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

(Stock Code: 0416)

(Stock Code of Preference Shares: 4615)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the “**Board**”) of directors (the “**Directors**”) of Bank of Jinzhou Co., Ltd.* (the “**Bank**”, including its subsidiaries unless the context otherwise requires) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank for the year ended 31 December 2018 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Annual Results.

1. CORPORATE INFORMATION

1.1 Corporate Basic Information

Legal Name and Abbreviation in Chinese:	錦州銀行股份有限公司 (Abbreviation: 錦州銀行)
Legal Name in English:	BANK OF JINZHOU CO., LTD.
Legal Representative:	Mr. Zhang Wei
Authorised Representative:	Mr. Zhang Wei, Mr. Wang Jing
Listing Exchange of H Shares:	The Stock Exchange of Hong Kong Limited (“ Hong Kong Stock Exchange ”)
Stock Name of H Shares:	BANKOFJINZHOU
Stock Code of H Shares:	0416
Listing Exchange of Offshore Preference Shares:	Hong Kong Stock Exchange
Stock Name of Offshore Preference Shares:	BOJZ 17USDPREF
Stock Code of Offshore Preference Shares:	4615

1.2 Contact Persons and Contact Details

Secretary to the Board:	Mr. Sun Jing
Joint Company Secretaries:	Mr. Sun Jing, Ms. Leung Wing Han Sharon
Company Website:	www.jinzhoubank.com
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Registered Address:	No. 68 Keji Road, Jinzhou City, Liaoning Province, the People's Republic of China (the "PRC")
Principal Place of Business in Hong Kong:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong

2. FINANCIAL HIGHLIGHTS

Between the financial statements of the Bank prepared in accordance with China Accounting Standards for Business Enterprises and those in accordance with IFRSs, there is no difference in respect of the net profit attributable to equity shareholders of the Bank for the Reporting Period and net asset attributable to equity shareholders of the Bank as at the end of the Reporting Period.

2.1 Financial Data

	For the year ended 31 December				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2018	2017	2018 vs 2017 Change (%)	2016	2015
Operating Results					
Interest income	46,002,674	39,943,533	15.2	27,897,191	21,819,437
Interest expense	(26,901,602)	(21,410,609)	25.6	(12,448,982)	(11,015,124)
Net interest income	19,101,072	18,532,924	3.1	15,448,209	10,804,313
Net fee and commission income	757,528	736,674	2.8	809,265	500,790
Net trading gains/(losses)	1,491,100	(278,264)	(635.9)	49,948	97,164
Dividend income	880	640	37.5	895	6,440
Net gains arising from investment securities	100,234	30,796	225.5	10,348	2,896
Net foreign exchange (losses)/gains	(183,660)	(239,637)	(23.4)	53,724	85,895
Other net operating income	16,045	22,859	(29.8)	41,460	19,886
Operating income	21,283,199	18,805,992	13.2	16,413,849	11,517,384
Operating expenses	(3,586,646)	(3,308,138)	8.4	(2,758,039)	(2,724,872)

For the year ended 31 December

*(Expressed in thousands of Renminbi,
unless otherwise stated)*

	2018	2017	2018 vs 2017	2016	2015
Operating Results			Change (%)		
Operating profit before impairment	17,696,553	15,497,854	14.2	13,655,810	8,792,512
Impairment losses on assets	(23,683,718)	(3,444,523)	587.6	(2,784,895)	(2,296,943)
(Loss)/profit before taxation	<u>(5,987,165)</u>	<u>12,053,331</u>	(149.7)	<u>10,870,915</u>	<u>6,495,569</u>
Income tax credit/(expense)	1,449,054	(2,963,273)	(148.9)	(2,671,469)	(1,587,513)
Net (Loss)/profit for the year	<u><u>(4,538,111)</u></u>	<u><u>9,090,058</u></u>	(149.9)	<u><u>8,199,446</u></u>	<u><u>4,908,056</u></u>
Net (loss)/profit attributable to equity shareholders of the Parent Company	(4,593,447)	8,976,990	(151.2)	8,129,590	4,898,761
Calculated on a Per Share Basis			Change		
(RMB)					
Basic and diluted earnings per share (in RMB)	(0.77)	1.32	(2.09)	1.40	1.09
			As at 31 December		
Major Indicators of	2018	2017	2018 vs 2017	2016	2015
Assets/Liabilities			Change (%)		
Total assets	845,922,748	723,417,650	16.9	539,059,522	361,659,913
Of which: loans and advances to customers	349,110,123	209,084,947	67.0	121,930,761	97,313,206
Total liabilities	785,159,604	663,252,922	18.4	496,165,210	335,388,599
Of which: deposits from customers	445,576,089	342,264,228	30.2	262,969,211	170,178,722
Share capital	7,781,616	6,781,616	14.7	6,781,616	5,781,616
Total equity attributable to equity shareholders of the Parent Company	56,777,412	56,230,555	1.0	39,035,430	25,598,461
Total equity	60,763,144	60,164,728	1.0	42,894,312	26,271,314

2.2 Financial Indicators

	For the year ended 31 December				
	2018	2017	2018 vs 2017	2016	2015
Profitability Indicators (%)			Change		
Return on average total assets ⁽¹⁾	(0.58)	1.44	(2.02)	1.82	1.60
Return on average equity ⁽²⁾	(9.86)	21.03	(30.89)	25.16	23.75
Net interest spread ⁽³⁾	1.93	2.58	(0.65)	3.41	3.29
Net interest margin ⁽⁴⁾	2.46	2.88	(0.42)	3.67	3.51
Net fee and commission income to operating income ratio	3.56	3.92	(0.36)	4.93	4.35
Cost-to-income ratio ⁽⁵⁾	15.91	15.71	0.20	14.83	18.80
			As at 31 December		
	2018	2017	2018 vs 2017	2016	2015
Assets Quality Indicators (%)			Change		
Non-performing loan ratio ⁽⁶⁾	4.99	1.04	3.95	1.14	1.03
Provision coverage ratio ⁽⁷⁾	123.75	268.64	(144.89)	336.30	369.13
Provision to loans ratio ⁽⁸⁾	6.18	2.81	3.37	3.84	3.82
Capital Adequacy Indicators (%)			Change		
Core tier-one capital adequacy ratio ⁽⁹⁾	6.07	8.44	(2.37)	9.79	8.96
Tier-one capital adequacy ratio ⁽¹⁰⁾	7.43	10.24	(2.81)	9.80	8.97
Capital adequacy ratio	9.12	11.67	(2.55)	11.62	10.50
Total equity to total assets	7.18	8.32	(1.14)	7.96	7.26
Other Indicators (%)			Change		
Loan-to-deposit ratio ⁽¹¹⁾	72.12	53.68	18.44	40.36	47.44

Notes:

- (1) Represents the net profit for the year as a percentage of the average balance of total assets at the beginning and the end of that year.
- (2) Represents the Bank's net profit attributable to the Parent Company for the year as a percentage of the average balance of net assets attributable to shareholders of ordinary shares of the Parent Company 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, which was calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.
- (6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.
- (7) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans.
- (8) Provision-to-loans ratio = provision for impairment losses on loans/total loans and advances to customers.
- (9) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (10) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (11) Such ratios represent the ratios the Bank submitted to the China Banking and Insurance Regulatory Commission (the “**CBIRC**”, which was formed after duty restructuring of China Banking Regulatory Commission (the “**CBRC**”) and China Insurance Regulatory Commission), which were calculated in accordance with relevant financial data under PRC Generally Accepted Accounting Principles and the CBIRC requirements.

3. MANAGEMENT DISCUSSIONS AND ANALYSIS

3.1 Business and Financial Review

During the Reporting Period, with the transformation of China's economy from high-speed growth to high-quality development, the economic environment is in a strategic development period in which economy optimization and upgrade is accelerated, technological innovation ability is enhanced, reform and opening-up is strengthened and the new environmental-friendly development is accelerated. Facing the regulatory deployment and requirements of "de-leveraging, chaos governing and risk preventing", the Bank reviewed its development positioning and strategic planning, focused on improving its operational management capabilities, and strived to enhance the ability to serve the real economy.

As at the end of the Reporting Period, the total assets of the Bank amounted to RMB845.923 billion, representing a year-on-year increase of 16.9%; the net loans and advances to customers amounted to RMB349.110 billion, representing a year-on-year increase of 67.0%; the non-performing loan ratio was 4.99%; the balance of deposits from customers amounted to RMB445.576 billion, representing a year-on-year increase of 30.2%. During the Reporting Period, the operating income of the Bank amounted to RMB21.283 billion, representing a year-on-year increase of 13.2%; and the net loss amounted to RMB4.538 billion.

As at the end of the Reporting Period, the Bank's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 9.12%, 7.43% and 6.07%, respectively.

As at the end of the Reporting Period, the Bank had invested in 7 village and township banks, 5 in Jinzhou City, 1 in Chaoyang City and 1 in Benxi City, Liaoning Province, the PRC, under which there were 24 operation departments and sub-branches.

3.2 Analysis of the Financial Statements

3.2.1 Analysis of the income statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2018	2017	Change in amount	
Interest income	46,002,674	39,943,533	6,059,141	15.2
Interest expense	(26,901,602)	(21,410,609)	(5,490,993)	25.6
Net interest income	19,101,072	18,532,924	568,148	3.1
Net fee and commission income	757,528	736,674	20,854	2.8
Net trading gains/(losses)	1,491,100	(278,264)	1,769,364	(635.9)
Dividend income	880	640	240	37.5
Net gains arising from investment securities	100,234	30,796	69,438	225.5
Net foreign exchange losses	(183,660)	(239,637)	55,977	(23.4)
Other net operating income	16,045	22,859	(6,814)	(29.8)
Operating income	21,283,199	18,805,992	2,477,207	13.2
Operating expenses	(3,586,646)	(3,308,138)	(278,508)	8.4
Impairment losses on assets	(23,683,718)	(3,444,523)	(20,239,195)	587.6
(Loss)/profit before tax	(5,987,165)	12,053,331	(18,040,496)	(149.7)
Income tax credit/(expense)	1,449,054	(2,963,273)	4,412,327	(148.9)
Net (Loss)/profit for the year	(4,538,111)	9,090,058	(13,628,169)	(149.9)

During the Reporting Period, the Bank's loss before tax was RMB5.987 billion; net loss was RMB4.538 billion. In addition, the Bank initially adopted IFRS 9 - Financial Instruments ("IFRS 9") on 1 January 2018. According to the requirements of IFRS 9, the Bank adjusted the net interest income of financial assets and financial liabilities at fair value through profit or loss to net trading gains. The financial assets at fair value through profit or loss will no longer be stated as interest-earning assets, and the financial liabilities at fair value through profit or loss will no longer be stated as interest-bearing liabilities, thus affecting net interest income, net trading gains, net interest spread and net interest margin to a certain extent.

3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 89.7% and 98.5% of operating income for the Reporting Period and the year of 2017, respectively. The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2018	2017	Change in amount	
Interest income	46,002,674	39,943,533	6,059,141	15.2
Interest expense	(26,901,602)	(21,410,609)	(5,490,993)	25.6
Net interest income	19,101,072	18,532,924	568,148	3.1

The following table sets forth, for the years indicated, the average balance of interest-earning assets and interest-bearing liabilities, the relevant interest income or expense and relevant average yield on interest-earning assets or relevant average cost on interest-bearing liabilities of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	2018			2017		
	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Interest-Earning Assets						
Loans and advances to customers	270,869,061	18,096,785	6.68	175,586,314	11,109,727	6.33
Investment securities and other financial assets	424,752,764	26,009,233	6.12	393,350,486	27,144,523	6.90
Deposits with the central bank	57,224,773	899,102	1.57	47,311,691	729,694	1.54
Deposits with banks and other financial institutions	10,363,275	296,894	2.86	12,497,769	354,559	2.84
Placements with banks and other financial institutions	3,436,499	100,178	2.92	1,858,677	32,611	1.75
Financial assets held under resale agreements	2,132,221	60,172	2.82	7,222,692	216,957	3.00
Finance lease receivables	7,300,331	540,310	7.40	5,307,782	355,462	6.70
Total interest-earning assets	776,078,924	46,002,674	5.93	643,135,411	39,943,533	6.21

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	2018			2017		
	Average balance	Interest income/ expense	Average yield/ cost (%)	Average balance	Interest income/ expense	Average yield/ cost (%)
Interest-Bearing Liabilities						
Deposits from customers	384,044,270	14,100,881	3.67	330,001,288	10,088,102	3.06
Deposits from banks and other financial institutions	135,487,127	6,741,064	4.98	120,670,223	5,664,850	4.69
Placements from banks and other financial institutions	22,240,983	567,146	2.55	11,994,250	275,451	2.30
Financial assets sold under repurchase agreements	46,016,517	1,565,501	3.40	31,641,761	1,152,199	3.64
Debt securities issued	84,833,008	3,923,616	4.63	72,761,648	3,342,613	4.59
Financial liabilities at fair value through profit or loss	–	–	–	22,225,907	884,801	3.98
Borrowing from the central bank	155,911	3,394	2.18	117,066	2,593	2.21
Total interest-bearing liabilities	672,777,816	26,901,602	4.00	589,412,143	21,410,609	3.63
Net interest income		19,101,072			18,532,924	
Net interest spread ⁽¹⁾			1.93			2.58
Net interest margin ⁽²⁾			2.46			2.88

Notes:

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by the average interest-earning assets (based on the daily average of the interest-earning assets).

The following table sets forth, for the years indicated, the changes in the Bank's interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of interest-earning assets and interest-bearing liabilities and changes in interest rate are measured by the average interest rates of the interest-earning assets and interest-bearing liabilities. Effect of changes caused by both volume and interest rate has been allocated to changes in net interest income.

