2022 and 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

14. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	Notes	2022 RMB'000	2021 RMB'000
Loans and advances to customers	22	1,128,724	1,232,012
Other receivables and repossessed assets	30	27,676	10,157
Debt securities financial assets at FVTOCI	23	134	–
Deposits with banks and other financial institutions	18	(620)	1,682
Placements with banks and other financial institutions	19	226	(506)
Provision for credit commitments and financial guarantees	39	13,598	17,093
Financial assets measured at amortised costs	24	186,952	308,757
Property and equipment	26	–	184
Interest receivables (included in other assets)	30	4,192	–
		1,360,882	1,569,379

15. INCOME TAX EXPENSE

(a) Income tax:

	2022 RMB'000	2021 RMB'000
Current tax:		
– Mainland China Enterprise Income Tax	605,170	682,607
(Over) under provision in prior years:		
– Mainland China Enterprise Income Tax	(993)	34,984
Deferred tax (Note 29)		
– Current year	(292,725)	(260,034)
	311,452	457,557

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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:

	2022 RMB'000	2021 RMB'000
Profit before tax	1,983,477	1,747,555
Tax at domestic income tax rate of 25%	495,869	436,889
Tax effect of share of profit of associates	(3,367)	(7,130)
Tax effect of expenses not deductible for tax purpose (Notes i)	19,079	19,963
Tax effect of income that are not taxable for tax purpose (Notes ii)	(199,136)	(27,149)
(Over) under provision in respect of prior years	(993)	34,984
Income tax expense	311,452	457,557

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 29.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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:

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

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

The weighted average number of ordinary shares in issue during the year ended 31 December 2022 has been adjusted retrospectively taking into account the capitalisation issue of 461,290,142 ordinary shares as stated in note 40 as if the capitalisation issue had been effective on 1 January 2021.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

17. CASH AND DEPOSITS WITH THE CENTRAL BANK

	2022 RMB'000	2021 RMB'000 (Restated)
Cash on hand	686,545	745,744
Deposits with the central bank		
– Statutory deposit reserves (Notes a)	12,633,371	11,578,178
– Surplus deposit reserves (Notes b)	21,320,674	18,672,108
– Fiscal deposits	1,993	1,859
	33,956,038	30,252,145
	34,642,583	30,997,889
Accrued interest	167	100
	34,642,750	30,997,989

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. At 31 December 2022 and 2021, the statutory deposit reserve ratios applicable to the Bank were as follows:

	2022	2021
Reserve ratio for RMB deposits	6.0%	6.5%
Reserve ratio for foreign currency deposits	6.0%	9.0%

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

18. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2022 RMB'000	2021 RMB'000 (Restated)
Deposits in Mainland China		
– Banks	11,037,942	10,822,566
Deposits outside Mainland China		
– Banks	25,945	8,494
	11,063,887	10,831,060
Accrued interest	30,850	38,628
Less: provision for impairment losses (Note (a))	(2,477)	(2,947)
	11,092,260	10,866,741

Notes:

- (a) As at 31 December 2022 and 2021, 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:

	2022 RMB'000	2021 RMB'000
At 1 January	2,947	1,265
(Reversal of impairment losses recognised) impairment losses recognised	(620)	1,682
Others	150	–
At 31 December	2,477	2,947

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

19. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2022 RMB'000	2021 RMB'000 (Restated)
Placements in Mainland China		
– Banks	300,000	25,000
– Other financial institutions	125,000	110,000
	425,000	135,000
Accrued interest	288	259
Less: provision for impairment losses (Note (a))	(70)	(241)
	425,218	135,018

Notes:

- (a) As at 31 December 2022 and 2021, 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:

	2022 RMB'000	2021 RMB'000
At 1 January	241	747
Impairment losses recognised (reversal of impairment losses recognised)	226	(506)
Deemed disposal of a subsidiary	(397)	–
At 31 December	70	241

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

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

(b) Analysed by type of security held

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Note:

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At 31 December 2022		
	Amounts RMB'000	Percentages	Loans and advances secured or pledged by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	31,291,314	18.19%	10,376,645
– Leasing and business services	25,772,456	14.98%	15,044,758
– Manufacturing	16,518,113	9.60%	7,123,144
– Construction	16,332,762	9.50%	6,975,392
– Agriculture, forestry, animal husbandry and fishery	12,658,055	7.36%	5,747,742
– Real estate	9,550,097	5.55%	7,543,007
– Transportation, storage and postal services	8,499,160	4.94%	3,403,866
– Scientific research, technical services and geological prospecting	6,098,438	3.55%	2,026,917
– Information transmission, computer services and software	4,077,638	2.37%	2,127,799
– Water, environment and public facility management	3,583,281	2.08%	1,084,460
– Accommodation and catering	3,016,886	1.75%	2,338,374
– Electricity, gas and water production and supply	2,763,606	1.61%	863,492
– Education	1,848,241	1.07%	1,462,141
– Health and social services	1,383,994	0.80%	1,218,510
– Resident and other services	720,605	0.42%	212,350
– Cultural, sports and entertainment	538,462	0.31%	372,026
– Mining	239,811	0.14%	63,210
– Public administration, social security and social organisation	151,000	0.09%	151,000
– Finance	700	0.00%	–
	145,044,619	84.31%	68,134,833
Personal loans and advances	26,984,796	15.69%	16,726,804
Accrued interest	3,927,580		–
	175,956,995		84,861,637
Less: Provision for impairment losses			
– Individually assessed	(1,206,331)		
– Collectively assessed	(4,153,223)		
	(5,359,554)		
	170,597,441		

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

	At 31 December 2021 (Restated)		
	Amounts RMB'000	Percentages	Loans and advances secured by collaterals or pledged assets RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
– Wholesale and retail	26,881,000	17.14%	9,320,235
– Leasing and business services	24,519,152	15.63%	14,417,402
– Manufacturing	19,020,438	12.13%	10,187,333
– Construction	16,126,761	10.28%	6,423,392
– Agriculture, forestry, animal husbandry and fishery	8,863,680	5.65%	3,982,134
– Scientific research, technical services and geological prospecting	6,997,185	4.46%	2,129,373
– Transportation, storage and postal services	5,908,438	3.77%	2,692,187
– Real estate	4,751,542	3.03%	3,151,019
– Information transmission, computer services and software	4,667,468	2.98%	1,734,076
– Accommodation and catering	2,995,073	1.91%	2,486,098
– Water, environment and public facility management	2,445,585	1.56%	709,680
– Education	2,092,870	1.33%	1,711,580
– Electricity, gas and water production and supply	1,882,349	1.20%	935,504
– Health and social services	1,413,331	0.90%	1,314,451
– Resident and other services	797,310	0.51%	352,696
– Cultural, sports and entertainment	485,172	0.31%	285,944
– Mining	213,514	0.14%	164,710
– Public administration, social security and social organisation	181,000	0.11%	181,000
	130,241,868	83.04%	62,178,814
Personal loans and advances	26,594,874	16.95%	17,135,852
Discounted bills	13,447	0.01%	13,447
Accrued interest	420,560		–
	157,270,749		79,328,113
Less: Provision for impairment losses			
– Individually assessed	(801,044)		
– Collectively assessed	(3,827,010)		
	(4,628,054)		
	152,642,695		

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

As at 31 December 2022 and 2021, 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 2022					
	Gross impaired loans and advances* RMB'000	ECL			Impairment charged during the year RMB'000	Written-off during the year RMB'000
		Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000		
- Wholesale and retail	458,586	452,551	64,545	276,050	92,656	(20,113)
- Leasing and business services	312,136	294,996	50,071	175,058	(71,712)	(2,300)

	At 31 December 2021					
	Gross impaired loans and advances* RMB'000	ECL			Impairment charged during the year RMB'000	Written-off during the year RMB'000
		Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 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	-

* The balances represents gross amount of loans and advances subject to ECL at stage 3.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	2022 RMB'000	2021 RMB'000 (Restated)
Gross loans and advances to customers		
Unsecured loans	3,742,653	2,570,917
Guaranteed loans	83,425,125	74,951,159
Collateralised loans	68,575,059	65,738,179
Pledged loans	16,286,578	13,589,934
	172,029,415	156,850,189
Accrued interest	3,927,580	420,560
	175,956,995	157,270,749

(d) Overdue loans analysed by overdue period

	At 31 December 2022				
	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	361,412	2,154	27,435	924	391,925
Guaranteed loans	816,089	122,691	789,169	256,989	1,984,938
Collateralised loans	557,225	571,603	983,730	693,855	2,806,413
Pledged loans	117,924	-	47,117	49,124	214,165
	1,852,650	696,448	1,847,451	1,000,892	5,397,441
As a percentage of gross loans and advances to customers (excluding accrued interests)	1.08%	0.41%	1.07%	0.58%	3.14%

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	At 31 December 2021				Total RMB'000
	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	
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 (excluding accrued interests)	3.33%	0.71%	1.04%	0.45%	5.53%

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	As at 31 December 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross loans and advances to customers	163,118,380	4,941,385	3,969,650	172,029,415
Accrued interest	3,821,968	96,152	9,460	3,927,580
Less: Provision for impairment losses	(2,225,822)	(919,476)	(2,214,256)	(5,359,554)
	164,714,526	4,118,061	1,764,854	170,597,441

	As at 31 December 2021 (Restated)			
	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
Accrued interest	416,196	3,961	403	420,560
Less: Provision for impairment losses	(1,926,068)	(792,605)	(1,909,381)	(4,628,054)
	147,641,957	3,167,246	1,833,492	152,642,695

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

As at 31 December 2022 and 2021, an analysis of the gross amount of loans receivables with the grading of the loan is as follows:

	As at 31 December 2022			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Normal	162,813,380	229,857	47,057	163,090,294
Special mention	305,000	4,711,528	517,380	5,533,908
Substandard	–	–	246,229	246,229
Doubtful	–	–	3,080,808	3,080,808
Loss	–	–	78,176	78,176
Gross carrying amount	163,118,380	4,941,385	3,969,650	172,029,415
Accrued interest	3,821,968	96,152	9,460	3,927,580
Less: allowance for impairment losses	(2,225,822)	(919,476)	(2,214,256)	(5,359,554)
Net carrying amount	164,714,526	4,118,061	1,764,854	170,597,441

	At 31 December 2021 (Restated)			
	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
Accrued interest	416,196	3,961	403	420,560
Less: allowance for impairment losses	(1,926,068)	(792,605)	(1,909,381)	(4,628,054)
Net carrying amount	147,641,957	3,167,246	1,833,492	152,642,695

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses

	As at 31 December 2022			
	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 2022	1,926,068	792,605	1,909,381	4,628,054
Changes in the loss allowance				
– Transfer to stage 1	145,948	(114,861)	(31,087)	–
– Transfer to stage 2	(42,780)	84,354	(41,574)	–
– Transfer to stage 3	(17,620)	(80,753)	98,373	–
– Charge to profit or loss, net	333,671	312,809	482,244	1,128,724
– Recoveries of loans and advances previously written off as uncollectible	–	–	10,360	10,360
– Interest income on impaired loans and advances to customers	–	–	(46,623)	(46,623)
– Amounts written off as uncollectible	–	–	(84,097)	(84,097)
– Deemed disposal of subsidiaries	(121,856)	(91,290)	(93,790)	(306,936)
– Acquisition of subsidiaries	2,391	16,612	11,069	30,072
Loss allowance at 31 December 2022	2,225,822	919,476	2,214,256	5,359,554

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analysed by geographical sector

	At 31 December 2022		
	Gross loans balance RMB'000	Percentages	Loans and advances secured by collaterals or pledged assets RMB'000
Jilin Region	150,709,917	87.61%	72,088,477
Mainland China excluding Jilin Region	21,319,498	12.39%	12,773,160
	172,029,415	100.00%	84,861,637

	At 31 December 2021		
	Gross loans balance RMB'000	Percentages	Loans and advances secured by collaterals or pledged assets RMB'000
Jilin Region	137,199,083	87.47%	67,003,139
Mainland China excluding Jilin Region	19,651,106	12.53%	12,324,974
	156,850,189	100.00%	79,328,113

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(h) Finance lease receivables

The Group entered into finance leasing arrangements as a lessor for certain equipment to its retailers. The average term of finance leases entered into is 3 years. Generally, these lease contracts do not include extension or early termination options.

	2022 RMB'000	2021 RMB'000
Amounts receivable under finance leases:		
Within one year	794,640	1,126,375
After one year but within two years	996,766	663,424
After two years but within three years	574,781	1,222,542
After three years but within four years	639,196	277,833
After four years but within five years	131,138	468,467
Undiscounted lease payments	3,136,521	3,758,641
Unguaranteed residual values	–	–
Gross investment in leases	3,136,521	3,758,641
Less: Unearned finance income	(204,374)	(285,274)
Present value of minimum finance lease receivables	2,932,147	3,473,367
Less: Provision for impairment losses	(120,861)	(106,733)
	2,811,286	3,366,634

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

	2022 RMB'000	2021 RMB'000
Finance income on the net investment in finance leases	179,374	146,085

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

23. 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”.

Provision for impairment losses for debt instruments at FVTOCI:

	At 31 December 2022			
	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	3,839,767	–	150	3,839,917
Accrued interest	38,656	–	–	38,656
Provision for impairment losses	(159)	–	(150)	(309)
	3,878,264	–	–	3,878,264

	At 31 December 2021 (Restated)			
	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
Accrued interest	53,460	–	–	53,460
Provision for impairment losses	(25)	–	(150)	(175)
	4,991,294	–	–	4,991,294

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

23. 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:

	2022 Total RMB'000	2021 Total RMB'000
At 1 January	175	175
Impairment losses recognised	134	–
At 31 December	309	175

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

24. FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

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 2022, parts of financial assets at amortised cost were pledged as securities for repurchase agreement (Note 31(a)) (2021: nil).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

24. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

(a) Provision for impairment losses:

	At 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Gross financial assets measured at amortised costs	20,798,995	–	6,283,962	27,082,957
Accrued interest	767,466	–	991,649	1,759,115
Less: Provision for impairment losses	(40,992)	–	(1,003,354)	(1,044,346)
	21,525,469	–	6,272,257	27,797,726

	At 31 December 2021 (Restated)			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Gross financial assets measured at amortised costs	15,634,727	–	6,912,642	22,547,369
Accrued interest	627,611	–	862,943	1,490,554
Less: Provision for impairment losses	(55,225)	–	(898,297)	(953,522)
	16,207,113	–	6,877,288	23,084,401

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

24. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

(b) Movements of allowance for impairment losses

	At 31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL RMB'000	
Loss allowance at 1 January 2022	55,225	-	898,297	953,522
Changes in the loss allowance				
- Transfer to stage 1	-	-	-	-
- Transfer to stage 2	-	-	-	-
- Transfer to stage 3	-	-	-	-
- Charge to profit or loss, net	(14,181)	-	201,133	186,952
- Interest income on impaired financial asset measured at amortised cost	-	-	(96,076)	(96,076)
- Deemed disposal of a subsidiary	(52)	-	-	(52)
Loss allowance at 31 December 2022	40,992	-	1,003,354	1,044,346

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	12m ECL RMB'000	Lifetime ECL RMB'000	Lifetime ECL 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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

25. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Costs of investments in associates, unlisted	1,210,926	889,658
Share of post-acquisition profits and other comprehensive income, net of dividends received	86,346	71,375
	1,297,272	961,033

As at 31 December 2022 and 2021, 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		Proportion of voting		Principal activity
				interests or participating		power held		
				shares held by the Group		2022	2021	
Jilin Gongzhuling Rural Commercial Bank Co., Ltd.* ("吉林公主嶺農村商業銀行股份有限公司") ⁽¹⁾	Incorporated	PRC	Ordinary	20.2%	20.2%	20.2%	20.2%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank Co., Ltd.* ("長白山農村商業銀行股份有限公司") ⁽¹⁾	Incorporated	PRC	Ordinary	38.8%	38.8%	38.8%	38.8%	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd.* ("海口聯合農村商業銀行股份有限公司", "Haikou United Rural Commercial Bank") ⁽¹⁾	Incorporated	PRC	Ordinary	10%	10%	10%	10%	Corporate and retail bank
Liaoyuan Rural Commercial Bank Co., Ltd.* ("遼源農村商業銀行股份有限公司", "Liaoyuan Rural Commercial Bank") ⁽¹⁾	Incorporated	PRC	Ordinary	35.13%	(note b)	35.13%	(note b)	Corporate and retail bank

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

* The English translation is for identification only.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

25. 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 at RMB4 per share to independent third parties at cash consideration of RMB2,400,000,000 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.

- (b) On 31 August 2022, five shareholders who hold 17.09% ownership and voting power of Liaoyuan Rural Commercial Bank, terminated the act in concert contracts with the Group. Hence, the Group loss control over Liaoyuan Rural Commercial Bank as the Group did not control more than half of the voting power in the shareholder meetings of Liaoyuan Rural Commercial Bank. Details are set out in note 56.
- (c) 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:

	2022 RMB'000	2021 RMB'000
The Group's share of profit for the year	13,469	28,521
The Group's share of other comprehensive income for the year	1,502	9,464
	14,971	37,985

	2022 RMB'000	2021 RMB'000
Carrying amount of the Group's interests in these associates	1,297,272	961,033

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

26. 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 2021	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
Additions	40,827	34,396	27,502	62,565	2,336	167,626
Transfers in/(out) of construction in progress	54,497	2,206	4,604	(62,128)	821	-
Acquisition of a subsidiary (note 55)	13,585	245	978	-	37	14,845
Deemed disposal of a subsidiary	(429,922)	(15,429)	(43,962)	(3,397)	-	(492,710)
Disposals	(84,599)	(2,518)	(14,762)	(122)	(1,696)	(103,697)
At 31 December 2022	2,995,629	681,198	859,070	190,658	10,302	4,736,857

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

26. 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 2021	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
Provided for the year	160,258	56,210	69,097	–	1,904	287,469
Deemed disposal of a subsidiary	(124,433)	(11,802)	(33,523)	–	–	(169,758)
Eliminated on disposals	(23,020)	(2,028)	(13,318)	–	(1,637)	(40,003)
At 31 December 2022	772,365	530,346	655,297	–	5,012	1,963,020
Net book value						
At 31 December 2022	2,223,264	150,852	203,773	190,658	5,290	2,773,837
At 31 December 2021	2,641,681	174,332	251,669	193,740	4,059	3,265,481

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

26. PROPERTY AND EQUIPMENT (Continued)

At 31 December 2022, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB467,068,000 (2021: approximately RMB958,589,000). 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 RMB148,274,000 (2021: approximately RMB442,849,000).