	2018 vs 2017		
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-Earning Assets			
Loans and advances to customers	6,028,746	958,312	6,987,058
Investment securities and other financial assets	2,167,024	(3,302,314)	(1,135,290)
Deposits with the central bank	152,891	16,517	169,408
Deposits with banks and other financial institutions	(60,555)	2,890	(57,665)
Placements with banks and other financial institutions	27,683	39,884	67,567
Financial assets held under resale agreements	(152,909)	(3,876)	(156,785)
Finance lease receivables	133,441	51,407	184,848
	<u>8,296,321</u>	<u>(2,237,180)</u>	<u>6,059,141</u>
Interest-Bearing Liabilities			
Deposits from customers	1,652,088	2,360,691	4,012,779
Deposits from banks and other financial institutions	695,578	380,636	1,076,214
Placements from banks and other financial institutions	235,319	56,376	291,695
Financial assets sold under repurchase agreements	523,441	(110,139)	413,302
Debt securities issued	554,549	26,454	581,003
Financial liabilities at fair value through profit or loss	(884,801)	–	(884,801)
Borrowing from the central bank	860	(59)	801
	<u>2,777,034</u>	<u>2,713,959</u>	<u>5,490,993</u>
Changes in net interest income	<u><u>5,519,287</u></u>	<u><u>(4,951,139)</u></u>	<u><u>568,148</u></u>

Notes:

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

3.2.1.2 Interest income

The following table sets forth, for the years indicated, the breakdown of the Bank's interest income:

	For the year ended 31 December			
	2018		2017	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>				
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	17,022,624	37.0	10,396,679	26.0
Personal loans	683,785	1.5	599,313	1.5
Discounted bills	390,376	0.8	113,735	0.3
Subtotal	18,096,785	39.3	11,109,727	27.8
Investment securities and other financial assets	26,009,233	56.6	27,144,523	68.0
Deposits with the central bank	899,102	2.0	729,694	1.8
Deposits with banks and other financial institutions	296,894	0.6	354,559	0.9
Financial assets held under resale agreements	60,172	0.1	216,957	0.5
Placements with banks and other financial institutions	100,178	0.2	32,611	0.1
Finance lease receivables	540,310	1.2	355,462	0.9
Total	46,002,674	100.0	39,943,533	100.0

The Bank's interest income increased by 15.2% to RMB46,002,674 thousand in the Reporting Period from RMB39,943,533 thousand in the year of 2017, primarily due to the increase in the loan business and average yield of the Bank which resulted in the corresponding increase in interest income.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 39.3% and 27.8% of the Bank's interest income in the Reporting Period and 2017, respectively. The following table sets forth, for the years indicated, the average balance of loans and advances to customers, relevant interest income and average yield for loans and advances to customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2018 Interest income	Average yield (%)	Average balance	2017 Interest income	Average yield (%)
Corporate loans	252,601,605	17,022,624	6.74	164,957,800	10,396,679	6.30
Personal loans	10,700,562	683,785	6.39	9,867,572	599,313	6.07
Discounted bills	7,566,894	390,376	5.16	760,942	113,735	14.95
Total	<u>270,869,061</u>	<u>18,096,785</u>	6.68	<u>175,586,314</u>	<u>11,109,727</u>	6.33

Interest income from loans and advances to customers increased by 62.9% to RMB18,096,785 thousand in the Reporting Period from RMB11,109,727 thousand in the year of 2017, primarily due to the increase in average balance of loans and advances to customers and the increase in average yield rate.

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

Interest income from investment securities and other financial assets decreased by 4.2% to RMB26,009,233 thousand in the Reporting Period from RMB27,144,523 thousand in 2017, primarily because the decrease in the interest income resulting from the decrease of average yield of investment securities and other financial assets was partially offset by the corresponding increase of interest income resulted from the increase of average balance.

(3) Interest income from deposits with the central bank

Interest income from deposits with the central bank increased by 23.2% to RMB899,102 thousand in the Reporting Period from RMB729,694 thousand in the year of 2017, primarily due to the increase in the scale of the Bank's deposits resulting in the increase in the amount of the statutory deposit reserves deposited by the Bank with the central bank.

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

Interest income from deposits with banks and other financial institutions decreased by 16.3% to RMB296,894 thousand in the Reporting Period from RMB354,559 thousand in the year of 2017, mainly due to the decrease in average balance of the Bank's deposits with banks and other financial institutions.

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

Interest income from placements with banks and other financial institutions increased by 207.2% to RMB100,178 thousand in the Reporting Period from RMB32,611 thousand in the year of 2017, primarily due to the increase in the size and average yield rate of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 84.9% to RMB3,436,499 thousand in the Reporting Period from RMB1,858,677 thousand in the year of 2017. The average yield of placements with banks and other financial institutions rose to 2.92% in the Reporting Period from 1.75% in the year of 2017, primarily because the Bank increased the transaction frequency and transaction volume of foreign exchange placements with banks and other financial institutions due to the increase of interest rates in foreign exchange capital market.

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

Interest income from financial assets held under resale agreements decreased by 72.3% to RMB60,172 thousand in the Reporting Period from RMB216,957 thousand in the year of 2017, primarily due to the decrease in the average balance and the average yield. The average balance of financial assets held under resale agreements decreased by 70.5% to RMB2,132,221 thousand in the Reporting Period from RMB7,222,692 thousand in the year of 2017, primarily because the Bank reduced the size of financial assets held under resale agreements due to the need to balance gains and liquidity management.

(7) Interest income from finance lease receivables

Interest income from finance lease receivables increased by 52.0% to RMB540,310 thousand in the Reporting Period from RMB355,462 thousand in 2017, primarily due to the increase of average balance of finance lease receivables and increase of average yield.

3.2.1.3 Interest expense

The following table sets forth, for the years indicated, the principal components of the Bank's interest expense:

	For the year ended 31 December			
	2018		2017	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Deposits from customers	14,100,881	52.4	10,088,102	47.1
Deposits from banks and other financial institutions	6,741,064	25.1	5,664,850	26.5
Placements from banks and other financial institutions	567,146	2.1	275,451	1.3
Financial assets sold under repurchase agreements	1,565,501	5.8	1,152,199	5.4
Debt securities issued	3,923,616	14.6	3,342,613	15.6
Financial liabilities at fair value through profit or loss	–	–	884,801	4.1
Borrowing from the central bank	3,394	0.0	2,593	0.0
Total	<u>26,901,602</u>	<u>100.0</u>	<u>21,410,609</u>	<u>100.0</u>

Interest expense of the Bank increased by 25.6% from RMB21,410,609 thousand in the year of 2017 to RMB26,901,602 thousand during the Reporting Period, mainly due to the increase in average balance of deposits from customers and average cost.

(1) Interest expense on deposits from customers

The following table sets forth the average balance, interest expense and average cost for each component of the Bank's deposits from customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2018 Interest expense	Average cost (%)	Average balance	2017 Interest expense	Average cost (%)
Corporate deposits						
Time	133,901,619	5,849,840	4.37	152,526,452	4,988,980	3.27
Demand	50,730,041	880,675	1.74	48,952,536	342,838	0.66
Subtotal	184,631,660	6,730,515	3.65	201,478,988	5,313,818	2.64
Personal deposits						
Time	182,710,793	7,149,556	3.91	114,300,571	4,665,025	4.08
Demand	16,701,817	220,810	1.32	14,221,729	109,259	0.77
Subtotal	199,412,610	7,370,366	3.70	128,522,300	4,774,284	3.71
Total deposits from customers	384,044,270	14,100,881	3.67	330,001,288	10,088,102	3.06

Interest expense on deposits from customers increased by 39.8% to RMB14,100,881 thousand in the Reporting Period from RMB10,088,102 thousand in the year of 2017, primarily due to the increase in the scale of the Bank's deposits and the increase in cost.

(2) Interest expense on deposits from banks and other financial institutions

Interest expense on deposits from banks and other financial institutions increased by 19.0% to RMB6,741,064 thousand in the Reporting Period from RMB5,664,850 thousand in the year of 2017, primarily due to the increase in the size and the interest rate of deposits in banks and other financial institutions.

(3) Interest expense on placements from banks and other financial institutions

Interest expense on placements from banks and other financial institutions increased by 105.9% to RMB567,146 thousand in the Reporting Period from RMB275,451 thousand in the year of 2017, primarily due to the increase in average balance and average cost of placements from banks and other financial institutions. The average balance of placements from banks and other financial institutions increased by 85.4% to RMB22,240,983 thousand in the Reporting Period from RMB11,994,250 thousand in the year of 2017. The average cost of placements from banks and other financial institutions increased from 2.30% in the year of 2017 to 2.55% in the Reporting Period, which was mainly attributable to the increase in the offered rate of the US dollars during the Reporting Period and the extension of term of placements from banks and other financial institutions.

(4) Interest expense on financial assets sold under repurchase agreements

Interest expense on financial assets sold under repurchase agreements increased by 35.9% to RMB1,565,501 thousand in the Reporting Period from RMB1,152,199 thousand in the year of 2017, primarily because the increase of interest expenses resulted from the increase in average balance of financial assets sold under repurchase agreements, which was partially offset by the decrease of interest expenses resulted from the decrease of average cost. The average balance of financial assets sold under repurchase agreements increased by 45.4% to RMB46,016,517 thousand in the Reporting Period from RMB31,641,761 thousand in the year of 2017, mainly because the Bank appropriately increased the size of financial assets sold under repurchase agreements due to the need to balance the liquidity and gain management.

(5) Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB3,923,616 thousand, increased by RMB581,003 thousand from the year of 2017, representing an increase of 17.4%, which was mainly due to the increase in average balance of the Bank's debt securities issued and the increase of average cost. The average balance of the Bank's debt securities issued increased by 16.6% to RMB84,833,008 thousand in the Reporting Period from RMB72,761,648 thousand in the year of 2017, which was mainly due to the increase in issuance size of the Bank of secondary capital debt during the Reporting Period.

(6) Interest expense on financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are funds of wealth management products managed and measured at fair value sold by the Bank. Due to the adoption of IFRS 9, the Bank adjusted the interest expense of financial liabilities at fair value through profit or loss to net trading gains, thus, there was no interest expense on financial liabilities at fair value through profit or loss during the Reporting Period.

(7) Interest expense on borrowing from the central bank

During the Reporting Period, the Bank's interest expense on borrowing from the central bank increased by 30.9% to RMB3,394 thousand in the Reporting Period from RMB2,593 thousand in the year of 2017, which was mainly due to the increase in the average balance of the Bank's re-discounting business.

3.2.1.4 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 on total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

The net interest spread decreased to 1.93% in the Reporting Period as compared to 2.58% in the year of 2017 and the net interest margin decreased to 2.46% in the Reporting Period as compared to 2.88% in the year of 2017, primarily due to (i) the impact of the decrease in yield of interest-earning assets, the increase in cost of interest-bearing liabilities; (ii) changes of interest rate in capital market ; and (iii) according to the requirements of IFRS9, the financial assets and financial liabilities measured at fair value through profit or loss are no longer presented as interest-earning assets and interest-bearing liabilities, and the net interest income generated is adjusted to the net income of transactions for accounting.

3.2.1.5 Non-interest income

(1) Net fee and commission income

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2018	2017	Change	
Fee and commission income				
Agency services fees	211,284	360,744	(149,460)	(41.4)
Settlement and clearing fees	231,747	203,581	28,166	13.8
Wealth management service fees	251,683	185,941	65,742	35.4
Underwriting and advisory fees	86,970	65,602	21,368	32.6
Bank card service fees	13,002	14,576	(1,574)	(10.8)
Others	47,437	2,389	45,048	1,885.6
Subtotal	842,123	832,833	9,290	1.1
Fee and commission expense				
Settlement and clearing fees	42,938	59,562	(16,624)	(27.9)
Others	41,657	36,597	5,060	13.8
Subtotal	84,595	96,159	(11,564)	(12.0)
Net fee and commission income	757,528	736,674	20,854	2.8

The fee and commission income increased by 1.1% to RMB842,123 thousand in the Reporting Period as compared to RMB832,833 thousand in the year of 2017, primarily due to the increase in wealth management service fees and other fees of the Bank.

Wealth management service fees increased by 35.4% to RMB251,683 thousand in the Reporting Period as compared to RMB185,941 thousand in the year of 2017, primarily due to the increase in size of non-principal-guaranteed wealth management products issued by the Bank. The increase of other fees was mainly due to the increase of forfeiting fees.

Fee and commission expense primarily consists of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense decreased by 12.0% to RMB84,595 thousand in the Reporting Period as compared to RMB96,159 thousand in the year of 2017, primarily because the decrease of the Bank's business of issuing letters of credit and letters of guarantee by other banks, thereby reducing the fee expenses to other banks accordingly.

(2) Net trading gains/(losses)

Net trading gains/(losses) primarily comprise of net gains or losses from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. During the Reporting Period, the Bank incurred net trading gains of RMB1,491,100 thousand, while for the year of 2017, the Bank incurred net trading losses of RMB278,264 thousand. The increase in the Bank's net trading gains in the Reporting Period was primarily because the net interest income of financial assets and liabilities measured at fair value have been re-classified to net trading gains after implementation of IFRS 9.

(3) Dividend income

Dividend income increased by 37.5% to RMB880 thousand in the Reporting Period from RMB640 thousand in the year of 2017.

(4) Net gains arising from investment securities

Net gains from investment securities increased by 225.5% to RMB100,234 thousand in the Reporting Period from RMB30,796 thousand in the year of 2017, which was mainly due to the increase in income from the disposal of investment securities by the Bank.

(5) Net foreign exchange losses

Net foreign exchange losses decreased by 23.4% to RMB183,660 thousand in the Reporting Period from RMB239,637 thousand in the year of 2017, primarily because changes in fair value related to foreign exchange business are reclassified to exchange gains and losses by the Bank pursuant to the requirements of the Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018 《關於修訂印發2018年度金融企業財務報表格式的通知》(Cai Kuai [2018] No. 36) issued by the Ministry of Finance on 27 December 2018.

(6) Other net operating income

Other net operating income decreased by 29.8% to RMB16,045 thousand in the Reporting Period from RMB22,859 thousand in the year of 2017.

3.2.1.6 Operating expenses

During the Reporting Period, the Bank's operating expenses were RMB3,586,646 thousand, representing a year-on-year increase of RMB278,508 thousand or 8.4%.

For the year ended 31 December				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2018	2017	Change	Rate of change (%)
Staff costs	1,783,664	1,680,269	103,395	6.2
General and administrative expenses	989,780	869,788	119,992	13.8
Tax and surcharges	200,414	169,969	30,445	17.9
Depreciation and amortisation	427,286	403,193	24,093	6.0
Others	185,502	184,919	583	0.3
Total operating expenses	<u>3,586,646</u>	<u>3,308,138</u>	<u>278,508</u>	8.4

(1) Staff costs

The following table sets forth, for the years indicated, the principal components of the Bank's staff costs:

For the year ended 31 December				
<i>(Expressed in thousands of Renminbi, unless otherwise Stated)</i>	2018	2017	Change	Rate of Change (%)
Salaries and bonuses	1,263,408	1,231,249	32,159	2.6
Social insurance	261,511	233,740	27,771	11.9
Housing allowances	97,165	84,870	12,295	14.5
Staff welfares	71,386	76,554	(5,168)	(6.8)
Supplementary retirement benefits	1,961	1,629	332	20.4
Other long-term staff welfares	38,529	3,909	34,620	885.6
Others	49,704	48,318	1,386	2.9
Total staff costs	<u>1,783,664</u>	<u>1,680,269</u>	<u>103,395</u>	6.2

During the Reporting Period, the staff costs of the Bank were RMB1,783,664 thousand, representing an increase of RMB103,395 thousand or 6.2% as compared with that in the year of 2017, which was mainly due to the increase of human resource costs resulting from the remuneration and number increase of employees of the Bank.