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

At 31 December 2022 and 2021, the net book values of premises are analysed by the remaining terms of the leases as follows:

	2022 RMB'000	2021 RMB'000
Held in Mainland China		
– Long term leases (over 50 years)	57,888	63,182
– Medium term leases (10 – 50 years)	2,095,618	2,531,344
– Short term leases (less than 10 years)	69,758	47,155
	2,223,264	2,641,681

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

27. 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 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 1 January 2022	934,458	13,179	29,990	977,627
Additions	110,472	4,328	–	114,800
Transfer from property and equipment	–	–	–	–
Early termination of lease	(32,256)	–	–	(32,256)
Lease modification	(1,775)	–	–	(1,775)
Acquisition of a subsidiary	4,388	–	–	4,388
Deemed disposal of a subsidiary	(19,036)	(942)	–	(19,978)
Lease expiry	(19,934)	(2,384)	–	(22,318)
At 31 December 2022	976,317	14,181	29,990	1,020,488
Accumulated depreciation				
At 1 January 2021	321,299	8,298	1,448	331,045
Provided for the year	164,223	3,564	871	168,658
Elimination on early termination of lease	(133,941)	(2,844)	–	(136,785)
At 1 January 2022	351,581	9,018	2,319	362,918
Provided for the year	172,224	3,435	871	176,530
Eliminated on early termination of lease	(13,478)	–	–	(13,478)
Deemed disposal of a subsidiary	(2,209)	(532)	–	(2,741)
Lease expiry	(19,934)	(2,384)	–	(22,318)
At 31 December 2022	488,184	9,537	3,190	500,911
Carrying amounts				
At 31 December 2022	488,133	4,644	26,800	519,577
At 31 December 2021	582,877	4,161	27,671	614,709

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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

i Right-of-use assets (Continued)

Right-of-use assets of approximately RMB26,800,000 (2021: RMB27,671,000) represents land use rights located in the PRC. As at 31 December 2022, the Group is still in a process of obtaining the land certificate with the carrying amount of approximately RMB528,000 (2021: RMB676,000). 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 2022 amounted to approximately RMB114,800,000 (2021: approximately RMB99,831,000), due to new leases of premises and motor vehicles.

ii Lease liabilities

Amounts payable under lease liabilities	2022 RMB'000	2021 RMB'000
Within one year	149,613	169,583
After one year but within two years	99,796	135,869
After two year but within five years	132,544	169,938
After five years	47,093	43,389
	429,046	518,779

During the year ended 31 December 2022, the Group entered into a number of new lease agreements in respect of rented properties and motor vehicles and recognised lease liability of approximately RMB114,800,000 (2021: RMB99,831,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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

iii Amount recognised in profit or loss

	2022 RMB'000	2021 RMB'000
Depreciation expense on right-of-use assets	176,530	168,658
Interest expense on lease liabilities	21,340	24,076
Expense relating to short-term leases	36,524	34,525

iv Others

As at 31 December 2022 and 2021, the Group is not committed for lease agreements not yet commenced.

During the year ended 31 December 2022, the total cash outflow for leases amount to approximately RMB226,477,000 (2021: RMB229,212,000).

28. GOODWILL

	2022 RMB'000	2021 RMB'000
Cost		
At the beginning and the end of the financial year	15,133	401,335
Carrying amounts		
At the end of the financial year	15,133	401,335

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

28. 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 three and four subsidiaries in corporate and retail banking as at 31 December 2022 and 2021 respectively.

	2022 RMB'000	2021 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
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
	15,133	401,335

* The English translation is for identification only.

During the year ended 31 December 2022 and 2021, 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:

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

28. GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

Liaoyuan Rural Commercial Bank

As at 31 December 2021, 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%, and pre-tax discount rate of 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.

During the year ended 31 December 2022, Liaoyuan Rural Commercial Bank is disposed and the respective goodwill is fully derecognized. Details of deemed disposal is set out in note 56.

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 2.61% (2021: 3.17%), and pre-tax discount rate of 13% (2021: 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

28. GOODWILL (Continued)

Impairment testing on goodwill (Continued)

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 8.24% (2021: 10.15%), and pre-tax discount rate of 13% (2021: 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.

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 9.16% (2021: 15.59%), and pre-tax discount rate of 13% (2021: 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

29. DEFERRED TAXATION

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

	2022 RMB'000	2021 RMB'000
Deferred tax assets	1,256,064	1,111,007
Deferred tax liabilities	(37,155)	(106,512)
	1,218,909	1,004,495

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)	Changes in 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 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 and 1 January 2022	1,038,871	(28,969)	(77,543)	40,168	31,968	1,004,495
Credit (charge) to profit or loss	215,770	32	58,480	6,697	11,746	292,725
Charge to other comprehensive income	-	17,348	-	-	-	17,348
Acquisition of a subsidiary	6,941	-	-	-	8	6,949
Deemed disposal of a subsidiary	(58,901)	-	(6,503)	(2,767)	(34,437)	(102,608)
At 31 December 2022	1,202,681	(11,589)	(25,566)	44,098	9,285	1,218,909

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

29. DEFERRED TAXATION (Continued)

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 2022, the Group has unused tax losses of approximately RMB176,392,000 (2021: approximately RMB160,672,000), 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.

30. OTHER ASSETS

	2022 RMB'000	2021 RMB'000 (Restated)
Other receivables and prepayments (Notes (i))	261,378	256,869
Repossessed assets (Notes (ii))	683,817	413,057
Long-term deferred expenses (Notes (iii))	123,831	135,337
Interests receivables	44,200	124,841
Other	7,940	15,325
	1,121,166	945,429

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

30. OTHER ASSETS (Continued)

Notes:

(i) Other receivables and prepayments

	2022 RMB'000	2021 RMB'000
Other receivables and prepayments	321,382	296,430
Less: Provision for impairment losses (Note)	(60,004)	(39,561)
	261,378	256,869

Note:

As at 31 December 2022, the Group has other receivables in gross amount of approximately RMB293,454,000 (2021: RMB265,689,000), and measures the loss allowance comprised of 12-month ECL and lifetime ECL amounting to approximately RMB60,004,000 (2021: RMB39,561,000).

Movements of allowance for impairment losses

	2022 RMB'000	2021 RMB'000
At 1 January	39,561	32,726
Impairment losses recognised	26,809	9,714
Amounts written off as uncollectible	(687)	(4,441)
Deemed disposal of a subsidiary	(6,291)	–
Others	612	1,562
At 31 December	60,004	39,561

(ii) Repossessed assets

	2022 RMB'000	2021 RMB'000
Gross repossessed assets	699,201	438,720
Less: Provision for impairment losses	(15,384)	(25,663)
	683,817	413,057

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

30. OTHER ASSETS (Continued)

Notes: (Continued)

(ii) Repossessed assets (Continued)

Movements of allowance for impairment losses

	2022 RMB'000	2021 RMB'000
At 1 January	25,663	25,335
Impairment losses recognised	867	443
Amounts written off as uncollectible	(134)	(115)
Deemed disposal of a subsidiary	(11,012)	–
At 31 December	15,384	25,663

(iii) As at 31 December 2022, 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. Amortisation of long-term deferred expenses for the year ended 31 December 2022 was approximately RMB23,325,000 (2021: RMB33,103,000).

(iv) Interest receivables

	2022 RMB'000	2021 RMB'000
Interests receivables	47,555	124,841
Less: Provision for impairment losses (Note)	(3,355)	–
	44,200	124,841

Note:

As at 31 December 2022, the Group has interests receivables in gross amount of approximately RMB47,555,000 (2021: RMB124,841,000), and measures the loss allowance comprised of 12-month ECL and lifetime ECL amounting to approximately RMB3,355,000 (2021: nil).

Movements of allowance for impairment losses

	2022 RMB'000	2021 RMB'000
At 1 January	–	–
Impairment losses recognised	4,192	–
Deemed disposal of a subsidiary	(837)	–
At 31 December	3,355	–

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

31. 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. The carrying amounts of the financial assets pledged as collaterals as at 31 December 2022 is approximately RMB50,243,000 (2021: nil).

(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.

32. BORROWINGS FROM THE CENTRAL BANK

	2022 RMB'000	2021 RMB'000 (Restated)
Borrowings	3,679,330	2,851,219
Accrued interest	457	329
	3,679,787	2,851,548

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

33. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2022 RMB'000	2021 RMB'000 (Restated)
Deposits in Mainland China		
– Banks	3,416,260	6,763,740
Accrued interest	55,340	126,482
	3,471,600	6,890,222

34. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2022 RMB'000	2021 RMB'000 (Restated)
Placements in Mainland China		
– Banks	2,052,496	1,502,496
Accrued interest	327	–
	2,052,823	1,502,496

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

35. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2022 RMB'000	2021 RMB'000
In Mainland China		
– Banks	50,000	–
Accrued interest	21	–
	50,021	–

(b) Analysed by collateral

	2022 RMB'000	2021 RMB'000
Debt securities	50,021	–

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

36. DEPOSITS FROM CUSTOMERS

	2022 RMB'000	2021 RMB'000 (Restated)
Demand deposits		
– Corporate customers	42,187,621	38,020,534
– Individual customers	15,817,824	16,652,878
	58,005,445	54,673,412
Time deposits		
– Corporate customers	8,658,831	7,962,365
– Individual customers	157,255,275	126,759,921
	165,914,106	134,722,286
Pledged deposits		
– Acceptances	1,835,965	1,193,178
– Guarantees and letters of guarantees	497,021	1,590,968
	2,332,986	2,784,146
Others	1,092,563	926,394
Accrued interest	4,946,763	3,853,165
	232,291,863	196,959,403

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

37. ACCRUED STAFF COSTS

	2022 RMB'000	2021 RMB'000
Salary and bonus payable	182,852	171,518
Social pension schemes payable	492	636
Other social insurances payable	1,840	1,375
Other staff welfare payable	8,102	6,181
	193,286	179,710

38. DEBT SECURITIES ISSUED

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

38. 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%. This fixed rate subordinated debts were redeemed on 30 December 2022. As at 31 December 2022, the out standing balance of this fixed rate subordinated debts is RMB nil (2021: approximately RMB699,700,000).
 - (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 2022, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB799,453,000 (2021: approximately RMB799,213,000).
 - (c) 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 2022, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB1,996,579,000 (2021: 1,996,179,000).
- (ii) Interbank deposits
 - (a) For the year ended 31 December 2022, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB2,500,000,000 and duration within 1 year. As at 31 December 2022, the outstanding balance of interbank deposits issued is approximately RMB2,475,991,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 2.85% to 3.5%.
 - (b) 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%.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

39. OTHER LIABILITIES

	2022 RMB'000	2021 RMB'000
Other payable and accrued expenses	516,327	554,952
Clearance of inter-bank accounts	14,607	22,820
Other taxes payables	130,600	159,784
Agency business liabilities	57	10,177
Dividend payable	478	484
Deposits under finance lease arrangement and unearned revenue (Notes (a))	65,983	72,461
Provision for credit commitments and financial guarantees (Notes (b))	74,063	60,465
	802,115	881,143

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 2022 and 2021, 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:

	2022 RMB'000	2021 RMB'000
At 1 January	60,465	43,372
Impairment losses recognised	13,598	17,093
At 31 December	74,063	60,465

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

40. SHARE CAPITAL

Share capital of the Group as at 31 December 2022 and 2021 represented share capital of the Bank, which is fully paid.

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

	2022 '000	2021 '000
Registered, issued and fully paid ordinary shares of RMB1 each: – Ordinary shares	5,074,192	4,612,901
At the beginning of the year	4,612,901	4,393,239
Share increase by converting capital reserve into new shares (Note)	461,291	219,662
At end of the year	5,074,192	4,612,901

Note: On 26 August 2022, the Bank issued 461,290,142 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 ten 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 5,074,191,569.

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.

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

	2022 '000	2021 '000
Domestic shareholders	4,107,691	3,734,264
H shareholders	966,501	878,637
At end of the year	5,074,192	4,612,901

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

41. CAPITAL RESERVE

	2022 RMB'000	2021 RMB'000
Share premium	3,961,894	4,423,185
Changes in ownership in subsidiaries without changes in control	294,863	627,325
	4,256,757	5,050,510

42. 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 2022 is approximately RMB1,207,096,000 (2021: approximately RMB1,041,593,000), including other surplus reserve amounted approximately RMB16,659,000 as at 31 December 2022 (2021: 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

43. DIVIDENDS

	2022 RMB'000	2021 RMB'000
2021 final dividend (Note a)	-	-
2020 final dividend (Note b)	-	658,986

Notes:

- (a) Pursuant to the resolution of the shareholders meeting of 2021 on 17 June 2022, the Board of the Bank does not recommend any distribution of final dividend for the year ended 31 December 2021.
- (b) Pursuant to the resolution of the shareholders meeting of 2020 on 18 June 2021, the Bank distributed cash dividends of RMB0.15 per share (tax included) based on 4,393,239,455 shares held amounting to approximately RMB658,986,000 during the year ended 31 December 2020.

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

44. 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.

The following table set out an analysis of the gross carrying amounts (excluding accrued interest) of interests held by the Group as at 31 December 2022 and 2021:

	31 December 2022				
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets measured at amortised cost	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trust plans	-	-	6,148,234	6,148,234	6,148,234
Asset management plans	-	-	4,167,655	4,167,655	4,167,655
Investment funds	1,002,961	-	-	1,002,961	1,002,961
	1,002,961	-	10,315,889	11,318,850	11,318,850

	31 December 2021				
	Financial assets at FVTPL	Financial assets at FVTOCI	Financial assets measured at amortised cost	Carrying amount	Maximum exposure
	RMB'000	RMB'000	RMB'000 (Restated)	RMB'000 (Restated)	RMB'000 (Restated)
Trust plans	-	-	7,176,454	7,176,454	7,176,454
Asset management plans	942,001	-	5,659,336	6,601,337	6,601,337
Investment funds	504,749	-	-	504,749	504,749
	1,446,750	-	12,835,790	14,282,540	14,282,540

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

44. 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 2022, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB4,831,910,000 and (2021: approximately RMB3,726,180,000).

(iii) Unconsolidated structured entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2022 and 2021:

During the year ended 31 December 2022, 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 RMB5,397,960,000 (2021: approximately RMB4,077,170,000).

45. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

45. CAPITAL MANAGEMENT (Continued)

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 2022 and 2021, the Group has complied with all its externally imposed capital requirements.

The Group’s capital adequacy ratios as at 31 December 2022 and 2021 calculated in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)” and relevant requirements promulgated by the former CBRC are as follows:

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

45. CAPITAL MANAGEMENT (Continued)

	2022 RMB'000	2021 RMB'000
Total core tier-one capital		
Share capital	5,074,192	4,612,901
Qualifying portion of capital reserve	4,256,757	5,050,510
Investment revaluation reserve	56,566	94,661
Surplus reserve	1,223,755	1,058,252
General reserve	2,636,746	2,321,962
Retained earnings	2,639,899	1,436,812
Qualifying portions of non-controlling interests	1,502,817	1,854,241
Core tier-one capital deductions (Notes)	(150,534)	(532,635)
Net core tier-one capital	17,240,198	15,896,704
Eligible portion of non-controlling interests	194,181	238,197
Net tier-one capital	17,434,379	16,134,901
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	2,480,000	2,640,000
Surplus provision for loan impairment	1,954,341	1,686,334
Eligible portion of non-controlling interests	384,615	480,751
Net capital base	22,253,335	20,941,986
Total risk weighted assets	193,589,075	180,086,947
Core tier-one capital adequacy ratio	8.91%	8.83%
Tier-one capital adequacy ratio	9.01%	8.96%
Capital adequacy ratio	11.50%	11.63%

Notes:

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

46. CASH AND CASH EQUIVALENTS

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

	2022 RMB'000	2021 RMB'000
Cash on hand	686,545	745,744
Deposits with the central bank	21,320,674	18,672,108
Deposits with banks and other financial institutions	9,097,880	8,706,060
Placements with banks and other financial institutions	370,000	–
Financial assets held under resale agreements	9,564,355	1,498,500
Total	41,039,454	29,622,412

47. 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:

	2022	2021
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%

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

47. 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 47(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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

47. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

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

(ii) Transactions between the Group and associates

	2022 RMB'000	2021 RMB'000
Transactions during the year		
Interest income	64,467	52,640
Rental income	3,400	6,800
Interest expense	19,376	21,051
Gain on disposal of property and equipment	53,941	–

	2022 RMB'000	2021 RMB'000 (restated)
Balances at end of the year		
Deposits with banks and other financial institutions	3,462,242	4,431,930
Financial assets held under resale agreements	–	148,529
Deposits from banks and other financial institutions	655,866	850,235

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

47. 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

	2022 RMB'000	2021 RMB'000
Transactions during the year		
Interest income	43,322	33,192
Interest expense	280	182

	2022 RMB'000	2021 RMB'000 (restated)
Balances at end of the year		
Placements with banks and other financial institutions	70,016	–
Loans and advances to customers	577,573	552,027
Deposits from customers	97,530	45,985

(iii) Transactions between the Group and other related parties

	2022 RMB'000	2021 RMB'000
Transactions during the year		
Interest income	33,445	103,066
Interest expense	996	4,929

	2022 RMB'000	2021 RMB'000 (restated)
Balances at end of the year		
Loans and advances to customers	714,212	1,468,275
Deposits from customers	248,739	1,300,885

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

47. 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

	2022 RMB'000	2021 RMB'000
Transactions during the year		
Interest income	178	226
Interest expense	919	253

	2022 RMB'000	2021 RMB'000 (restated)
Balances at end of the year		
Loans and advances to customers	3,198	4,050
Deposits from customers	47,506	33,949

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	2022 RMB'000	2021 RMB'000
Short-term staff benefits	18,943	17,707
Retirement benefits		
– Basic social pension insurance	1,857	1,653
	20,800	19,360

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

47. 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:

	2022 RMB'000	2021 RMB'000 (restated)
Loans and advances to directors, supervisors and officers	3,198	4,050

48. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

48. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

48. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

48. SEGMENT REPORTING (Continued)

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

	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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

48. 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 (2021: 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	
	2022 RMB'000	2021 RMB'000
Jilin Region	5,651,603	5,553,421
Mainland China excluding Jilin Region	945,464	808,873
	6,597,067	6,362,294

	Non-current asset	
	2022 RMB'000	2021 RMB'000
Jilin Region	2,678,050	3,288,299
Mainland China excluding Jilin Region	739,195	727,228
	3,417,245	4,015,527

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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 30 days to 90 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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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.