(2) General and administrative expenses

General and administrative expenses increased by 13.8% to RMB989,780 thousand in the Reporting Period as compared to RMB869,788 thousand in the year of 2017, primarily due to (i) the increase of daily administration expenses as a result of the increase in outlets; and (ii) the increase of general and administrative expenses as a result of the increase in volume of the Bank's business.

(3) Tax and surcharges

The Bank's tax and surcharges increased by 17.9% to RMB200,414 thousand in the Reporting Period from RMB169,969 thousand in the year of 2017, primarily because of the increase in value-added tax payable due to the business development of the Bank.

(4) Depreciation and amortisation

Depreciation and amortisation increased by 6.0% to RMB427,286 thousand in the Reporting Period from RMB403,193 thousand in the year of 2017, primarily due to increases in depreciation and amortisation expenses as a result of the increase in the Bank's capital expenditure.

(5) Others

Other operating expense of the Bank increased by 0.3% to RMB185,502 thousand in the Reporting Period from RMB184,919 thousand in the year of 2017, mainly attributable to the increase in the Bank's donation to third parties resulting from the Bank's active implementation of the national policy of "targeted poverty alleviation and poverty elimination" during the Reporting Period.

3.2.1.7 Impairment losses on assets

The following table sets forth, for the years indicated, the principal components of the Bank's impairment losses on assets:

	For the year ended 31 December 2018
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	
Loans and advances to customers	
– to expected credit loss (the “ECL”) over the next 12 months	2,344,237
– to lifetime ECL - not credit - impaired loans	5,005,797
– to lifetime ECL - credit - impaired loans	10,139,895
Subtotal	17,489,929
Deposits and placements with banks and other financial institutions	37,920
Financial assets held under resale agreements	(47)
Financial assets at fair value through other comprehensive income	(25,522)
Financial assets measured at amortised cost	4,768,271
Finance lease receivables	202,614
Credit commitments	1,185,636
Others	24,917
Total	<u>23,683,718</u>

**For the year
ended 31
December
2017**

(Expressed in thousands of Renminbi, unless otherwise stated)

Loans and advances to customers	1,623,208
Debt securities classified as receivables	1,685,216
Finance lease receivables	132,748
Others	3,351
Total	<u>3,444,523</u>

Impairment losses on assets increased by 587.6% to RMB23,683,718 thousand in the Reporting Period from RMB3,444,523 thousand in the year of 2017, mainly because (i) the increase of the balance of loans and advances to customers and the increase of the non-performing ratio; and (ii) in response to the declining quality of assets and increase of non-performing assets and after the implementation of IFRS 9, the Bank adopted expected loss model, increased impairment provision of assets to improve risk defense capability, which resulted in the significant increase in impairment losses of assets.

3.2.1.8 Income tax credit/(expense)

In the Reporting Period, the Bank's income tax credit was RMB1,449,054 thousand, and income tax expense of 2017 was RMB2,963,273 thousand. The Bank's actual tax rate was 24.20%, representing a decrease of 0.38 percentage point as compared to that of last year.

3.2.2 Analysis of the statement of financial position

3.2.2.1 Assets

As at the end of the Reporting Period and as at 31 December 2017, the Bank had total assets of RMB845,922,748 thousand and RMB723,417,650 thousand, respectively. The principal components of the assets as at the end of the Reporting Period were (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) cash and deposits with the central bank; and (iv) deposits with banks and other financial institutions, accounting for 41.3%, 46.3%, 7.6% and 1.9% of the Bank's total assets as at the end of the Reporting Period, respectively. The table below sets forth balances of the principal components of the Bank's total assets as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	370,725,731	43.8	215,121,174	29.7
Interests receivable on loans and advances to customers	1,276,467	0.2	—	—
Provision for impairment losses on loans and advances to customers	(22,892,075)	(2.7)	(6,036,227)	(0.8)
Net Loans and advances to customers	349,110,123	41.3	209,084,947	28.9
Net investments securities and other financial assets ⁽¹⁾	392,056,838	46.3	425,372,238	58.8
Cash and deposits with the central bank	64,618,759	7.6	52,117,510	7.2
Deposits with banks and other financial institutions	16,231,627	1.9	9,617,694	1.3
Financial assets held under resale agreements	100,073	0.0	3,572,794	0.5
Placements with banks and other financial institutions	48,454	0.0	2,500,000	0.3
Finance lease receivables	7,484,842	0.9	6,840,341	0.9
Other assets ⁽²⁾	16,272,032	2.0	14,312,126	2.1
Total assets	<u>845,922,748</u>	<u>100.0</u>	<u>723,417,650</u>	<u>100.0</u>

Notes:

(1) Include the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost as at the end of the Reporting Period .

Include held-to-maturity investments, available-for-sale financial assets, financial assets at fair value through profit or loss and debt securities classified as receivables as at 31 December 2017 .

(2) Include interests receivable, property and equipment, deferred income tax assets, derivative financial assets and others.

The Bank's total assets increased by 16.9% from RMB723,417,650 thousand as at 31 December 2017 to RMB845,922,748 thousand as at the end of the Reporting Period. The main reason of the increase in the Bank's total assets was the expansion of loan size.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers were RMB370,725,731 thousand, representing an increase of 72.3% as compared to that at the end of last year. Total loans and advances to customers accounted for 43.8% of the Bank's total assets, representing an increase of 14.1 percentage points as compared to that at the end of last year.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Corporate loans	352,315,497	95.0	202,487,355	94.2
Personal loans	12,065,859	3.3	10,161,100	4.7
Discounted bills	6,344,375	1.7	2,472,719	1.1
Total loans and advances to customers	<u>370,725,731</u>	<u>100.0</u>	<u>215,121,174</u>	<u>100.0</u>

The Bank's total loans and advances to customers primarily comprise of corporate loans, personal loans and discounted bills. Corporate loans are the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2017, the Bank's corporate loans amounted to RMB352,315,497 thousand and RMB202,487,355 thousand, accounting for 95.0% and 94.2% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 74.0% from RMB202,487,355 thousand as at 31 December 2017 to RMB352,315,497 thousand as at the end of the Reporting Period, primarily due to (i) the Bank reclassified the business type of part of the beneficiary interest transfer plan measured at amortised cost to loans; and (ii) the Bank appropriately increased the loan scale by combining the development needs of the real economy with the development plan of its own business.

The Bank's personal loans mainly comprise of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. At the end of the Reporting Period, the balance of personal loans amounted to RMB12,065,859 thousand, representing an increase of RMB1,904,759 thousand or 18.7% as compared to that at the end of last year, accounting for 3.3% of the total loans and advances to customers.

A. Loans by collateral

As at the end of the Reporting Period and as at 31 December 2017, collateralised loans, pledged loans or guaranteed loans of the Bank represented, in aggregate, 94.4% and 92.0%, respectively, of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as at the dates indicated:

	As at 31 December 2018		As at 31 December 2017	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Unsecured loans	20,654,552	5.6	17,226,342	8.0
Guaranteed loans	165,361,842	44.6	76,539,268	35.6
Collateralised loans	106,011,207	28.6	55,872,860	26.0
Pledged loans	78,698,130	21.2	65,482,704	30.4
Total loans and advances to customers	<u>370,725,731</u>	<u>100.0</u>	<u>215,121,174</u>	<u>100.0</u>

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB184,709,337 thousand, representing an increase of RMB63,353,773 thousand or 52.2% as compared to that at the end of 2017, and accounting for 49.8% of the total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB186,016,394 thousand, representing an increase of RMB92,250,784 thousand as compared to that at the end of 2017, accounting for 50.2% of the total loans and advances to customers.

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

(i) Changes of provision for impairment losses on loans and advances to customers at amortised cost in the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	ECL over the next 12 months	Lifetime ECL not credit- impaired loans	Lifetime ECL credit- impaired loans	Total
As at 1 January 2018	(3,587,382)	(1,114,478)	(1,302,812)	(6,004,672)
Transferred:				
– to ECL over the next 12 months	(35,938)	24,699	11,239	—
– to lifetime ECL- not credit- impaired loans	246,178	(264,332)	18,154	—
– to lifetime ECL- credit- impaired loans	49,952	75,104	(125,056)	—
Net charge for the year	(2,344,237)	(5,005,797)	(10,139,895)	(17,489,929)
Unwinding of discount	—	—	330,732	330,732
Write-offs	—	—	271,794	271,794
As at 31 December 2018	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)

(ii) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income in the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	ECL over the next 12 months	Lifetime ECL not credit- impaired loans	Lifetime ECL credit- impaired loans	Total
As at 1 January 2018 after adjustment	(36,811)	—	—	(36,811)
Net release for the year	25,225	—	—	25,225
As at 31 December 2018	(11,586)	—	—	(11,586)

(iii) Changes of provision for impairment losses on loans and advances in the year of 2017 are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at 1 January 2017	(3,903,641)	(965,681)	(4,869,322)
Charge for the year	(865,897)	(900,830)	(1,766,727)
Release for the year	—	143,519	143,519
Unwinding of discount	—	67,635	67,635
Disposal for the year	—	388,668	388,668
As at 31 December 2017	<u>(4,769,538)</u>	<u>(1,266,689)</u>	<u>(6,036,227)</u>

Provision for impairment losses on loans increased by 279.4% from RMB6,036,227 thousand as at 31 December 2017 to RMB22,903,661 thousand as at the end of the Reporting Period, primarily due to the adoption of expected credit loss model and the increase of the Bank's provision for impairment losses so as to enhance risk resilience in response to the decline in asset quality and the increase in the outstanding balance of non-performing assets and the implementation of IFRS9.

(2) Investment securities and other financial assets

Investment securities and other financial assets consist of debt investments, equity investments, investments using funds of wealth management products, precious metals held for trading, financial assets measured at amortised cost and debt securities classified as receivables. At the end of the Reporting Period, investment securities and other financial assets are the largest components of the Bank's asset. As at the end of the Reporting Period and as at 31 December 2017, the Bank had net investment securities and other financial assets of RMB392,056,838 thousand and RMB425,372,238 thousand, accounting for 46.3% and 58.8% of the Bank's total assets, respectively.

The following table sets out the composition of investment securities and other financial assets (interests receivable not included) as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Debt investments	98,056,778	25.1	59,423,064	14.0
Financial assets at fair value through profit or loss	49,476,093	12.7	1,005,451	0.2
Financial assets at fair value through other comprehensive income	41,445,323	10.6	N/A	N/A
Financial assets measured at amortised cost	7,145,530	1.8	N/A	N/A
Held-to-maturity investments	N/A	N/A	7,778,664	1.9
Available-for-sale debt investments	N/A	N/A	50,638,949	11.9
Provision for impairment losses on debt investments	(10,168)	0.0	–	–
Equity investments	609,330	0.2	58,250	0.0
Financial assets at fair value through other comprehensive income	609,330	0.2	N/A	N/A
Available-for-sale equity investments	N/A	N/A	58,250	0.0
Wealth management products investments	16,586,787	4.3	22,507,706	5.3
Precious metals held for trading	–	–	13,651	0.0
Financial assets at amortised cost (other than debt investments)	274,105,502	70.4	N/A	N/A
Beneficial interest transfer plans	283,324,352	72.8	N/A	N/A
Investments in wealth management products of financial institutions	–	–	N/A	N/A
Provision for impairment losses on financial assets measured at amortised cost (other than debt investments)	(9,218,850)	(2.4)	N/A	N/A
Debt securities classified as receivables	N/A	N/A	343,369,567	80.7
Investments in wealth management products of financial institutions	N/A	N/A	200,088	0.0
Beneficial interest transfer plans	N/A	N/A	346,673,345	81.5
Provision for impairment losses on debt securities classified as receivables	N/A	N/A	(3,503,866)	(0.8)
Net investments	389,358,397	100.0	425,372,238	100.0

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (interests receivable not included) amounted to RMB389,358,397 thousand, representing a decrease of 8.5% from RMB425,372,238 thousand as at 31 December 2017, which was mainly attributable to the decrease in the scale of investment securities and other financial assets as a result of reclassification of the business type of part of beneficial interest transfer plans stated measured at amortised cost to loans.

3.2.2.2 Liabilities

As at the end of the Reporting Period and as at 31 December 2017, the Bank's total liabilities amounted to RMB785,159,604 thousand and RMB663,252,922 thousand, respectively. The Bank's liabilities mainly comprise of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 56.7%, 21.0% and 11.4%, respectively, of the Bank's total liabilities as at the end of the Reporting Period.

The following table sets forth the compositions of the Bank's total liabilities as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Deposits from customers	445,576,089	56.7	342,264,228	51.6
Deposits from banks and other financial institutions	164,629,085	21.0	134,537,429	20.3
Financial assets sold under repurchase agreements	43,445,203	5.5	39,064,430	5.9
Debt securities issued	89,668,782	11.4	89,564,751	13.5
Placements from banks and other financial institutions	20,760,381	2.6	13,466,127	2.0
Financial liabilities at fair value through profit or loss	16,512,712	2.1	22,439,776	3.4
Other liabilities ⁽¹⁾	4,567,352	0.7	21,916,181	3.3
Total	785,159,604	100.0	663,252,922	100.0

Note: (1) Include borrowing from the central bank, negative fair value of derivatives, accrued staff costs, taxes payable, interests payable and others.

(1) Deposits from customers

The Bank provides demand and time deposit products for corporate and personal customers. The table below sets forth deposits from customers and product types as at the dates indicated:

	As at 31 December 2018		As at 31 December 2017	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	56,908,802	13.1	52,192,358	15.2
Time deposits	142,277,063	32.8	138,545,258	40.5
Subtotal	199,185,865	45.9	190,737,616	55.7
Personal deposits				
Demand deposits	19,850,460	4.6	14,276,240	4.2
Time deposits	214,731,969	49.5	137,250,372	40.1
Subtotal	234,582,429	54.1	151,526,612	44.3
Total	433,768,294	100.0	342,264,228	100.0

As at the end of the Reporting Period, the Bank's total deposits from customers (interests payable not included) amounted to RMB433,768,294 thousand, representing an increase of RMB91,504,066 thousand or 26.7% as compared to that at the end of last year. Deposits from customers (interests payable not included) accounted for 55.2% of total liabilities, representing an increase of 3.6 percentage points as compared to that at the end of last year. During the Reporting Period, the increase in deposits from customers was due to the Bank optimised the service channel and outlet construction while increasing its efforts in marketing of customer deposits.

(2) Deposits from banks and other financial institutions

The counterparties of the Bank's deposits from the banks and other financial institutions mainly included domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the net amount of Bank's deposits from the banks and other financial institutions as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Deposits in Mainland China				
– Banks	69,997,464	43.2	78,318,057	58.2
– Other financial institutions	92,018,528	56.8	56,219,372	41.8
Total	162,015,992	100.0	134,537,429	100.0

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions (interests payable not included) amounted to RMB162,015,992 thousand, representing an increase of RMB27,478,563 thousand or 20.4% as compared to that at the end of 2017, which was mainly due to the increase in scale of deposits from the banks and other financial institutions as a result of the Bank's strengthened effort in business cooperation with other banks.