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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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 (excluding accrued interest) analysed by the rating agency designations as at the end of each of the reporting period are as follows:

	At 31 December 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Ratings				
– AAA	107,523	–	–	107,523
– AA- to AA	300,000	–	–	300,000
– Unrated (Note)	20,199,312	–	150	20,199,462
	20,606,835	–	150	20,606,985
Provision for impairment loss	(297)	–	(150)	(447)
	20,606,538	–	–	20,606,538

	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
– 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

Note:

Unrated debt securities held by the Group are mainly issued by the Mainland China government and policy banks.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) *The following tables indicate the assets and liabilities at 31 December 2022 and 2021 by the expected next repricing dates or by maturity dates, depending on which is earlier:*

	At 31 December 2022					
	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	34,642,750	686,712	33,956,038	-	-	-
Deposits with banks and other financial institutions	11,092,260	30,850	9,766,456	1,294,954	-	-
Placements with banks and other financial institutions	425,218	288	370,000	54,930	-	-
Financial assets held under resale agreements	9,570,521	6,166	9,564,355	-	-	-
Loans and advances to customers (Notes (i))	170,597,441	3,927,580	32,078,459	76,676,918	49,317,450	8,597,034
Investments (Notes (ii))	33,726,665	2,845,176	7,183,363	6,782,537	8,182,862	8,732,727
Others	6,945,894	6,945,894	-	-	-	-
	267,000,749	14,442,666	92,918,671	84,809,339	57,500,312	17,329,761
Liabilities						
Borrowings from the central bank	3,679,787	457	574,090	3,105,240	-	-
Deposits from banks and other financial institutions	3,471,600	55,340	1,971,260	1,445,000	-	-
Placements from banks and other financial institutions	2,052,823	327	52,496	2,000,000	-	-
Provision for credit commitments and financial guarantees	74,063	74,063	-	-	-	-
Financial assets sold under repurchase agreements	50,021	21	50,000	-	-	-
Deposits from customers	232,291,863	4,946,763	81,878,231	27,448,959	118,017,910	-
Debt securities issued	5,351,209	79,187	499,766	1,976,224	799,453	1,996,579
Others	1,410,037	1,410,037	-	-	-	-
	248,381,403	6,566,195	85,025,843	35,975,423	118,817,363	1,996,579
Asset-liability gap	18,619,346	7,876,471	7,892,828	48,833,916	(61,317,051)	15,333,182

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) *The following tables indicate the assets and liabilities at 31 December 2022 and 2021 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)*

	At 31 December 2021 (Restated)					
	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	30,997,989	745,844	30,252,145	-	-	-
Deposits with banks and other financial institutions	10,866,741	38,628	9,978,483	849,630	-	-
Placements with banks and other financial institutions	135,018	259	-	134,759	-	-
Financial assets held under resale agreements	1,498,781	281	1,498,500	-	-	-
Loans and advances to customers (Notes (i))	152,642,695	420,560	22,262,214	67,101,339	53,545,536	9,313,046
Investments (Notes (ii))	30,806,534	2,827,928	8,785,318	9,687,723	5,519,546	3,986,019
Others	7,192,482	7,192,482	-	-	-	-
	234,140,240	11,225,982	72,776,660	77,773,451	59,065,082	13,299,065
Liabilities						
Borrowings from the central bank	2,851,548	329	220,510	2,630,709	-	-
Deposits from banks and other financial institutions	6,890,222	126,482	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	-	-	-	-
Deposits from customers	196,959,403	3,853,165	75,374,256	19,788,660	97,462,932	480,390
Debt securities issued	6,290,398	79,320	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	5,295,525	(7,729,094)	48,613,148	(39,227,063)	10,822,496

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2022 and 2021 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

Notes:

- (i) As at 31 December 2022, for loans and advances to customers, the category "Less than three months" includes overdue amounts (excluding accrued interest and net of provision for impairment losses) of approximately RMB2,122,748,000 (2021: approximately RMB4,248,641,000).
- (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 2022, 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 RMB115,154,000 (2021: increase approximately RMB12,059,000), and the Group's equity to increase approximately RMB432,847,000 (2021: increase approximately RMB411,697,000); a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to decrease approximately RMB115,154,000 (2021: decrease approximately RMB12,059,000), and the Group's equity to decrease approximately RMB432,847,000 (2021: decrease approximately RMB411,697,000).

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2022 and 2021 are as follows:

	At 31 December 2022			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	34,641,222	713	815	34,642,750
Deposits with banks and other financial institutions	11,063,619	26,019	2,622	11,092,260
Placement with banks and other financial institutions	425,218	-	-	425,218
Financial assets held under resale agreements	9,570,521	-	-	9,570,521
Financial assets at fair value through profit or loss	1,909,099	-	-	1,909,099
Loans and advances to customers	170,589,428	8,013	-	170,597,441
Financial assets at fair value through other comprehensive income	4,019,840	-	-	4,019,840
Financial assets measured at amortised cost	27,797,726	-	-	27,797,726
Others	6,945,894	-	-	6,945,894
	266,962,567	34,745	3,437	267,000,749
Liabilities				
Borrowings from the central bank	3,679,787	-	-	3,679,787
Deposits from banks and other financial institutions	3,466,756	4,844	-	3,471,600
Placements from banks and other financial institutions	2,052,823	-	-	2,052,823
Provision for credit commitments and financial guarantees	74,063	-	-	74,063
Financial assets sold under repurchase agreements	50,021	-	-	50,021
Deposits from customers	232,279,400	12,398	65	232,291,863
Debt securities issued	5,351,209	-	-	5,351,209
Others	1,410,037	-	-	1,410,037
	248,364,096	17,242	65	248,381,403
Net position	18,598,471	17,503	3,372	18,619,346
Off-balance sheet credit commitments	6,987,766	-	-	6,987,766

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2022 and 2021 are as follows: (Continued)

	At 31 December 2021 (Restated)			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	30,995,082	2,165	742	30,997,989
Deposits with banks and other financial institutions	10,856,874	9,210	657	10,866,741
Placement with banks and other financial institutions	135,018	–	–	135,018
Financial assets held under resale agreements	1,498,781	–	–	1,498,781
Financial assets at fair value through profit or loss	2,552,214	–	–	2,552,214
Loans and advances to customers	152,635,327	7,368	–	152,642,695
Financial assets at fair value through other comprehensive income	5,169,919	–	–	5,169,919
Financial assets measured at amortised cost	23,084,401	–	–	23,084,401
Others	7,192,482	–	–	7,192,482
	234,120,098	18,743	1,399	234,140,240
Liabilities				
Borrowings from the central bank	2,851,548	–	–	2,851,548
Deposits from banks and other financial institutions	6,885,759	4,463	–	6,890,222
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	196,955,945	3,389	69	193,959,403
Debt securities issued	6,290,398	–	–	6,290,398
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

As the net position of the Group's foreign currency is immaterial, the foreign currency risk is immaterial and no sensitivity analysis is presented.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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 2022 and 2021:

	At 31 December 2022						
	Repayable on demand RMB'000	Indefinite (Note) RMB'000	Less than three months RMB'000	Between	Between	More than five years RMB'000	Total RMB'000
				three months and one year RMB'000	one year and five years RMB'000		
Assets							
Cash and deposits with the central bank	22,007,219	12,635,364	167	-	-	-	34,642,750
Deposit with banks and other financial institutions	8,824,401	-	963,303	1,304,556	-	-	11,092,260
Placements with banks and other financial institutions	-	-	370,288	54,930	-	-	425,218
Financial assets held under resale agreements	-	-	9,570,521	-	-	-	9,570,521
Financial assets at fair value through profit or loss	-	906,138	1,002,961	-	-	-	1,909,099
Financial assets at fair value through other comprehensive income	-	141,267	45,004	121,176	839,337	2,873,056	4,019,840
Loans and advances to customers	3,090,933	6,215,095	18,478,006	78,424,656	52,639,466	11,749,285	170,597,441
Financial assets measured at amortised costs	6,160,768	-	1,042,647	7,093,511	7,641,129	5,859,671	27,797,726
Others	52,140	6,632,376	-	13,115	248,263	-	6,945,894
	40,135,461	26,530,240	31,472,897	87,011,944	61,368,195	20,482,012	267,000,749
Liabilities							
Borrowings from the central bank	-	-	574,547	3,105,240	-	-	3,679,787
Deposits from banks and other financial institutions	11,261	-	2,006,105	1,454,234	-	-	3,471,600
Placements from banks and other financial institutions	2,496	-	50,327	2,000,000	-	-	2,052,823
Provision for credit commitments and financial guarantees	47	-	8,993	35,952	23,734	5,337	74,063
Financial assets sold under repurchase agreements	-	-	50,021	-	-	-	50,021
Deposits from customers	71,152,928	-	11,711,814	30,399,901	119,027,220	-	232,291,863
Debt securities issued	-	-	499,766	2,055,411	799,453	1,996,579	5,351,209
Others	597,458	-	420,171	112,975	232,340	47,093	1,410,037
	71,764,190	-	15,321,744	39,163,713	120,082,747	2,049,009	248,381,403
(Short)/Long position	(31,628,729)	26,530,240	16,151,153	47,848,231	(58,714,552)	18,433,003	18,619,346

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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 2022 and 2021: (Continued)