(3) Debt securities issued

Upon the approval of CBRC and People's Bank of China ("PBOC"), the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB1,500 million on 24 January 2014. The bonds have a term of ten years and fixed coupon rate of 7.00% per annum. The Bank has wholly redeemed such bonds at the nominal amount on 28 January 2019.

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

As at the end of the Reporting Period and as at 31 December 2017, the Bank issued 212 and 238 tranches of RMB negotiable certificates of deposit which were not matured, the balance of which were RMB81,400 million and RMB85,569 million, respectively.

3.2.2.3 Shareholders' equity

The following table sets forth the composition of the Bank's shareholders' equity as at the dates indicated:

	As at 31 December 2018		As at 31 December 2017	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Share capital	7,781,616	12.8	6,781,616	11.3
Other equity instruments				
including: preference shares	9,897,363	16.3	9,897,363	16.5
Capital reserve	20,730,770	34.1	13,578,809	22.6
Surplus reserve	2,994,679	4.9	2,994,679	5.0
General reserve	11,802,132	19.4	9,818,070	16.3
Retained earnings	3,570,852	5.9	13,160,018	21.9
Non-controlling interests	3,985,732	6.6	3,934,173	6.4
Total equity	<u>60,763,144</u>	<u>100.0</u>	<u>60,164,728</u>	<u>100.0</u>

On 21 December 2018, the Bank placed 1,000 million new H shares with a par value of RMB1.00 each at the price of HK\$8.30 per share. The total proceeds from the placing amounted to approximately HK\$8.30 billion, which was used to supplement the Bank's core tier-one capital after deducting issuance related commission and expenses.

3.2.3 Loans quality analysis

3.2.3.1 Breakdown of loans by the five-category classification

The Bank's non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans recorded by the Bank amounted to RMB18,508,148 thousand. The Bank's total provision for impairment losses on loans to customers measured at amortised cost and at fair value through other comprehensive income was RMB22,903,661 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as at the dates indicated:

	As at 31 December 2018		As at 31 December 2017	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Normal	290,209,315	78.3	207,906,403	96.7
Special mention	62,008,268	16.7	4,967,838	2.3
Substandard	10,072,423	2.7	1,470,816	0.7
Doubtful	7,699,364	2.1	475,259	0.2
Loss	736,361	0.2	300,858	0.1
Total loans and advances to customers	370,725,731	100.0	215,121,174	100.0
Non-performing loan	18,508,148	4.99	2,246,933	1.04

As at the end of Reporting Period and as at 31 December 2017, the non-performing loan ratios of the Bank were 4.99% and 1.04%, respectively. The Bank's non-performing loan ratio as at the end of Reporting Period is 3.95 percentage point higher as compared to that at the end of 2017, primarily due to the fact that (i) macro-economy is declining; (ii) the economy is getting worse in the region where the Bank's business is located; and (iii) customers in certain industries experienced difficulties in their operation which led to an increase in the non-performing rate of the Bank.

3.2.3.2 Concentration of loans

(1) Concentration of corporate loans by industry

Corporate loans consist of loans to customers in various industries. The table below sets forth the breakdown of corporate loans by industry as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Wholesale and retail trade	160,556,340	45.6	107,983,226	53.3
Manufacturing	69,766,423	19.8	34,526,186	17.1
Leasing and commercial services	28,961,888	8.2	11,297,965	5.6
Real estate	25,681,503	7.3	14,611,490	7.2
Transportation, storage and postal services	9,224,015	2.6	1,704,719	0.8
Public management and social organisation	8,061,209	2.3	8,160,339	4.0
Electricity, gas and water production and supply	7,412,338	2.1	2,524,672	1.2
Education	6,539,454	1.9	5,573,015	2.8
Mining	5,002,120	1.4	2,312,522	1.1
Construction	3,555,251	1.0	2,088,328	1.0
Water, environment and public utility management	1,519,360	0.4	1,326,750	0.7
Agriculture, forestry, animal husbandry and fishery	1,253,166	0.4	1,540,602	0.8
Others	24,782,430	7.0	8,837,541	4.4
Total corporate loans and advances	352,315,497	100.0	202,487,355	100.0

As at the end of the Reporting Period, loans offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; and (iii) leasing and commercial services represented the largest components of the Bank's corporate loans. As at the end of the Reporting Period and as at 31 December 2017, the balance of loans provided to the corporate customers in the aforesaid three industries was RMB259,284,651 thousand and RMB153,807,377 thousand, respectively, accounting for 73.6% and 76.0% of the total corporate loans and advances issued by the Bank, respectively. From the perspective of the structure of increased volume, the three industries in (i) wholesale and retail trade, (ii) manufacturing, and (iii) leasing and commercial services experienced the largest increment, representing increases of RMB52,573,114 thousand or 48.7%, RMB35,240,237 thousand or 102.1%, and RMB17,663,923 thousand or 156.4%, respectively.

(2) Borrower concentration

Loans to the ten largest single borrowers

The table below sets forth the borrowing amounts of the ten largest single borrowers as at the end of the Reporting Period.

*(Expressed in thousands of
Renminbi, unless otherwise
stated)*

Customer	Industry involved	As at 31 December 2018	
		Amount	% of total
Customer A	Real estate	3,490,000	1.0
Customer B	Scientific research and technical services	2,850,000	0.8
Customer C	Manufacturing	2,777,460	0.8
Customer D	Wholesale and retail trade	2,768,366	0.7
Customer E	Wholesale and retail trade	2,700,000	0.7
Customer F	Manufacturing	2,670,000	0.7
Customer G	Wholesale and retail trade	2,080,000	0.6
Customer H	Real estate	2,071,257	0.6
Customer I	Manufacturing	2,000,000	0.5
Customer J	Wholesale and retail trade	2,000,000	0.5

(3) Distribution of non-performing loans by product type

The table below sets forth the loans and non-performing loans by product type as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018			As at 31 December 2017		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances						
Small enterprises and micro enterprises	173,698,257	6,174,428	3.55	101,147,853	1,076,518	1.06
Medium enterprises	118,193,089	5,196,099	4.40	65,919,809	457,046	0.69
Others	60,424,151	6,082,595	10.07	35,419,693	303,989	0.86
Subtotal	<u>352,315,497</u>	<u>17,453,122</u>	4.95	<u>202,487,355</u>	<u>1,837,553</u>	0.91
Discounted bills	<u>6,344,375</u>	<u>–</u>	–	<u>2,472,719</u>	<u>–</u>	–
Personal loans						
Personal business loans	9,976,346	1,032,552	10.35	8,641,737	399,090	4.62
Personal consumption loans	630,907	15,598	2.47	645,395	7,868	1.22
Residential and commercial properties mortgage loans	1,302,895	4,754	0.36	747,574	1,002	0.13
Credit card overdrafts	155,385	1,796	1.16	125,988	1,014	0.80
Others	326	326	100.00	406	406	100.00
Subtotal	<u>12,065,859</u>	<u>1,055,026</u>	8.74	<u>10,161,100</u>	<u>409,380</u>	4.03
Total	<u>370,725,731</u>	<u>18,508,148</u>	4.99	<u>215,121,174</u>	<u>2,246,933</u>	1.04

The non-performing loan ratio, which is the total non-performing loans divided by the Bank's total loans and advances to customers, was 4.99% as at the end of the Reporting Period, representing an increase of 3.95 percentage point as compared to 1.04% as at 31 December 2017.

As at the end of the Reporting Period and as at 31 December 2017, the non-performing loan ratios of the Bank's corporate loans were 4.95% and 0.91%, respectively.

As at the end of the Reporting Period and as at 31 December 2017, the non-performing loan ratios of the Bank's personal loans were 8.74% and 4.03%, respectively.

(4) Overdue loans and advances to customers

The table below sets forth the ageing analysis of the Bank's overdue loans and advances to customers as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Overdue within 3 months (inclusive)	3,202,541	36.2	873,455	28.2
Overdue more than 3 months to 6 months (inclusive)	1,666,442	18.8	213,726	6.9
Overdue more than 6 months to 1 year (inclusive)	1,827,223	20.6	354,620	11.5
Overdue more than 1 year	2,157,088	24.4	1,653,749	53.4
Total overdue loans and advances to customers	8,853,294	100.0	3,095,550	100.0

3.2.4 Analysis on capital adequacy ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2015) promulgated by the CBRC. As at the end of the Reporting Period, the Bank's core tier-one capital adequacy ratio was 6.07%, representing a decrease of 2.37 percentage point as compared to that as at the end of last year; the tier-one capital adequacy ratio was 7.43%, representing a decrease of 2.81 percentage point as compared to that as at the end of last year; the capital adequacy ratio was 9.12%, representing a decrease of 2.55 percentage point as compared to that as at the end of last year. During the Reporting Period, the decrease of capital adequacy ratio was mainly due to (i) the adoption of expected credit loss model and the Bank increased provision for impairment so as to enhance risk resilience in response to the decline in asset quality and the increase in the outstanding balance of non-performing assets and the implementation of IFRS9, which leads to losses recorded during the Reporting period, resulting in the decrease of net amount of capital; and (ii) the increase of risk assets.

The table below sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated:

	As at 31 December 2018	As at 31 December 2017
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
Core tier-one capital		
– Share capital	7,781,616	6,781,616
– Qualifying portion of capital reserve	20,719,184	13,578,809
– Surplus reserve	2,994,679	2,994,679
– General reserve	11,802,132	9,818,070
– Retained earnings	3,570,852	13,160,018
– Qualifying portions of non-controlling interests	602,666	532,382
Core tier-one capital deductions		
– Other intangible assets other than land use right	(197,896)	(182,643)
– Other net deferred tax assets that depend on the Bank's future bank earnings	(2,746,095)	—
Net core tier-one capital	44,527,138	46,682,931
Other tier-one capital	9,977,719	9,968,347
Net tier-one capital	54,504,857	56,651,278
Tier-two capital		
– Instruments issued and share premium	8,000,000	4,000,000
– Surplus provision for loan impairment	4,281,808	3,969,198
– Qualifying portions of non-controlling interests	160,711	141,968
Tier-two capital deductions	—	(200,000)
Net capital base	66,947,376	64,562,444
Total risk weighted assets	734,050,677	553,087,541
Core tier-one capital adequacy ratio	6.07%	8.44%
Tier-one capital adequacy ratio	7.43%	10.24%
Capital adequacy ratio	9.12%	11.67%

3.2.5 Segment information

3.2.5.1 Summary of geographical segment

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches that generates the income. Substantially most of the Bank's businesses are conducted in the PRC and the Bank classifies the Bank's businesses in the PRC into the following three major geographical regions:

Jinzhou Region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司).

Other Northeastern China Region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch, Liaoyang branch, Huludao branch, Benxi branch, Yingkou branch, Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Huanren Jinyin Village and Township Bank (遼寧桓仁錦銀村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司).

Northern China Region: Beijing branch and Tianjin branch.

	For the year ended 31 December			
	2018		2017	
(Expressed in thousands of Renminbi, unless otherwise stated)	Amount	% of total	Amount	% of total
Operating income				
Jinzhou Region	16,871,441	79.3	14,153,945	75.2
Other Northeastern China Region	2,382,459	11.2	2,416,986	12.9
Northern China Region	2,029,299	9.5	2,235,061	11.9
Total	21,283,199	100.0	18,805,992	100.0

3.2.5.2 Summary of business segment

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

	For the year ended 31 December			
	2018		2017	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Operating income				
Corporate banking business	8,038,726	37.8	6,207,732	33.0
Retail banking business	2,151,040	10.1	1,403,570	7.5
Treasury business	11,093,364	52.1	11,172,171	59.4
Others	69	0.0	22,519	0.1
Total	21,283,199	100.0	18,805,992	100.0

3.2.6 Off-balance sheet items

The Bank's off-balance sheet items include credit commitment and other off-balance sheet items. Credit commitment mainly includes acceptances, letters of credit, letters of guarantees, credit card commitments and loan commitments. Other off-balance sheet items include operating lease commitments and capital expenditure commitments. Acceptances are commitments made to the payment for a bank draft issued by the Bank's customers. The letters of guarantees and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. The following table sets forth the Bank's credit commitments and other off-balance sheet items for the dates indicated:

	As at 31 December 2018	As at 31 December 2017
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
Acceptances	219,978,680	105,422,308
Letters of credit	18,172,538	21,070,234
Letters of guarantees	525,856	3,284,999
Loan commitments	5,169,079	3,870,216
Credit card commitments	1,174,794	929,182
Subtotal	245,020,947	134,576,939
Operating lease commitments	461,670	439,920
Capital commitments	407,225	1,022,570
Subtotal	868,895	1,462,490
Total	245,889,842	136,039,429

3.3 Risk Management

The Bank has exposures to the following risks from its use of financial instruments: credit risk, operational risk, market risk, liquidity risk, information technology risk and reputational risk.

The Bank's risk management policies were established to identify and analyse the risks to which the Bank is exposed, to set internal control policies and systems for monitoring risks level of the Bank. Risk management policies and relevant internal control systems are reviewed regularly by the Bank to reflect changes in market conditions and the Bank's business activities.

3.3.1 Credit risk

Credit risk refers to the risk that a customer or counterparty may be unable to or unwilling to meet its contractual obligations. The core to the Bank's credit risk management system mainly includes the formulation of credit policies, pre-credit due diligence, customer credit rating, collateral assessment, loan review and approval, loan disbursement management, post-loan management, non-performing loan management, and accountability.

The Bank's risk and compliance department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of the Bank's credit risk management system, gives advice for the improvement of the Bank's credit risk management system and develops and maintains the rating and limit tools. The Bank's lending-in-progress management department is in charge of the improvement of the Bank's credit review system and operating procedures. The Bank's post-credit management department is responsible for the determination of five-category loan assets. The unified credit management department is responsible for formulation of limit management and organise meetings of Credit Approval Management Committee under the Bank's headquarters.

With respect to the credit risk control and management, the Bank specifies the respective duties and operating procedures of each department according to the principle of credit investigation and credit approval separation, management and review separation, and credit limit and review separation. The Bank has established the operating mechanism of the Credit Approval Management Committee under the collective review system.

3.3.2 Operational risk

Operational risk refers to, in the process of operation and management, the risk resulting from imperfect governance structure of the legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper operation. The Bank's risk and compliance department is responsible for conducting continuous monitoring, inspection and assessment of the adequacy and effectiveness of the Bank's operational risk management system, putting forward improvement proposals and carrying out risk review of various risk management and internal control systems.

3.3.3 Market risk

Market risk refers to the risk of losses that the Bank may suffer in the Bank's on/off-balance-sheet business as a result of unfavourable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices.

The Bank's exposure to the market risk arises primarily from the Bank's assets and liabilities on the balance sheet, and mainly includes interest rate risk and exchange rate risk. Interest rate risk is the risk of loss that the Bank may suffer from the adverse movements in statutory interest rates or market interest rates. Exchange rate risk is the risk of loss that the Bank may suffer from the mismatches of the currency denomination of the Bank's assets and liabilities. The Bank's market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within acceptable limits and maximise the Bank's risk-adjusted income. The Bank's risk and compliance department is responsible for monitoring, inspecting and assessing the adequacy and efficiency of the Bank's market risk management system. The capital transaction department, interbank department, financial management department and international business department are responsible for the centralised management of interest rate risks and exchange rate risks.

3.3.3.1 Interest rate risk

Interest rates in China have been gradually liberalised in recent years. The interest rate risks have gradually changed from policy risks to market risks, and have become one of the major risks for bank operations. The interest rate risk is mainly reflected by the Bank's exposure to overall revenue and economic value losses as a result of unfavourable changes in key elements such as interest rate and duration structure of various interest-earning assets and interest-bearing liabilities of the Bank.

The finance management department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Bank regularly performs assessment on the interest rate sensitivity of the repricing gap and impact on the net interest income and economic value resulted from the changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on the net interest income and the economic value caused by interest rate volatility.

The Bank differentiates the banking book and trading book. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book consists of the Bank's investments proposed to sell in the near term, or generating profits from actual or expected short-term price fluctuation or has fixed risk exposure. The banking book records businesses which are not included in the trading book. The Bank mainly analyses the interest rate risk of bank accounts.

The Bank has adopted, including but not limited to, re-pricing gap analysis, duration analysis, simulation of net interest income changes and simulation of economic value changes for the measurement of interest rate risk. The interest rate risk measurement mainly evaluates the impact of changes in interest rate on the Bank's operation in terms of both income and economic value. The income simulation mainly analyses the net interest income, which focuses on the impact of changes in interest rate on the Bank's net interest income in the short run. The economic value simulation mainly analyses future cash flow discounted using different yield curves in various interest rate scenarios, so as to calculate the impact of changes in interest rate on the Bank's economic value.

The following tables indicate the financial assets and financial liabilities as at the end of the relevant periods by the expected next repricing dates or by maturity dates, whichever is earlier:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018					
	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	64,618,759	736,478	63,882,281	—	—	—
Deposits with banks and other financial institutions	16,231,627	165,506	13,374,612	2,691,509	—	—
Placements with banks and other financial institutions	48,454	36	—	48,418	—	—
Financial assets held under resale agreements	100,073	73	100,000	—	—	—
Loans and advances to customers ⁽¹⁾	349,110,123	—	28,349,374	83,497,971	234,761,511	2,501,267
Investment ⁽²⁾	392,056,838	3,307,771	41,298,968	121,419,375	221,030,918	4,999,806
Finance lease receivables	7,484,842	—	428,541	2,310,522	4,745,779	—
Others	16,272,032	15,966,671	107,014	198,347	—	—
Total assets	845,922,748	20,176,535	147,540,790	210,166,142	460,538,208	7,501,073
Liabilities						
Borrowing from the central bank	108,369	21	38,466	69,882	—	—
Deposits from banks and other financial institution	164,629,085	2,613,100	26,120,316	65,211,000	64,636,669	6,048,000
Placements from banks and other financial institutions	20,760,381	172,936	11,837,541	8,749,904	—	—
Financial assets sold under repurchase agreements	43,445,203	58,468	43,386,735	—	—	—
Deposits from customers	445,576,089	11,808,901	132,851,358	152,518,855	148,396,865	110
Debt securities issued	89,668,782	275,996	32,650,882	50,248,926	6,492,978	—
Others	20,971,695	4,305,033	6,885,406	9,536,081	245,175	—
Total liabilities	785,159,604	19,234,455	253,770,704	286,334,648	219,771,687	6,048,110
Asset-liability gap	60,763,144	942,080	(106,229,914)	(76,168,506)	240,766,521	1,452,963

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2017					
	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	52,117,510	747,977	51,369,533	—	—	—
Deposits with banks and other financial institutions	9,617,694	—	6,365,194	2,598,000	654,500	—
Placements with banks and other financial institutions	2,500,000	—	2,500,000	—	—	—
Financial assets held under resale agreements	3,572,794	—	3,572,794	—	—	—
Loans and advances to customers ⁽¹⁾	209,084,947	—	23,915,955	72,253,031	111,106,057	1,809,904
Investment ⁽²⁾	425,372,238	71,900	49,911,210	95,023,941	270,921,510	9,443,677
Finance lease receivables	6,840,341	—	2,977,922	1,676,518	2,185,901	—
Others	14,312,126	14,310,717	1,409	—	—	—
Total assets	<u>723,417,650</u>	<u>15,130,594</u>	<u>140,614,017</u>	<u>171,551,490</u>	<u>384,867,968</u>	<u>11,253,581</u>
Liabilities						
Borrowing from the central bank	307,848	—	—	307,848	—	—
Deposits from banks and other financial institution	134,537,429	—	30,869,509	54,184,550	46,270,870	3,212,500
Placements from banks and other financial institutions	13,466,127	—	3,546,559	9,919,568	—	—
Financial assets sold under repurchase agreements	39,064,430	—	39,064,430	—	—	—
Deposits from customers	342,264,228	111,982	102,330,196	91,867,159	147,919,590	35,301
Debt securities issued	89,564,751	—	37,974,793	47,594,477	3,995,481	—
Others	44,048,109	20,885,351	11,772,622	11,351,679	38,457	—
Total liabilities	<u>663,252,922</u>	<u>20,997,333</u>	<u>225,558,109</u>	<u>215,225,281</u>	<u>198,224,398</u>	<u>3,247,801</u>
Asset-liability gap	<u>60,164,728</u>	<u>(5,866,739)</u>	<u>(84,944,092)</u>	<u>(43,673,791)</u>	<u>186,643,570</u>	<u>8,005,780</u>

Notes:

- (1) As at the end of the Reporting Period and as at 31 December 2017, for loans and advances to customers, the category “Less than three months” includes overdue amounts (net of provision for impairment losses) of RMB2,801 million and RMB1,754 million, respectively.

- (2) Investments include debt investment at fair value through profit or loss, debt investment at fair value through other comprehensive income and debt investment measured at amortised cost (2017: financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables). The investment amounts under the category “Less than three months” above includes the overdue amounts with the balance of RMB21.14 million as at 31 December 2018.

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders’ equity. The following table sets forth, at the dates indicated, the results of the Bank’s interest rate sensitivity analysis based on the Bank’s assets and liabilities as at the same date:

	For the year ended 31 December			
	2018		2017	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Change of net profit for the year	Shareholders’ equity change	Change of net profit for the year	Shareholders’ equity change
100 basis points increase	(1,170,944)	(1,716,494)	(725,802)	(1,470,140)
100 basis points decrease	1,174,404	1,750,756	724,521	1,502,690

3.3.3.2 Exchange rate risk

Due to the complicated reasons for the changes in exchange rates, banks operating the foreign exchange business will face the risk of recording a decrease in revenue or suffering a loss due to the change in exchange rate if the mismatch in the currency type and duration structure of assets and liabilities results in a foreign exchange risk exposure. Exchange rate risks faced by banks mainly include trading risk and conversion risk. Trading risk represents the possibility that banks may suffer from losses as a result of a change in exchange rate when using foreign currencies to conduct pricing receipt and payment transactions. Conversion risk represents the possibility that banks may suffer from book losses as a result of a change in exchange rate when converting foreign currencies into the bookkeeping base currency. The Bank’s exchange rate risk mainly includes foreign exchange self-investment of capital business, and other foreign exchange exposures. The Bank manages foreign currency risk by spot and forward foreign exchange rates, foreign exchange swap and matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis. The Bank manages exchange rate risk by the following measures: strict implementation of the process of the foreign exchange business; continuous improvement in the internal control system and operational procedures; and continuous improvement in the risk management capability of the foreign exchange business.

The Bank's foreign exchange exposures as at the end of the relevant periods are as follows:

	As at 31 December 2018			
	RMB	USD	Others	Total
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		<i>(RMB Equivalent)</i>	<i>(RMB Equivalent)</i>	<i>(RMB Equivalent)</i>
Assets				
Cash and deposits with the central bank	64,426,910	188,880	2,969	64,618,759
Deposits with banks and other financial institutions	8,045,603	897,229	7,288,795	16,231,627
Placements with banks and other financial institutions	36	—	48,418	48,454
Loans and advances to customers	346,866,120	2,066,771	177,232	349,110,123
Other assets	411,874,545	4,039,240	—	415,913,785
Total assets	831,213,214	7,192,120	7,517,414	845,922,748
Liabilities				
Borrowing from the central bank	108,369	—	—	108,369
Deposits from banks and other financial institution	164,629,085	—	—	164,629,085
Placements from banks and other financial institutions	3,330,866	16,250,537	1,178,978	20,760,381
Deposits from customers	441,932,631	3,605,686	37,772	445,576,089
Debt securities issued	89,668,782	—	—	89,668,782
Other liabilities	64,416,898	—	—	64,416,898
Total liabilities	764,086,631	19,856,223	1,216,750	785,159,604
Net position	67,126,583	(12,664,103)	6,300,664	60,763,144
Credit commitments	242,749,624	2,241,612	29,711	245,020,947

	As at 31 December 2017			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>				
Assets				
Cash and deposits with the central bank	51,694,247	421,551	1,712	52,117,510
Deposits with banks and other financial institutions	7,812,720	1,688,247	116,727	9,617,694
Placements with banks and other financial institutions	2,500,000	—	—	2,500,000
Interests receivable	4,194,500	33,597	823	4,228,920
Loans and advances to customers	205,758,970	3,240,758	85,219	209,084,947
Other assets	445,663,686	197,888	7,005	445,868,579
Total assets	<u>717,624,123</u>	<u>5,582,041</u>	<u>211,486</u>	<u>723,417,650</u>
Liabilities				
Deposits from banks and other financial institution	134,537,429	—	—	134,537,429
Placements from banks and other financial institutions	2,012,000	11,040,562	413,565	13,466,127
Deposits from customers	333,934,816	7,843,255	486,157	342,264,228
Interests payable	12,174,541	285,007	2,852	12,462,400
Other liabilities	160,517,000	5,657	81	160,522,738
Total liabilities	<u>643,175,786</u>	<u>19,174,481</u>	<u>902,655</u>	<u>663,252,922</u>
Net position	<u>74,448,337</u>	<u>(13,592,440)</u>	<u>(691,169)</u>	<u>60,164,728</u>
Credit commitments	<u>130,544,733</u>	<u>3,033,937</u>	<u>998,269</u>	<u>134,576,939</u>

3.3.4 Liquidity risk

Liquidity risk represents the risk that the commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy due liabilities, to perform other payment obligations and to satisfy other funds requirements of commencing normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks of commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulty in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Bank's own asset and liability structure and liquidity management capability are also important factors which affect the Bank's liquidity.

3.3.4.1 Liquidity risk management

The Bank incorporated liquidity risk into the comprehensive risk management system, and formulated asset and liability management strategies and liquidity management policy. Being responsible for bank-wide liquidity management, the asset and liability management committee of the Bank established the liquidity management objectives according to the requirements and regulatory indicators for asset and liability management at the beginning of each year. The Bank's financial management department is responsible for the analysis and monitoring of the Bank's daily liquidity, while the financial management department, the capital transactions department, the international business department and interbank department manage the liquidity risk on a daily basis.

3.3.4.2 Liquidity risk analysis

The tables below summarise the maturity profile of the Bank's financial instruments based on the contractual undiscounted cash flows. The balances of some items in the tables below are different from the balances on the statement of financial position as the tables incorporate all cash flows relating to both principal and interest. The Bank's expected cash flows on these financial instruments may vary significantly from the following analysis. For example, demand deposits from customers are expected to maintain a stable or increasing balance although they have been classified as repayable on demand in the following tables.

The following tables provide an analysis of assets and liabilities of the Bank based on the remaining periods to repayment at the end of the relevant periods:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2018							Total
	Indefinite	Repayable on demand	Within 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	55,118,517	9,500,242	–	–	–	–	–	64,618,759
Deposits with banks and other financial institutions	–	1,541,492	8,890,680	3,067,310	2,732,145	–	–	16,231,627
Placements with banks and other financial institutions	–	–	–	–	48,454	–	–	48,454
Financial assets held under resale agreements	–	–	100,073	–	–	–	–	100,073
Loans and advances to customers	8,367,726	1,412,921	7,408,582	15,661,439	80,890,929	232,062,236	3,306,290	349,110,123
Investments	5,121,836	–	12,536,693	28,955,311	120,628,561	219,813,482	5,000,955	392,056,838
Finance lease receivables	185,000	–	–	428,541	2,310,522	4,560,779	–	7,484,842
Others	15,966,671	–	70,060	36,954	198,347	–	–	16,272,032
Total assets	84,759,750	12,454,655	29,006,088	48,149,555	206,808,958	456,436,497	8,307,245	845,922,748
Liabilities								
Borrowing from the central bank	–	–	–	29,904	78,465	–	–	108,369
Deposits from banks and other financial institutions	–	170,331	5,820,222	21,013,692	66,914,953	64,661,887	6,048,000	164,629,085
Placements from banks and other financial institutions	–	–	6,870,311	5,076,942	8,813,128	–	–	20,760,381
Financial assets sold under repurchase agreements	–	–	42,244,990	1,200,213	–	–	–	43,445,203
Deposits from customers	–	76,827,398	17,839,737	39,111,107	155,500,884	156,118,094	178,869	445,576,089
Debt securities issued	–	–	10,370,356	16,839,204	51,966,467	10,244,244	248,511	89,668,782
Others	–	4,305,033	2,161,575	4,723,831	9,536,081	245,175	–	20,971,695
Total liabilities	–	81,302,762	85,307,191	87,994,893	292,809,978	231,269,400	6,475,380	785,159,604
Asset-Liability gap	84,759,750	(68,848,107)	(56,301,103)	(39,845,338)	(86,001,020)	225,167,097	1,831,865	60,763,144

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	31 December 2017							Total
	Indefinite	Repayable on demand	Within 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	48,228,548	3,888,962	–	–	–	–	–	52,117,510
Deposits with banks and other financial institutions	–	2,063,194	495,000	3,807,000	2,598,000	654,500	–	9,617,694
Placements with banks and other financial institutions	–	–	2,500,000	–	–	–	–	2,500,000
Financial assets held under resale agreements	–	–	3,572,794	–	–	–	–	3,572,794
Loans and advances to customers	1,629,801	123,883	4,382,466	17,088,310	72,016,790	111,635,692	2,208,005	209,084,947
Investments	556,597	–	14,236,219	27,161,136	94,996,281	278,978,328	9,443,677	425,372,238
Finance lease receivables	–	–	176,563	632,123	2,259,399	3,772,256	–	6,840,341
Others	10,182,043	–	666,469	1,038,953	1,942,505	482,033	123	14,312,126
Total assets	60,596,989	6,076,039	26,029,511	49,727,522	173,812,975	395,522,809	11,651,805	723,417,650
Liabilities								
Borrowing from the central bank	–	–	–	–	307,848	–	–	307,848
Deposits from banks and other financial institutions	–	289,509	5,830,000	24,750,000	54,184,550	46,270,870	3,212,500	134,537,429
Placements from banks and other financial institutions	–	–	1,420,888	2,125,671	9,919,568	–	–	13,466,127
Financial assets sold under repurchase agreements	–	–	33,775,615	5,288,815	–	–	–	39,064,430
Deposits from customers	–	66,468,598	13,179,122	22,794,458	91,867,159	147,919,590	35,301	342,264,228
Debt securities issued	–	–	9,011,430	22,983,363	47,594,477	9,975,481	–	89,564,751
Others	–	8,175,817	5,914,642	8,487,457	15,213,921	6,203,034	53,238	44,048,109
Total liabilities	–	74,933,924	69,131,697	86,429,764	219,087,523	210,368,975	3,301,039	663,252,922
Asset-Liability gap	60,596,989	(68,857,885)	(43,102,186)	(36,702,242)	(45,274,548)	185,153,834	8,350,766	60,164,728

At the end of the Reporting Period, as at 30 September 2018 and as at 30 June 2018, the net stable funding ratio of the Bank was 109.76%, 103.95% and 102.73%, respectively.