	At 31 December 2021 (Restated)						
	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	100	-	-	-	30,997,989
Deposit with banks and other financial institutions	8,546,060	-	1,463,921	856,760	-	-	10,866,741
Placements with banks and other financial institutions	-	-	195	134,823	-	-	135,018
Financial assets held under resale agreements	-	-	1,498,781	-	-	-	1,498,781
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	22,940	1,673,309	1,066,486	2,228,734	5,169,919
Loans and advances to customers	989,545	4,424,333	13,931,801	66,658,412	53,479,255	13,159,349	152,642,695
Financial assets measured at amortised costs	6,702,629	-	2,006,392	8,566,564	4,519,869	1,288,947	23,084,401
Others	140,166	6,795,447	-	-	256,869	-	7,192,482
	36,269,915	24,083,731	19,428,879	77,889,868	59,322,479	17,145,368	234,140,240
Liabilities							
Borrowings from the central bank	-	-	220,839	2,630,709	-	-	2,851,548
Deposits from banks and other financial institutions	25,740	-	4,314,407	2,520,075	30,000	-	6,890,222
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	61,631,579	-	14,434,108	20,333,163	100,080,142	480,411	196,959,403
Debt securities issued	-	-	675,752	2,819,254	799,213	1,996,179	6,290,398
Others	660,900	-	674,489	126,110	305,807	43,390	1,810,696
	62,320,717	-	20,328,874	29,964,125	101,219,412	2,532,100	216,365,228
(Short)/Long position	(26,050,802)	24,083,731	(899,995)	47,925,743	(41,896,933)	14,613,268	17,775,012

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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 2022 and 2021: (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. Unlisted equity investments are included 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 2022 and 2021:

	At 31 December 2022						
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between	Between	More than five years RMB'000
					three months and one year RMB'000	one year and five years RMB'000	
Non-derivative financial liabilities							
Borrowings from the central bank	3,679,787	3,722,537	-	591,550	3,130,987	-	-
Deposits from bank and other financial institutions	3,471,600	3,504,313	11,261	2,017,164	1,475,888	-	-
Placements from bank and other financial institutions	2,052,823	2,077,263	2,496	64,311	2,010,456	-	-
Financial assets sold under repurchase agreements	50,021	50,029	-	50,029	-	-	-
Deposits from customers	232,291,863	235,914,690	71,152,928	11,733,137	30,664,558	122,364,067	-
Debt securities issued	5,351,209	6,389,700	-	517,500	2,203,400	1,284,800	2,384,000
Others	1,410,037	1,457,492	597,458	421,870	119,859	260,333	57,972
	248,307,340	253,116,024	71,764,143	15,395,561	39,605,148	123,909,200	2,441,972
Off-balance sheet credit commitments	74,063	6,987,766	519,632	1,432,545	3,166,671	1,571,517	297,401

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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 2022 and 2021: (Continued)

	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	Between one	More than five years RMB'000
					three months and one year RMB'000	year and 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	1,862,802	660,900	679,095	135,099	336,766	50,942
	216,304,763	239,701,970	62,320,715	20,421,980	30,457,320	104,070,340	22,431,615
Off-balance sheet credit commitments	60,465	5,583,437	7,976	1,269,565	3,397,207	312,689	596,000

Note:

The interest payables at 31 December 2022 and 2021 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

49. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

50. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

50. 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value (excluding accrued interest) 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At 31 December 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
– unlisted equity investments measured at FVTPL	–	–	906,138	906,138
– other debt instruments	–	1,002,961	–	1,002,961
Financial assets at FVTOCI				
– debt securities	–	3,839,917	–	3,839,917
– unlisted equity investments measured at FVTOCI	–	–	141,267	141,267
	–	4,842,878	1,047,405	5,890,283

	At 31 December 2021 (Restated)			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 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	–	–	1,044,407	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	–	–	178,450	178,450
	61,057	6,384,759	1,222,857	7,668,673

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

During the year ended 31 December 2022 and 2021, there were no significant transfers between level 1 and 2 of fair value hierarchy.

- (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:

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	31 December 2022	31 December 2021				
	RMB'000	RMB'000				
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	889,259	936,407	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 0.78 (2021: 0.86). The DLOM is 10% (2021: 10%).	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (i))
	16,879	108,000	Level 3	Based on recent transaction price.	Recent transaction price	The higher the recent transaction price, the higher the fair value
Other debt instruments	1,002,961	1,446,750	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	3,839,917	4,938,009	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	141,267	10,450	Level 3	Market approach adopted. The value is based on PB ratio, adjusted by DLOM.	The PB ratio is 0.78 (2021: 0.86). The DLOM is 10% (2021: 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 3	Based on recent transaction price.	Recent transaction price	The higher the recent transaction price, the higher the fair value

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

50. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

Notes:

(i) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTPL by approximately RMB34,621,000 (2021: approximately RMB35,586,000) and vice versa.

A 0.5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTPL by approximately RMB3,847,000 (2021: approximately RMB3,954,000) and vice versa.

(ii) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB1,855,000 (2021: approximately RMB523,000) and vice versa.

A 0.5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB206,000 (2021: approximately RMB58,000) and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investment		Total RMB'000
	Financial assets at FVTPL	Financial assets at FVTOCI	
	RMB'000	RMB'000	
At 1 January 2021	1,178,502	153,392	1,331,894
Fair value losses recognised in profit or loss	(125,999)	–	(125,999)
Fair value gain recognised in OCI	–	25,296	25,296
Acquisition	8,124	–	8,124
Disposals	(16,220)	(238)	(16,458)
At 31 December 2021	1,044,407	178,450	1,222,857
Fair value losses recognised in profit or loss	(138,269)	–	(138,269)
Fair value gain recognised in OCI	–	(25,580)	(25,580)
Deemed disposal of a subsidiary (Note 57)	–	(10,200)	(10,200)
Disposals	–	(1,403)	(1,403)
At 31 December 2022	906,138	141,267	1,047,405

The above fair value losses and losses of approximately RMB138,269,000 and RMB25,580,000 (2021: fair value losses and gain of approximately RMB125,999,000 and RMB25,296,000) respectively are included in net trading gains and investment revaluation reserve for the year ended 31 December 2022.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

51. 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.

	2022 RMB'000	2021 RMB'000
Entrusted loans	24,086,281	19,959,635
Entrusted funds	24,087,307	19,959,635

52. 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.

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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

52. 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 2022 and 2021, the Group's authorised capital commitments are as follows:

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

53. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. At 31 December 2022 and 2021, 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2022 and 2021, 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 2022

(i) Dilution of interest in Huimin Bank of Wenan Co., Ltd. (“文安縣惠民村鎮銀行股份有限公司”, “Huimin Bank of Wenan”) without loss of control

During the year ended 31 December 2022, Huimin Bank of Wenan issued 5,300,000 ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group’s ownership was diluted from 36.00% to 32.01%. This resulted in an increase in non-controlling interests of approximately RMB13,112,000 and a decrease in equity attributable to owners of the Bank of approximately RMB1,452,000.

As at the date of dilution interest, the Group had signed contracts with six shareholders of Huimin Bank of Wenan in 2022, which hold total 20.08% equity interests in Huimin Bank of Wenan. 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 Huimin Bank of Wenan and therefore, Huimin Bank of Wenan 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	(13,112)
Consideration received from non-controlling interests	11,660
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Loss recognised in capital reserve within equity	(1,452)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2022 and 2021, 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 2022 (Continued)

(ii) Dilution of interest in Jingmen Dongbao Huimin Village Bank Co., Ltd. (“荆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 2022, Jingmen Dongbao Huimin Village Bank issued 5,320,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group’s ownership was diluted from 33.15% to 31.19%. This resulted in an increase in non-controlling interests of approximately RMB4,942,000 and an increase in equity attributable to owners of the Bank of approximately RMB378,000.

As at the date of dilution interest, the Group had signed contracts with five shareholders of Jingmen Dongbao Huimin Village Bank, which hold total 22.25% equity interests in Jingmen Dongbao 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 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	(4,942)
Consideration received from non-controlling interests	5,320
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Gain recognised in capital reserve within equity	378

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2022 and 2021, 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 2022 (Continued)

(iii) Acquisition of additional interest in 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”, “Qingyuan Qingxin Huimin Village and Township Bank”)

During the year ended 31 December 2022, Qingyuan Qingxin Huimin Village and Township Bank issued 10,000,000 ordinary shares with par value of RMB1 at RMB1 per share to the Bank and the Group's ownership was increased from 53.53% to 58.42%. This resulted in an increase in non-controlling interests of approximately RMB3,053,000 and a decrease in equity attributable to owners of the Bank of approximately RMB3,053,000.

A schedule of the effect of acquisition of additional interest in a subsidiary is as follow:

	RMB'000
Carrying amount of the interest acquired and loss recognised in capital reserve within equity	(3,053)

(iv) Acquisition of additional 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”)

During the year ended 31 December 2022, the Group acquired additional 29.71% equity interest in Jilin Jiuyin Financial Leasing at a consideration of RMB468,000,000. This resulted in a decrease in non-controlling interests of approximately RMB184,607,000 and a decrease in equity attributable to owners of the Bank of approximately RMB283,393,000.