At the end of the Reporting Period, the stable funds available to the Bank were RMB592.263 billion, and the required stable funds were RMB539.612 billion.

3.3.5 Information technology risk

Information technology risks include operational risks, legal risks, reputational risks and other types of risks caused by natural or human factors, technical loopholes and management failures during the use of information technology by the Bank.

The Bank has established the corresponding organizational structure by establishing an information technology risk management system, including the Board, the Information Technology Management Committee, the information technology division of the information technology management department, the risk compliance division of the responsible information technology risk management department and the internal audit division of the responsible information technology auditing department. At the same time, according to the Bank's risk management capabilities, risk appetite and risk tolerance, we have set up applicable risk management processes, adhered to sound information technology risk management policies, built a scientific risk management organization structure, and clearly defined risk management responsibilities, in an effort to prevent major scientific and technological risk events, maintain stable operation of the system, and to control the Bank's information technology risks within a reasonable level.

3.3.6 Reputational risk

Reputational risk is the risk of negative evaluation on the Bank by stakeholders due to its business, management and other actions or external incidents.

During the Reporting Period, through diversified initiatives such as improving the system construction, strengthening the real-time monitoring of online public opinion, conducting self-examination and investigation of reputational risks, and increasing the positive publicity of the brand image, the Bank strengthened the management process of reputational risk identification, monitoring, control and resolution and continuously improved the reputation risk management mechanism.

3.4 Future Prospects

In 2019, the Bank thoroughly implemented the policies of the CPC central committee on finance work and decisions and arrangements of regulatory authorities to stick to the original goal and give full play to urban commercial bank's regional advantages, focusing on supporting the supply-side structural reform. The Bank will pinpoint operation strategic positioning, determine prudent risk preference, concentrate on cultivating the compliance atmosphere, compliance concept and culture of compliance, and guard the bottom line of risk. The Bank will build up correct operating philosophy, control the substantial risk and grasp the structural opportunities. Also, the Bank will return to the original positioning of "serving the local economy, serving small and micro businesses, and serving urban and rural residents", plowing deeply into the fields of regional small and micro businesses, inclusive finance, and agricultural sector, enhancing development ability of serving real economy.

4. ISSUANCE OF SECURITIES AND BONDS

4.1 Issuance of Securities

On 21 December 2018, the Bank placed 1,000 million new H shares with a par value of RMB1 each at a price of HK\$8.30 per share. The total proceeds from the placing amounted to approximately HK\$8.30 billion, which was used to supplement the Bank's core tier-one capital after deducting issuance related commission and expenses.

4.2 Issuance of Tier 2 Capital Bonds

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB1,500 million on 24 January 2014. The bonds have a term of ten years and fixed coupon rate of 7.00% per annum. The Bank has wholly redeemed such bonds at the nominal amount on 28 January 2019.

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

4.3 Issuance of Negotiable Certificates of Deposit

As at the end of the Reporting Period, 212 outstanding and not yet expired negotiable certificates of deposit were issued by the Bank with an aggregate amount of RMB81.4 billion.

5. OTHER INFORMATION

5.1 Corporate Governance Code

The Bank has continuously improved its corporate governance system, gradually upgraded its corporate governance standards, and has adopted the Corporate Governance Code (“CG Code”) as set out in Appendix 14 of the Listing Rules and the relevant requirements on corporate governance as set out in the Management Measures for Commercial Banks of the PRC and established its corresponding corporate governance system. The Bank has also established full-time and independent board of directors, board of supervisors, and senior management in accordance with relevant regulations. Among the members of the board of directors and the board of supervisors of the Bank, except for employee supervisors, they are all elected by the general meeting of shareholders. The Bank will further improve the level of information disclosure, standardize investor relations management activities, and continuously improve transparency and governance.

During the Reporting Period, the Bank has fully complied with the code provisions as set out in the CG Code. The directors are not aware of any information indicating that the Bank has not complied with the code provisions as set out in the CG Code.

5.2 Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by its directors and supervisors, 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 as set out in Appendix 10 of the Listing Rules. Having made specific enquiries to all directors and supervisors by the Bank, each director and supervisor of the Bank has confirmed that he/she has complied with such code of conduct during the Reporting Period.

5.3 Profits and Dividend

The Bank’s revenue for the Reporting Period and the Bank’s financial position as at the same date are set out in the financial statements of this announcement.

The Board did not recommend to declare any dividend for the year ended 31 December 2018 (the year ended 31 December 2017: RMB0.16 per share (tax inclusive)).

5.4 Annual General Meeting and Closures of Register of Members

The Bank's annual general meeting of 2018 will be held on Friday, 18 October 2019. In order to determine the holders of domestic shares and holders of H shares of the Bank who are eligible to attend and vote at the annual general meeting of 2018, the register of members of the Bank will be closed from Wednesday, 18 September 2019 to Friday, 18 October 2019 (both days inclusive), during such period no transfer of shares will be registered. Holders of domestic shares and holders of H shares of the Bank whose names appear on the Bank's register of members on Wednesday, 18 September 2019 shall be entitled to attend the annual general meeting of 2018. Holders of H shares of the Bank who wish to attend and vote at the annual general meeting of 2018 must lodge all transfer documents accompanied by the relevant share certificates 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, 17 September 2019.

5.5 Purchase, Sale and Redemption of Listed Securities of the Bank

During the Reporting Period, the Bank or any of its subsidiaries did not purchased, sold or redeemed any listed securities of the Bank.

5.6 Review by Audit Committee

The audit committee of the Bank is currently comprised of independent non-executive Directors, Ms. Peng Taoying and Ms. Tan Ying, and a non-executive Director, Ms. Meng Xiao, of whom Ms. Peng Taoying is the chairman of the committee. The audit committee of the Bank has reviewed the audited consolidated annual financial statements of the Bank for the year ended 31 December 2018.

5.7 Subsequent Events

- (a) On 2 August 2019, the Board announced that:
- (i) Ms. Liu Hong has tendered her resignation letter to the Bank to resign as the president of the Bank due to her personal health reason. Ms. Liu Hong will serve as a non-executive director of the Bank and continue to perform her duties as a director. Mr. Guo Wenfeng has been appointed as the president of the Bank, which was approved by Liaoning Regulatory Bureau of CBIRC on 2 August 2019, for an initial term commencing on 2 August 2019 till the end of the fifth session of the Board.
 - (ii) Mr. Kang Jun has been appointed as the vice president of the Bank, which was approved by Liaoning Regulatory Bureau of CBIRC on 2 August 2019, for an initial term commencing on 2 August 2019 till the end of the fifth session of the Board.

- (iii) Mr. Yang Weihua has been appointed as the vice president of the Bank, which was approved by Liaoning Regulatory Bureau of CBIRC on 2 August 2019, for an initial term commencing on 2 August 2019 till the end of the fifth session of the Board.
- (iv) Mr. Yu Jun has been appointed as the chief financial officer of the Bank, which was approved by Liaoning Regulatory Bureau of CBIRC on 2 August 2019, for an initial term commencing on 2 August 2019 till the end of the fifth session of the Board.
- (b) On 28 July 2019, the Board received notice from certain shareholders of the Bank, including China Enterprise Development Investment (Beijing) Co., Ltd. (中企發展投資(北京)有限公司), that they transferred part of the domestic shares of the Bank held by them to ICBC Financial Asset Investment Co., Limited (工銀金融資產投資有限公司) (“**ICBC Investment**”), Cinda Investment Co., Ltd. (信達投資有限公司) (“**Cinda Investment**”) and China Greatwall Assets Management Co., Ltd (中國長城資管理股份有限公司) under the support and guidance of the local government and financial supervising authorities, and the relevant parties have already entered into conditional share transfer agreements regarding such transfers. The domestic shares of the Bank being transferred to ICBC Investment and Cinda Investment represent 10.82% and 6.49% of the total issued ordinary shares of the Bank, respectively.

6. FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended 31 December	
	2018	2017
Interest income	46,002,674	39,943,533
Interest expense	(26,901,602)	(21,410,609)
Net interest income	19,101,072	18,532,924
Fee and commission income	842,123	832,833
Fee and commission expense	(84,595)	(96,159)
Net fee and commission income	757,528	736,674
Net trading gains/(losses)	1,491,100	(278,264)
Dividend income	880	640
Net gains arising from investment securities	100,234	30,796
Net foreign exchange losses	(183,660)	(239,637)
Other net operating income	16,045	22,859
Operating income	21,283,199	18,805,992
Operating expenses	(3,586,646)	(3,308,138)
Operating profit before impairment	17,696,553	15,497,854
Impairment losses on assets	(23,683,718)	(3,444,523)
(Loss)/profit before tax	(5,987,165)	12,053,331
Income tax credit/(expense)	1,449,054	(2,963,273)
(Loss)/profit for the year	(4,538,111)	9,090,058
Attributable to:		
Equity shareholders of the Bank	(4,593,447)	8,976,990
Non-controlling interests	55,336	113,068
(Loss)/profit for the year	(4,538,111)	9,090,058
Basic and diluted (losses)/earnings per share (in RMB)	(0.77)	1.32

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended	
	31 December	
	2018	2017
(Loss)/profit for the year	(4,538,111)	9,090,058
Other comprehensive income/(loss) for the year:		
Items that may be reclassified subsequently to profit or loss:		
– Available-for-sale financial assets		
– Change in fair value	–	(840,826)
– Reclassified to the profit or loss upon disposal	–	(39,022)
– Related income tax effect	–	219,962
– Debt instruments measured at fair value through other comprehensive income		
– Change in fair value	1,212,698	–
– Change in impairment provision	(25,522)	–
– Reclassified to the profit or loss upon disposal	(64,666)	–
– Related income tax effect	(286,155)	–
Items that will not be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	(6,721)	(2,100)
– Equity instruments at fair value through other comprehensive income	22,110	–
	<hr/>	<hr/>
Other comprehensive income/(loss) for the year	851,744	(661,986)
	<hr/>	<hr/>
Total comprehensive (loss)/income for the year	<u>(3,686,367)</u>	<u>8,428,072</u>
Attributable to:		
Equity shareholders of the Bank	(3,741,703)	8,315,004
Non-controlling interests	55,336	113,068
	<hr/>	<hr/>
Total comprehensive (loss)/income for the year	<u>(3,686,367)</u>	<u>8,428,072</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Renminbi, unless otherwise stated)

	As at 31 December	
	2018	2017
Assets		
Cash and deposits with the central bank	64,618,759	52,117,510
Deposits with banks and other financial institutions	16,231,627	9,617,694
Placements with banks and other financial institutions	48,454	2,500,000
Positive fair value of derivatives	305,361	1,409
Financial assets held under resale agreements	100,073	3,572,794
Interests receivable	—	4,228,920
Loans and advances to customers	349,110,123	209,084,947
Financial assets at fair value through profit or loss	66,062,880	23,526,808
Financial assets at fair value through other comprehensive income	42,857,583	—
Financial assets measured at amortised cost	283,136,375	—
Available-for-sale financial assets	—	50,697,199
Held-to-maturity investments	—	7,778,664
Debt securities classified as receivables	—	343,369,567
Finance lease receivables	7,484,842	6,840,341
Property and equipment	6,601,413	6,452,324
Deferred tax assets	7,473,418	2,379,845
Other assets	1,891,840	1,249,628
Total assets	<u>845,922,748</u>	<u>723,417,650</u>
Liabilities and equity		
Liabilities		
Borrowing from the central bank	108,369	307,848
Deposits from banks and other financial institutions	164,629,085	134,537,429
Placements from banks and other financial institutions	20,760,381	13,466,127
Financial liabilities at fair value through profit or loss	16,512,712	22,439,776
Negative fair value of derivatives	153,950	722,982
Financial assets sold under repurchase agreements	43,445,203	39,064,430
Deposits from customers	445,576,089	342,264,228
Accrued staff costs	302,747	259,517
Taxes payable	965,769	1,148,908
Interests payable	—	12,462,400
Debt securities issued	89,668,782	89,564,751
Provisions	1,728,410	—
Other liabilities	1,308,107	7,014,526
Total liabilities	<u>785,159,604</u>	<u>663,252,922</u>