A schedule of the effect of acquisition of additional interest in a subsidiary is as follow:

	RMB'000
Carrying amount of the interest acquired	184,607
Consideration paid for acquisition of additional interest in Jilin Jiuyin Financial Leasing Co., Ltd	(468,000)
Loss recognised in capital reserve within equity	(283,393)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2022 and 2021, 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 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
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Gain recognised in capital reserve within equity	33,129

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2022 and 2021, 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 2021 (Continued)

(ii) Dilution of interest in 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
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Gain recognised in capital reserve within equity	1,466

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2022 and 2021, 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 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
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Gain recognised in capital reserve within equity	8,543

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2022 and 2021, 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 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 disposed	(13,658)
Consideration received from non-controlling interests	16,000
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Gain recognised in capital reserve within equity	2,342

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2022 and 2021, 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 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 disposed	(12,620)
Consideration received from non-controlling interests	15,000
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Gain recognised in capital reserve within equity	2,380

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2022 and 2021, 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 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 disposed	(8,178)
Consideration received from non-controlling interests	10,755
Gain recognised in capital reserve within equity	2,577

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

54. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2022 and 2021, 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 2021 (Continued)

(vii) Disposals of interest in 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 Co., Ltd 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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

55. ACQUISITION OF A SUBSIDIARY

Acquisition of Jiutai Longjia Village Bank Co., Ltd. (“九台龍嘉村鎮銀行股份有限公司”, “Jiutai Longjia Village Bank”)

On 4 January 2022, the Group acquired 15% of the issued share capital of Jiutai Longjia Village Bank for consideration of RMB16,433,000 from an independent third party. This acquisition has been accounted for using the acquisition method. Jiutai Longjia Village Bank is engaged in the provision of banking services. Jiutai Longjia Village Bank was acquired so as to continue the expansion of the Group’s banking business.

The Group had signed contracts with four shareholders of Jiutai Longjia Village Bank in 2022, which hold total 40% equity interests in Jiutai Longjia 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 Jiutai Longjia Village Bank and therefore, Jiutai Longjia Village Bank is still regarded as a non-wholly owned subsidiary of the Group.

Consideration Transferred

	RMB'000
Cash consideration	16,433

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

55. ACQUISITION OF A SUBSIDIARY (Continued)

Acquisition of Jiutai Longjia Village Bank Co., Ltd. (“九台龍嘉村鎮銀行股份有限公司”, “Jiutai Longjia Village Bank”) (Continued)

Assets disposed and liabilities recognised at the date of acquisition are as follow:

	RMB'000
Cash and deposits with the central bank	45,284
Deposits with banks and other financial institutions	170,171
Loans and advances to customers	284,134
Property and equipment	14,845
Right-of-use assets	4,388
Deferred tax assets	6,949
Other assets	232
Borrowing from the central bank	(555)
Deposits from customers	(411,649)
Accrued staff costs	(200)
Taxes payable	(105)
Lease liabilities	(3,202)
Other liabilities	(541)
Net assets acquired	109,751

The fair value of loans and advances to customers at the date of acquisition amounted to approximately RMB284,134,000. The gross contractual amounts of those loans and advances to customers acquired amounted to approximately RMB314,206,000 at the date of acquisition.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	16,433
Plus: non-controlling interest (85% in Jiutai Longjia Village Bank)	93,318
Less: net assets acquired	(109,751)
Goodwill arising on acquisition	–

The non-controlling interests (85%) in Jiutai Longjia Village Bank recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

55. ACQUISITION OF A SUBSIDIARY (Continued)

Acquisition of Jiutai Longjia Village Bank Co., Ltd. (“九台龍嘉村鎮銀行股份有限公司”, “Jiutai Longjia Village Bank”) (Continued)

Net cash inflow on acquisition of Jiutai Longjia Village Bank

	RMB'000
Consideration transferred	16,433
Less: cash and cash equivalent balances acquired	(71,189)
	<hr/>
	54,756

Included in the profit for the year ended 31 December 2022 was approximately RMB5,540,000 attributable to the loss incurred by Jiutai Longjia Village Bank. Operating income for the year ended 31 December 2022 included approximately RMB19,968,000 generated from Jiutai Longjia Village Bank.

Had the acquisition been completed on 1 January 2022, the impacts on operating income and profit for the year of the Group are insignificant. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating income and profit of the Group had Jiutai Longjia Village Bank been acquired at the beginning of the year ended 31 December 2022, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

56. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES

Deemed disposal of interest in Liaoyuan Rural Commercial Bank

On 31 August 2022, five shareholders who hold 17.09% ownership and voting power of Liaoyuan Rural Commercial Bank, terminated the act in concert contracts with the Group. Hence, the Group loss control over these banks as the Group did not obtain more than half of the voting power in the shareholder meetings of Liaoyuan Rural Commercial Bank.

After termination of the act in concert contracts, the Group holds 35.13% equity interest in and has significant influence in Liaoyuan Rural Commercial Bank. As a result, it is classified as an associate of the Group (Note 25). The Group remeasures its retained interest in the associate at fair value at the date it loses control.

Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:

	RMB'000
Cash and deposits with the central bank	600,485
Deposits with banks and other financial institutions	347,262
Placements with banks and other financial institutions	704,402
Financial assets at fair value through profit or loss	49,196
Financial assets held under resale agreements	1,985,266
Loans and advances to customers	7,063,017
Financial assets at fair value through other comprehensive income	10,200
Financial assets measured at amortised costs	555,268
Property and equipment	322,952
Right-of-use assets	17,237
Deferred tax assets	102,608
Taxes recoverable	7,511
Other assets	232,823
Borrowing from the central bank	(34,844)
Deposits from banks and other financial institutions	(15,104)
Deposits from customers	(11,314,480)
Accrued staff costs	(740)
Lease liabilities	(17,660)
Other liabilities	(66,596)
Net assets disposed of	548,803

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

56. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

Deemed disposal of interest in Liaoyuan Rural Commercial Bank (Continued)

Loss on deemed disposal of a subsidiary:	RMB'000
Fair value of retained interest recognised as interests in associates	321,268
Net assets disposed of	(548,803)
Goodwill	(386,202)
Release of reserve upon deemed disposal of a subsidiary	44,942
Non-controlling interests	360,234
Loss on deemed disposal of a subsidiary	(208,561)

Net cash outflow arising on disposal	RMB'000
Cash and cash equivalent balances disposed of	(2,745,700)

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

57. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2022 and 2021 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
					2022	2021	2022	2021	2022	2021	
*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
*Jiutai Longjia Village Bank Co., Ltd. ("九台龍嘉村鎮銀行股份有限公司") (Note 55) (Note (1))	12/10/2010	PRC	Ordinary	Joint stock company with limited liability	102,000	-	15.00%	-	55.00%	-	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股份有限公司")	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 (2))	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. ("蘆江惠民村鎮銀行有限責任公司")	28/12/2010	PRC	Ordinary	Company with limited liability	66,550	66,550	60.00%	60.00%	60.00%	60.00%	Corporate and retail bank
*Changchun Nangan 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	144,619	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 (3))	19/1/2011	PRC	Ordinary	Joint stock company with limited liability	125,866	115,474	40.80%	40.80%	50.93%	50.93%	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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2022 and 2021 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
					2022	2021	2022	2021	2022	2021	
*Lingshui Huimin Village and Township Bank Co., Ltd. ("陵水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	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 (5))	16/5/2011	PRC	Ordinary	Joint stock company with limited liability	100,000	100,000	20.00%	20.00%	60.50%	58.50%	Corporate and retail bank
*Gaomi Huimin Village and Township Bank Co., Ltd. ("高密惠民村鎮銀行有限公司")	25/5/2011	PRC	Ordinary	Company with limited liability	113,413	113,413	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 54(a)(iii)) (Note 54(b)(iii)) (Note (6))	21/12/2011	PRC	Ordinary	Joint stock company with limited liability	89,930	84,610	31.19%	33.15%	53.44%	52.07%	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 54(a)(i)) (Note (7))	23/12/2011	PRC	Ordinary	Joint stock company with limited liability	47,800	42,500	32.01%	36.00%	52.09%	51.99%	Corporate and retail bank
*Tongcheng Huimin Village Bank Co., Ltd. ("通城惠民村鎮銀行有限公司")	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 54(b)(i), Note 56) (Note (8))	15/11/2012	PRC	Ordinary	Joint stock company with limited liability	270,380	245,800	-	34.36%	-	51.45%	Corporate and retail bank
*Changchun Gaoxin Huimin Village Bank Co., Ltd. ("長春高新惠民村鎮銀行有限公司") (Note 54(b)(iii)) (Note (9))	24/9/2013	PRC	Ordinary	Company with limited liability	125,000	125,000	40.00%	40.00%	60.00%	56.00%	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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2022 and 2021 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
					2022	2021	2022	2021	2022	2021	
* Jilin Fengman Huimin Village Bank Co., Ltd. ("吉林豐滿惠民村鎮銀行股份有限公司") (Note 10)	16/12/2013	PRC	Ordinary	Joint stock company with limited liability	200,000	200,000	46.00%	46.00%	50.50%	50.50%	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 54 (b)(iv)) (Note 11)	16/12/2013	PRC	Ordinary	Joint stock company with limited liability	71,000	71,000	42.68%	42.68%	56.70%	56.70%	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 12)	24/12/2013	PRC	Ordinary	Joint stock company with limited liability	51,686	48,760	28.17%	28.17%	52.80%	54.15%	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 13)	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
* 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 54 (a)(iii))	23/1/2014	PRC	Ordinary	Joint stock company with limited liability	95,000	85,000	58.42%	53.53%	58.42%	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 Huangou 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 14)	11/6/2014	PRC	Ordinary	Joint stock company with limited liability	300,000	300,000	47.00%	47.00%	53.99%	53.99%	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 15)	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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2022 and 2021 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
					2022	2021	2022	2021	2022	2021	
					* Leizhou Huimin Village Bank Co., Ltd. ("雷州惠民村鎮銀行股份有限公司") (Note 16)	25/3/2015	PRC	Ordinary	Joint stock company with limited liability	75,550	
* Baicheng Taobei Huimin Village Bank Co., Ltd. ("白城洮北惠民村鎮銀行股份有限公司") (Note 17)	23/11/2015	PRC	Ordinary	Joint stock company with limited liability	50,000	50,000	49.00%	49.00%	63.00%	63.00%	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 54(b)(v)) (Note 18)	11/12/2015	PRC	Ordinary	Joint stock company with limited liability	60,000	60,000	40.83%	40.83%	60.82%	60.82%	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 54(b)(vi)) (Note 19)	14/12/2015	PRC	Ordinary	Joint stock company with limited liability	57,170	57,170	42.85%	42.85%	56.26%	56.26%	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 20)	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 54(a)(iv), Note 54(b)(viii)) (Note 21)	20/2/2017	PRC	Ordinary	Joint stock company with limited liability	525,000	525,000	60.00%	30.29%	60.00%	60.00%	Provision of finance lease service

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2022 and 2021 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 2022, the Bank signed contracts with 4 shareholders who hold in total 40.00% 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.