	As at 31 December	
	2018	2017
Equity		
Share capital	7,781,616	6,781,616
Other equity instruments including: Preference shares	9,897,363	9,897,363
Capital reserve	20,730,770	13,578,809
Surplus reserve	2,994,679	2,994,679
General reserve	11,802,132	9,818,070
Retained earnings	3,570,852	13,160,018
	<u>56,777,412</u>	<u>56,230,555</u>
Total equity attributable to equity shareholders of the Bank		
Non-controlling interests	3,985,732	3,934,173
Total equity	<u>60,763,144</u>	<u>60,164,728</u>
Total liabilities and equity	<u><u>845,922,748</u></u>	<u><u>723,417,650</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Bank						Subtotal	Non-controlling interests	Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings			
Balance at 31 December 2017	6,781,616	9,897,363	13,578,809	2,994,679	9,818,070	13,160,018	56,230,555	3,934,173	60,164,728
Add: changes in accounting policies	–	–	67,677	–	–	(1,293,628)	(1,225,951)	–	(1,225,951)
Balance at 1 January 2018	6,781,616	9,897,363	13,646,486	2,994,679	9,818,070	11,866,390	55,004,604	3,934,173	58,938,777
Changes in equity for the year:									
Profit for the year	–	–	–	–	–	(4,593,447)	(4,593,447)	55,336	(4,538,111)
Other comprehensive income	–	–	851,744	–	–	–	851,744	–	851,744
Total comprehensive income	–	–	851,744	–	–	(4,593,447)	(3,741,703)	55,336	(3,686,367)
Changes in share capital									
– Capital injection by equity shareholders	1,000,000	–	6,232,540	–	–	–	7,232,540	–	7,232,540
Appropriation of profits									
– Appropriation to general reserve	–	–	–	–	1,984,062	(1,984,062)	–	–	–
– Appropriation to shareholders	–	–	–	–	–	(1,718,029)	(1,718,029)	(3,777)	(1,721,806)
Balance at 31 December 2018	7,781,616	9,897,363	20,730,770	2,994,679	11,802,132	3,570,852	56,777,412	3,985,732	60,763,144
Balance at 1 January 2017	6,781,616	–	14,240,795	2,101,109	7,225,282	8,686,628	39,035,430	3,858,882	42,894,312
Changes in equity for the year:									
Profit for the year	–	–	–	–	–	8,976,990	8,976,990	113,068	9,090,058
Other comprehensive income	–	–	(661,986)	–	–	–	(661,986)	–	(661,986)
Total comprehensive income	–	–	(661,986)	–	–	8,976,990	8,315,004	113,068	8,428,072
Capital injection by other equity holders	–	9,897,363	–	–	–	–	9,897,363	–	9,897,363
Appropriation of profits									
– Appropriation to surplus reserve	–	–	–	893,570	–	(893,570)	–	–	–
– Appropriation to general reserve	–	–	–	–	2,592,788	(2,592,788)	–	–	–
– Appropriation to shareholders	–	–	–	–	–	(1,017,242)	(1,017,242)	(37,777)	(1,055,019)
Balance at 31 December 2017	6,781,616	9,897,363	13,578,809	2,994,679	9,818,070	13,160,018	56,230,555	3,934,173	60,164,728

CONSOLIDATED CASH FLOW STATEMENT

(Expressed in thousands of Renminbi, unless otherwise stated)

	For the year ended	
	31 December	
	2018	2017
Cash flows from operating activities		
(Loss)/profit for the years	(4,538,111)	9,090,058
Adjustments for:		
Impairment losses on assets	23,683,718	3,444,523
Depreciation and amortisation	427,286	403,193
Unwinding of discount	(330,732)	(67,635)
Dividend income	(880)	(640)
Unrealised foreign exchange losses	98,929	158,814
Net (gains)/losses on derivative financial instruments	(116)	98,352
Net gains arising from investment securities	(100,234)	(30,796)
Net gains on disposal of trading securities	(41,183)	(2,578)
Revaluation (gains)/losses on financial instruments at fair value through profit or loss	(1,449,801)	182,490
Interest expense on debts securities issued	3,923,616	3,342,613
Net losses on disposal of property and equipment and other long term assets	1,052	—
Income tax (credit)/expense	(1,449,054)	2,963,273
	<u>20,224,490</u>	<u>19,581,667</u>
Changes in operating assets		
Net increase in deposits with the central bank, banks and other financial institutions	(5,573,473)	(15,227,559)
Net increase in placements with banks and other financial institutions	(48,418)	—
Net increase in loans and advances to customers	(156,012,322)	(88,709,589)
Net increase in finance lease receivables	(847,115)	(2,357,598)
Net increase in other operating assets	(249,635)	(991,126)
	<u>(162,730,963)</u>	<u>(107,285,872)</u>
Changes in operating liabilities		
Net (decrease)/increase in borrowing from central bank	(199,500)	307,848
Net increase in deposits from banks and other financial institutions	27,478,562	3,508,976
Net increase in placements from banks and other financial institutions	7,121,319	9,599,606
Net increase in financial assets sold under repurchase agreements	4,322,305	3,900,238
Net increase in deposits from customers	89,848,054	79,295,017
Income tax paid	(3,752,126)	(3,553,146)
Net (decrease)/increase in other operating liabilities	(2,915,459)	8,680,747
	<u>121,903,155</u>	<u>101,739,286</u>

	2018	2017
Net cash flows (used in)/generated from operating activities	<u>(20,603,318)</u>	<u>14,035,081</u>
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	291,159,316	297,078,610
Dividend received	880	640
Proceeds from disposal of property and equipment and other assets	26,526	—
Payments on acquisition of investments	(264,100,797)	(374,922,174)
Payments on acquisition of property and equipment, intangible assets and other assets	<u>(820,237)</u>	<u>(705,690)</u>
Net cash flows generated from/(used in) investing activities	<u>26,265,688</u>	<u>(78,548,614)</u>
Cash flows from financing activities		
Proceeds from capital contribution by equity shareholders	7,232,540	—
Proceeds from issue of other equity instruments	—	9,897,363
Proceeds from issue of debt securities	128,996,076	159,475,633
Repayment of debts securities issued	(132,440,000)	(103,090,000)
Interest paid on debts securities issued	(502,200)	(358,962)
Dividend paid	<u>(1,568,258)</u>	<u>(892,846)</u>
Net cash flows generated from financing activities	<u>1,718,158</u>	<u>65,031,188</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>36,154</u>	<u>(277,376)</u>
Net increase in cash and cash equivalents	7,416,682	240,279
Cash and cash equivalents as at 1 January	<u>12,469,950</u>	<u>12,229,671</u>
Cash and cash equivalents as at 31 December	<u><u>19,886,632</u></u>	<u><u>12,469,950</u></u>
Interest received	<u><u>47,377,546</u></u>	<u><u>39,236,370</u></u>
Interest paid (excluding interest expense on debts securities issued)	<u><u>(20,661,534)</u></u>	<u><u>(12,874,831)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Jinzhou Co., Ltd. (the “**Bank**”) was established on 22 January 1997 with approval of the People’s Bank of China (the “**PBOC**”) (Yin Fu [1997] No.29).

The Bank obtained its finance permit No.B0127H221070001 from the China Banking Regulatory Commission (the “**CBRC**”, which was renamed as China Banking Insurance Regulatory Commission (“**CBIRC**”) on 8 April 2018). The Bank obtained its business license with unified social credit code No. 912107002426682145 from the State Administration for Industry and Commerce of the PRC. The legal representative is Zhang Wei and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC.

In December 2015, the Bank’s H-shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 0416). As at 31 December 2018, the share capital of the Bank is RMB7,782 million.

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, finance leasing as well as other banking services as approved by the former CBRC. The Group operates in Mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), the Macau Special Administrative Region of the PRC (“**Macau**”) and Taiwan. As at 31 December 2018, the Bank has 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the “**IFRSs**”) and related interpretations, issued by the International Accounting Standards Board (the “**IASB**”), as well as with the applicable disclosure provisions of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(2) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements as at 31 December 2018 comprise the Bank and its subsidiaries.

Unless stated otherwise, the financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, which is the functional currency of the Bank.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements on the carrying values of assets and liabilities that are not readily apparent from other sources. 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 4.

The measurement basis used in the preparation of the financial statements is historical cost, with the exception of certain financial assets and financial liabilities, which are measured at fair value.

The consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for 2017.

(2) Change in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. Impacts of the adoption of the revised IFRSs, is as follows:

IFRS 15, Revenue from contracts with customers

IFRS 15 includes a single model that is applicable to recognising revenue from contracts with customers and two methods of revenue recognition: recognising revenue at a point in time or over a period of time. The model is characterised by the process that conducting a five-step analysis based on the contract, to determine whether the revenue of a transaction can be recognised, the amount of revenue to be recognised, and the timing of revenue recognition.

IFRS 15 has introduced extensive qualitative and quantitative disclosure requirements, which aims to enable users of financial statements to understand the nature, amount, timing and uncertainty of the revenue and cash flows from contracts with customers. Entities can apply the standard with the full retrospective method, or can start to adopt the standard since the date of initial application and adjust the opening balance at that date. The disclosure in the transitional period varies according to different methods adopted by the entities.

The Group performed an assessment of the new standard and concluded that the current treatment of revenue from contracts with customers is consistent with the new principles and there is no transition impact to retained earnings.

IFRS 9, Financial instruments

IFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. IFRS 9 became effective for annual periods beginning on or after 1 January 2018, which requires the Group to make retrospective adjustments. Exercising the exemption, the Group did not restate information in the comparative period, and included the conversion and adjustment to the initial shareholders' equity on 1 January 2018.

Classification and measurement

IFRS 9 contains three principal classification categories for financial assets: financial assets measured at (1) amortised cost, (2) fair value through profit or loss and (3) fair value through other comprehensive income as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. For financial assets that are eligible to be measured at amortised cost or fair value through other comprehensive income, the Group is still able to irrevocably designate them as financial assets at fair value through profit or loss at their initial recognition. If a debt instrument is classified as fair value through other comprehensive income, then its interest income, impairments, exchange gains and losses, and gains/losses on disposal will be recognised in profit or loss.

- For equity investments, the classification is fair value through profit or loss regardless of the entity's business model. The only exception is if the equity investment is not held for trading and the entity irrevocably elects to designate that equity investment as financial assets at fair value through other comprehensive income. If an equity investment is designated as financial assets at fair value through other comprehensive income then only dividend income on that investment will be recognised in profit or loss. Gains and losses on that investment will be recognised in other comprehensive income without reclassification to profit or loss.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from International Accounting Standard 39, Financial Instruments: Recognition and Measurement ("IAS 39"), except that IFRS 9 requires the fair value change of a financial liability designated at fair value through profit or loss that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss).

Impairment

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss ("ECL") model, it will be unnecessary for the entity to recognise impairment losses after a loss event occurs. Instead, an entity is required to recognise and measure ECL as either 12-month ECL or lifetime ECL, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses.

Hedge accounting

IFRS 9 does not fundamentally change the requirements relating to measuring and recognising the hedging ineffectiveness under IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting.

Disclosure

IFRS 9 introduces a large number of new disclosure requirements, particularly the content relating to hedge accounting, credit risk and ECL.

Transition

IFRS 9 became effective from 1 January 2018. Exercising the exemption, the Group did not restate the comparative figures in prior periods and just adjusted the net assets at the beginning of 2018 according to the impact of the data.

3. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

		Effective for the years beginning on or after
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019

(a) IFRS 16 “Leases”

In January 2016, the IASB issued IFRS 16, Leases, which replaces the current guidance in IFRS 17. The new standard requires the companies to bring leases on-balance sheet for lessees. The new standard also makes changes in accounting over the life of the lease, and introduces a stark dividing line between leases and service contracts.

Under IFRS 16 there is no longer a distinction between finance leases and operating leases so far as lessees are concerned. Instead, subject to practical expedients, a lessee recognises all leases on-balance sheet by recognising a right-of-use (“ROU”) asset and lease liability.

Lessor accounting is substantially unchanged – i.e. lessors continue to classify leases as finance and operating leases. However, there are a number of changes in the details of lessor accounting in IFRS 16. For example, lessors apply the new definition of a lease, sale-and-leaseback guidance, sub-lease guidance and disclosure requirements.

The standard is expected to have no material impact on financial position and financial performance of the Group.

(b) IFRIC 23 “Uncertainty over income tax treatments”

This interpretation provides guidance on how to apply IAS 12, Income Taxes when there is uncertainty over whether a tax treatment will be accepted by the tax authority.

Under the interpretation, the key test is whether it is probable that the tax authority will accept the tax treatment.

If it is probable, then the entity should measure current and deferred tax consistently with the tax treatment in its tax return.

If it is not probable, then the entity should reflect the effect of uncertainty in its accounting for income tax by using the “expected value” approach or the “the most likely amount” approach – whichever better predicts the resolution of the uncertainty and in that case the tax amounts in the financial statements will not be the same as the amounts in the tax return.

The interpretation is expected to have no material impact on financial position and financial performance of the Group.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses).

(b) 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, discounted cash flow analysis, and option pricing models. 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.

(c) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for tax loss 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 judgment 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.

(d) Impairment of non-financial assets

Non-financial 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) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling price, related operating income and expenses and discount 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 related operating income and expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment, and intangible assets are depreciated and amortised 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 and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Determination of control over investees

The 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 wealth management products and asset management plans. 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.

(g) Defined benefit plan

The Group has established liabilities in connection with supplementary retirement benefits and other long-term benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, mortality rates, demission rates and other factors. Management has made significant estimates when made these assumptions. The changes in assumptions may affect the Group's expenses related to its employee defined benefit obligations.

5 NET INTEREST INCOME

	For the year ended 31 December	
	2018	2017
Interest incomes arising from		
Deposits with the central bank	899,102	729,694
Deposits with banks and other financial institutions	296,894	354,559
Placements with banks and other financial institutions	100,178	32,611
Financial assets at fair value through profit or loss	–	1,269,201
Loans and advances to customers		
- Corporate loans	17,022,624	10,396,679
- Personal loans	683,785	599,313
- Discounted bills	390,376	113,735
Financial assets held under resale agreements	60,172	216,957
Available-for-sale debt investment	–	1,561,599
Held-to-maturity investment	–	339,638
Debt securities classified as receivables	–	23,974,085
Financial assets at fair value through other comprehensive income	1,450,002	–
Financial assets measured at amortised cost	24,559,231	–
Finance lease receivables	540,310	355,462
Subtotal	<u>46,002,674</u>	<u>39,943,533</u>
Interest expenses arising from		
Borrowing from the central bank	3,394	2,593
Deposits from banks and other financial institutions	6,741,064	5,664,850
Placements from banks and other financial institutions	567,146	275,451
Financial liabilities at fair value through profit or loss	–	884,801
Deposits from customers		
- Corporate customers	6,730,515	5,313,818
- Individual customers	7,370,366	4,774,284
Financial assets sold under repurchase agreements	1,565,501	1,152,199
Debts securities issued	<u>3,923,616</u>	<u>3,342,613</u>
Subtotal	<u>26,901,602</u>	<u>21,410,609</u>
Net interest income	<u>19,101,072</u>	<u>18,532,924</u>
Of which: Interest income arising from impaired financial assets identified	<u>330,732</u>	<u>67,635</u>

6 NET FEE AND COMMISSION INCOME

	For the year ended 31 December	
	2018	2017
Fee and commission income		
Agency services fees	211,284	360,744
Settlement and clearing fees	231,747	203,581
Wealth management service fees	251,683	185,941
Underwriting and advisory fees	86,970	65,602
Bank card service fees	13,002	14,576
Others	47,437	2,389
Subtotal	<u>842,123</u>	<u>832,833</u>
Fee and commission expense		
Settlement and clearing fees	42,938	59,562
Others	41,657	36,597
Subtotal	<u>84,595</u>	<u>96,159</u>
Net fee and commission income	<u>757,528</u>	<u>736,674</u>

7 NET TRADING GAINS/(LOSSES)

	For the year ended 31 December	
	2018	2017
Trading financial instruments		
- Debt securities	1,261,231	(6,236)
- Derivative financial instruments	725	(237,132)
- Precious metals	–	(178)
Subtotal	<u>1,261,956</u>	<u>(243,546)</u>
Financial instruments designated at fair value through profit or loss	<u>229,144</u>	<u>(34,718)</u>
Total	<u>1,491,100</u>	<u>(278,264)</u>

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

8 OPERATING EXPENSES

	For the year ended 31 December	
	2018	2017
Staff costs		
– Salaries and bonuses	1,263,408	1,231,249
– Social insurance	261,511	233,740
– Housing allowances	97,165	84,870
– Staff welfares	71,386	76,554
– Supplementary retirement benefits	1,961	1,629
– Other long-term staff welfares	38,529	3,909
– Others	49,704	48,318
Subtotal	<u>1,783,664</u>	<u>1,680,269</u>
Premises and equipment expenses		
– Depreciation of property and equipment	324,116	313,165
– Rental and property management expenses	112,512	95,507
– Amortisation of other long-term assets	66,625	58,667
– Amortisation of intangible assets	36,545	31,361
Subtotal	<u>539,798</u>	<u>498,700</u>
Tax and surcharges	200,414	169,969
Other general and administrative expenses (Note)	<u>1,062,770</u>	<u>959,200</u>
Total	<u><u>3,586,646</u></u>	<u><u>3,308,138</u></u>

Note: Auditors' remuneration for the year of 2018 was RMB6.52 million (2017: RMB5.00 million).