(2) During the year ended 31 December 2022 and 2021, 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.

(3) During the year ended 31 December 2022 and 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.

(4) During the year ended 31 December 2022 and 2021, 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.

(5) During the year ended 31 December 2022, the Bank signed contracts with 14 shareholders who hold in total 40.50% of ownership and voting power of this bank. These 14 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 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.

(6) During the year ended 31 December 2022, the Bank signed contracts with 5 shareholders who hold in total 22.25% 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 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.

(7) During the year ended 31 December 2022, the Bank signed contracts with 6 shareholders who holds in total 20.08% of ownership and voting power of this bank. These 6 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.

During the year ended 31 December 2021, 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2022 and 2021 are as follows: (Continued)

Notes: (Continued)

- (8) 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.
- (9) During the year ended 31 December 2022, the Bank signed contracts with 3 shareholders who hold in total 20.00% 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.
- 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.
- (10) During the year ended 31 December 2022 and 2021, the Bank signed contracts with 1 shareholder who holds in total 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.
- (11) During the year ended 31 December 2022 and 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.
- (12) During the year ended 31 December 2022, the Bank signed contracts with 4 shareholders who hold in total 24.63% 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 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.
- (13) During the year ended 31 December 2022 and 2021, 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.
- (14) During the year ended 31 December 2022 and 2021, the Bank signed contracts with 5 shareholders who hold in total 6.99% of ownership and voting power of this bank. These 5 shareholder 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 2022 and 2021, 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.
- (16) During the year ended 31 December 2022 and 2021, 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.
- (17) During the year ended 31 December 2022 and 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

57. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2022 and 2021 are as follows: (Continued)

Notes: (Continued)

- (18) During the year ended 31 December 2022 and 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.
- (19) During the year ended 31 December 2022 and 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.
- (20) During the year ended 31 December 2022 and 2021, the Bank signed contracts with a shareholder who holds in total 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.
- (21) 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.

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

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 2022 RMB'000	Financing cash flows RMB'000	New lease entered RMB'000	Early termination of lease RMB'000	Lease modification RMB'000	Finance cost incurred RMB'000	Acquisition of a subsidiary RMB'000	Deemed disposal of a subsidiary RMB'000	31 December 2022 RMB'000
Liabilities									
- Debt securities issued (Note 38)	6,290,398	(1,216,787)	-	-	-	277,598	-	-	5,351,209
- Dividend payable (Note 39)	484	(6)	-	-	-	-	-	-	478
- Lease liabilities (Note 27)	518,779	(189,953)	114,800	(19,687)	(1,775)	21,340	3,202	(17,660)	429,046
	6,809,661	(1,406,746)	114,800	(19,687)	(1,775)	298,938	3,202	(17,660)	5,780,733

	(Restated) Non-cash change							31 December 2021 RMB'000
	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		
Liabilities								
- Debt securities issued (Note 38)	7,548,535	(1,550,873)	-	-	292,736	-	6,290,398	
- Dividend payable (Note 39)	10	(658,512)	-	-	-	658,986	484	
- Lease liabilities (Note 27)	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	

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

59. STATEMENTS OF FINANCIAL POSITION OF THE BANK

Notes	2022 RMB'000	2021 RMB'000 (Restated)
Assets		
Cash and deposits with the central bank	26,217,137	18,733,032
Deposits with banks and other financial institutions	3,613,449	3,289,953
Placements with banks and other financial institutions	370,191	–
Financial assets held under resale agreements	9,389,744	1,418,762
Financial assets at fair value through profit or loss	1,909,099	2,491,157
Loans and advances to customers	131,616,964	108,509,532
Financial assets at fair value through other comprehensive income	2,537,586	5,159,719
Financial assets measured at amortised cost	23,193,167	19,769,697
Interests in associates	1,030,843	721,194
Investments in subsidiaries	1,783,259	1,917,905
Property and equipment	1,694,441	1,918,747
Right-of-use assets	298,216	355,191
Deferred tax assets	785,665	636,887
Other assets	661,065	399,484
Total assets	205,100,826	165,321,260

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

59. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
Liabilities and equity			
Liabilities			
Borrowings from the central bank		2,781,550	1,982,662
Deposits from banks and other financial institutions		2,910,300	5,445,829
Placements from banks and other financial institutions		2,002,496	1,502,496
Deposits from customers		176,395,858	135,697,277
Accrued staff costs		46,921	42,399
Tax payable		27,394	233,334
Debts securities issued		5,351,209	6,290,398
Lease liabilities		255,266	308,342
Other liabilities		387,395	428,480
Total liabilities		190,158,389	151,931,217
Equity			
Share capital	(a)	5,074,192	4,612,901
Capital reserve	(a)	3,958,033	4,419,324
Investment revaluation reserve	(a)	55,084	87,042
Surplus reserve	(a)	1,223,755	1,058,252
General reserve	(a)	2,299,753	2,008,496
Retained earnings	(a)	2,331,620	1,204,028
Total equity		14,942,437	13,390,043
Total liabilities and equity		205,100,826	165,321,260

Approved and authorised for issue by the board of directors of the Bank on 30 March 2023 and are signed on its behalf by:

Mr. YUAN Chunyu

Director

Mr. LIANG Xiangmin

Director

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

59. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

Note:

(a) Movement in reserves

	Share	Capital	Investment	Surplus	General	Retained	Total
	Capital	reserve	revaluation	reserve	reserve	earnings	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As 1 January 2022	4,612,901	4,419,324	87,042	1,058,252	2,008,496	1,204,028	13,390,043
Profit for the year	-	-	-	-	-	1,584,352	1,584,352
Other comprehensive expense for the year	-	-	(31,958)	-	-	-	(31,958)
Total comprehensive income (expense) for the year	-	-	(31,958)	-	-	1,584,352	1,552,394
Changes in share capital							
- Capitalisation of capital reserve (Note 40)	461,291	(461,291)	-	-	-	-	-
Appropriation of profits							
- Appropriation to surplus reserve	-	-	-	165,503	-	(165,503)	-
- Appropriation to general reserve	-	-	-	-	291,257	(291,257)	-
At 31 December 2022	5,074,192	3,958,033	55,084	1,223,755	2,299,753	2,331,620	14,942,437

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

59. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

Note:

(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 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 40)	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 43)	-	-	-	-	-	(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

Notes to the Consolidated Financial Statements (Continued)

For the Year Ended 31 December 2022

60. NON-CASH TRANSACTION

During the year ended 31 December 2022, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of RMB114,800,000 were recognised at the commencement of the leases.

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.

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	
	2022	2021
Leverage Ratio (RMB and foreign currency)	6.61%	6.80%

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.

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Currency concentrations

	At 31 December 2022		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	34,745	3,437	38,182
Spot liabilities	17,242	65	17,307
Net position	17,503	3,372	20,875

	At 31 December 2021		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	18,743	1,399	20,142
Spot liabilities	7,852	69	7,921
Net position	10,891	1,330	12,221

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at 31 December 2022 and 2021.

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, deposit and placement with banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 31 December	
	2022	2021
Deposit with banks Asia Pacific excluding mainland China	8,871	6,604

4. Loans and advances overdue for more than 90 days by geographical segments

	At 31 December	
	2022	2021
Jilin Region	2,982,452	2,960,885
Mainland China excluding Jilin Region	562,339	501,272
Total	3,544,791	3,462,157

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

5. Gross amount of loans and advances overdue for more than 90 days

	At 31 December	
	2022	2021
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)	196,106	538,142
– Between six months and one year (inclusive)	500,342	582,636
– Between one year and three years	1,847,451	1,630,630
– Over three years	1,000,892	710,748
Total	3,544,791	3,462,156
As a percentage of total gross loans and advances		
– Between three months and six months (inclusive)	0.11%	0.34%
– Between six months and one year (inclusive)	0.30%	0.37%
– Between one year and three years	1.07%	1.04%
– Over three years	0.58%	0.45%
Total	2.06%	2.20%

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 2022 and 2021, substantial amounts of the Bank's exposures arose from businesses with mainland China entities or individuals.



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