(b) Reconciliations between income tax and accounting (loss)/profit are as follows:

	For the year ended	
	31 December	
	2018	2017
(Loss)/profit before tax	(5,987,165)	12,053,331
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	(1,496,791)	3,013,333
Non-deductible expenses		
- Staff costs	325	1,613
- Others	106,785	1,531
Subtotal	107,110	3,144
Non-taxable income		
- Interest income from the PRC government bonds	(34,481)	(37,558)
- Others	(23,574)	(15,646)
Utilisation of tax loss	(1,318)	–
Total	<u>(1,449,054)</u>	<u>2,963,273</u>

11 BASIC AND DILUTED (LOSSES)/EARNINGS PER SHARE

	For the year ended	
	31 December	
	2018	2017
Net (loss)/profit attributable to equity shareholders of the Bank	(4,593,447)	8,976,990
Less: Net profit attributable to other equity holders of the Bank	(632,891)	–
Net (loss)/profit attributable to equity shareholders of the Bank	(5,226,338)	8,976,990
Weighted average number of ordinary shares (in thousands)	6,809,013	6,781,616
Basic and diluted (losses)/earnings per share attributable to equity shareholders of the Bank (in RMB)	<u>(0.77)</u>	<u>1.32</u>

The Bank issued non-cumulative preference shares on 27 October 2017. For the purpose of calculating basic earnings per share, dividend on non-cumulative preference shares declared for the year should be deducted from the net amounts attributable to ordinary shareholders. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2018 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted losses per share.

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the Reporting Period.

	For the year ended	
	31 December	
	2018	2017
Weighted average number of ordinary shares		
Number of ordinary shares as at 1 January (in thousands)	6,781,616	6,781,616
New added weighted average number of ordinary shares (in thousands)	27,397	–
Weighted average number of ordinary shares (in thousands)	<u>6,809,013</u>	<u>6,781,616</u>

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2018	2017
Debt securities held for trading (a)	5,713,274	1,005,451
Precious metals held for trading	–	13,651
Interbank certificates of deposit	2,974,136	–
Beneficial interest transfer plans (b)	32,778,216	–
Debt funds	7,558,886	–
Balance with a bank	200,581	–
Wealth management products issued by financial institutions	251,000	–
Subtotal	49,476,093	1,019,102
Financial assets designated at fair value through profit or loss (c)	<u>16,586,787</u>	<u>22,507,706</u>
Total	<u>66,062,880</u>	<u>23,526,808</u>

(a) Debt securities held for trading

	As at 31 December	
	2018	2017
Issued by institutions in Mainland China		
- Government	–	28,900
- Banks and other financial institutions	3,423,652	976,551
	<hr/>	<hr/>
Issued by institutions outside Mainland China		
- Banks and other financial institutions	2,289,622	–
	<hr/>	<hr/>
Total	<u>5,713,274</u>	<u>1,005,451</u>
Listed	3,415,253	1,005,451
Unlisted	2,298,021	–
	<hr/>	<hr/>
Total	<u>5,713,274</u>	<u>1,005,451</u>

As at the end of the Reporting Period, some of the debt securities held for trading and interbank certificates of deposit are used for the pledge of the repurchase agreements.

(b) Beneficial interest transfer plans

Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, and asset management companies.

(c) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss represented investments in debt securities with proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under financial liabilities designated at fair value through profit or loss. The fair value gains on these investments was RMB468 million for the year ended 31 December 2018.

13 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2018
Debt instruments issuers in Mainland China	
- Government	2,208,490
- Banks and other financial institutions	38,524,754
- Corporations	712,079
Subtotal	<u>41,445,323</u>
Equity investments	
- Unlisted	<u>609,330</u>
Add: Interests receivable	<u>802,930</u>
Total	<u><u>42,857,583</u></u>

At the end of Reporting Period, some of the investments of debt securities in Mainland China are used for the pledge of repurchase agreements.

Note 1: Provision for impairment of financial investments measured at fair value through other comprehensive income is recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the consolidated statement of financial position is not reduced.

Note 2: The Group chose to designate non-trading equity investments as financial assets at fair value through other comprehensive income on the transition date. As at 31 December 2018, the amount for these non-trading equity investments was RMB609.33 million. During the Reporting Period, the dividend income from these non-trading equity investments amounted to RMB0.88 million and was included in profit or loss. During the Reporting Period, non-trading equity investments of the Group were not disposed and no accumulated gain or loss was transferred from other comprehensive income to retained earnings. The fair value gains on these investments were RMB22.11 million for the year ended 31 December 2018.

14 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	31 December 2018
Debt securities issued by the following institutions in Mainland China	
- Government	4,069,833
- Banks and other financial institutions	1,340,000
- Corporations	19,897
	<hr/>
Subtotal	5,429,730
	<hr/>
Issuers outside Mainland China	
- Corporate	1,715,800
Beneficial interest transfer plans	283,324,352
Add: Interest receivable	1,895,511
Less: Allowance for impairment losses	(9,229,018)
Total	<u>283,136,375</u>

At the end of the Reporting Period, certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of repurchase agreements.

The movements of provision for financial assets at amortised cost are as follows:

	31 December 2018			
	ECL over the next 12 months	Lifetime ECL-not credit- impaired loans	Lifetime ECL-credit- impaired loans	Total
As at 1 January	(3,390,200)	(824,942)	(329,803)	(4,544,945)
Transferred				
- to ECL over the next 12 months	—	—	—	—
- to lifetime ECL - not credit-impaired loans	375,727	(375,727)	—	—
- to lifetime ECL - credit-impaired loans	63,492	2,212	(65,704)	—
Net charge for the year	(663,391)	(565,745)	(3,539,135)	(4,768,271)
Net written-off for the year	—	—	84,198	84,198
As at 31 December	<u>(3,614,372)</u>	<u>(1,764,202)</u>	<u>(3,850,444)</u>	<u>(9,229,018)</u>

15 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2017
Available-for-sale debt investments (a)	50,638,949
Available-for-sale equity investments (b)	58,250
Total	<u>50,697,199</u>
Listed	41,009,388
Unlisted	9,687,811
Total	<u>50,697,199</u>

Notes:

(a) Available-for-sale debt investments

All available-for-sale debt investments were stated at fair value and issued by the following institutions:

	31 December 2017
In Mainland China	
- Government	2,324,942
- Banks and other financial institutions	47,215,613
- Corporations	900,506
Subtotal	<u>50,441,061</u>
Outside Mainland China	
- Banks and other financial institutions	197,888
Total	<u><u>50,638,949</u></u>

As at 31 December 2017, part of the available-for-sale financial assets was pledged for repurchase agreements.

(b) Available-for-sale equity investments

Available-for-sale unlisted equity investments which do not have any quoted market price and whose fair values cannot be measured reliably are stated at cost less impairment losses, if any.

16 HELD-TO-MATURITY INVESTMENTS

Analysed by type and location of issuers

	31 December 2017
Debt securities issued by the following institutions in Mainland China	
- Government	3,832,750
- Banks and other financial institutions	3,926,073
- Corporations	19,841
Total carrying value	<u>7,778,664</u>
Listed	7,778,664
Fair value	<u><u>7,617,355</u></u>

As at 31 December 2017, part of the held-to-maturity investments was pledged as security for repurchase agreements.

The Group has not disposed of any held-to-maturity debt investments prior to their maturity dates during the reporting period.

17 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	31 December 2017
Wealth management products issued by financial institutions (a)	200,088
Beneficial interest transfer plans (b)	346,673,345
Gross balance	346,873,433
Less: Provision for impairment losses	<u>(3,503,866)</u>
Net balance	<u><u>343,369,567</u></u>

Notes:

- (a) Wealth management products issued by financial institutions are fixed-term products.
- (b) Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies.

18 APPROPRIATION OF PROFITS

(a) In accordance with the resolution of the Bank's Board of directors meeting on 30 August 2019, the proposed profit appropriations for the year ended 31 December 2018 is listed as follows:

- Appropriate general reserve amounted to RMB1,984 million.

The profit appropriation resolution mentioned above has yet to be approved by the shareholders' general meeting of the Bank.

(b) In accordance with the resolution of the Bank's annual general meeting on 29 May 2018, the proposed profit appropriations for the year ended 31 December 2017 is listed as follows:

- Appropriate statutory surplus reserve amounted to RMB894 million, based on 10% of the net profit of the Bank.
- Appropriate general reserve amounted to RMB2,593 million.
- Declaration of cash dividend of RMB0.16 per shares before tax and in aggregation amount of RMB1,085 million to all shareholders.

(c) In accordance with the resolution of the Bank's annual general meeting on 25 May 2017, the proposed profit appropriations for the year ended 31 December 2016 is listed as follows:

- Declaration of cash dividend of RMB0.15 per shares before tax and in aggregation amount of RMB1,017 million to all shareholders.

(d) In accordance with the resolution of the Bank's Board of directors meeting on 28 August 2018, the Bank's overseas preference shares distribution plan, which was distributed on 27 October 2018, is listed as follows:

- Declaration of preference stock dividend to holders of overseas preference shares of USD91 million, approximately RMB633 million.

19 SEGMENT REPORTING

Segment reporting is disclosed in accordance with the accounting policy.

The Group manages its business by business lines and geographical areas. Interest income and expenses earned from third parties are referred to as “External net interest income/expense”. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as “Internal net interest income/expense”.

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 reportable segments based on the following operating segments:

Corporate banking business

Corporate banking business covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other products and services relating to the trading business.

Retail banking business

Retail banking business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards, personal loans and collateral loans, and personal wealth management services.

Treasury business

Treasury business covers money market placements, investments and repurchasing, foreign exchange transactions, for the Group’s own accounts or on behalf of customers.

Other business

This represents business other than corporate banking business, retail banking business and treasury business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the People’s Bank of China. Expenses are distributed.

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

(a) *Segment results, assets and liabilities*

	Year ended 31 December 2018				
	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Operating income					
External net interest income/(expense)	10,682,484	(6,686,581)	15,105,169	—	19,101,072
Internal net interest income/(expense)	(3,090,880)	8,556,251	(5,465,371)	—	—
Net interest income	7,591,604	1,869,670	9,639,798	—	19,101,072
Net fee and commission income	443,093	281,115	33,320	—	757,528
Net trading gains	—	—	1,491,100	—	1,491,100
Dividend income	—	—	880	—	880
Net gains arising from investment securities	—	—	100,234	—	100,234
Foreign exchange gains/(losses)	4,029	255	(171,968)	(15,976)	(183,660)
Other net operating income	—	—	—	16,045	16,045
Total operating income	8,038,726	2,151,040	11,093,364	69	21,283,199
Operating expenses	(1,342,424)	(359,350)	(1,882,192)	(2,680)	(3,586,646)
Operating profit/(loss) before impairment	6,696,302	1,791,690	9,211,172	(2,611)	17,696,553
Impairment losses on assets	(18,481,150)	(460,936)	(4,741,632)	—	(23,683,718)
Profit/(loss) before tax	(11,784,848)	1,330,754	4,469,540	(2,611)	(5,987,165)
Segment assets	345,609,993	11,353,537	473,361,112	8,124,688	838,449,330
Deferred tax assets	—	—	—	7,473,418	7,473,418
Total assets	345,609,993	11,353,537	473,361,112	15,598,106	845,922,748
Segment liabilities	199,185,865	246,390,224	245,609,700	93,539,278	784,725,067
Dividend payable	—	—	—	434,537	434,537
Total liabilities	199,185,865	246,390,224	245,609,700	93,973,815	785,159,604
Other segment information					
- Depreciation and amortisation	(143,397)	(67,810)	(189,202)	(26,877)	(427,286)
- Capital expenditure	275,271	130,172	363,201	51,593	820,237

Year ended 31 December 2017

	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Operating income					
External net interest income/(expense)	5,674,718	(4,483,138)	17,341,344	—	18,532,924
Internal net interest income/(expense)	48,976	5,751,527	(5,800,503)	—	—
Net interest income	5,723,694	1,268,389	11,540,841	—	18,532,924
Net fee and commission income	538,370	135,627	62,677	—	736,674
Net trading losses	—	—	(278,264)	—	(278,264)
Dividend income	—	—	640	—	640
Net gains arising from investment securities	—	—	30,796	—	30,796
Foreign exchange losses	(54,332)	(446)	(184,519)	(340)	(239,637)
Other net operating income	—	—	—	22,859	22,859
Total operating income	6,207,732	1,403,570	11,172,171	22,519	18,805,992
Operating expenses	(1,601,011)	(795,359)	(726,812)	(184,956)	(3,308,138)
Operating profit/(loss) before impairment	4,606,721	608,211	10,445,359	(162,437)	15,497,854
Impairment losses on assets	(1,688,908)	(67,049)	(1,685,215)	(3,351)	(3,444,523)
Profit/(loss) before tax	2,917,813	541,162	8,760,144	(165,788)	12,053,331
Segment assets	207,210,217	10,676,142	494,839,182	8,312,264	721,037,805
Deferred tax assets	—	—	—	2,379,845	2,379,845
Total assets	207,210,217	10,676,142	494,839,182	10,692,109	723,417,650
Segment liabilities	198,695,911	170,395,089	285,754,251	8,128,666	662,973,917
Dividend payable	—	—	—	279,005	279,005
Total liabilities	198,695,911	170,395,089	285,754,251	8,407,671	663,252,922
Other segment information					
- Depreciation and amortisation	(194,936)	(96,938)	(88,583)	(22,736)	(403,193)
- Capital expenditure	341,189	169,665	155,043	39,793	705,690

(b) Geographical information

The Group operates principally in Jinzhou Region, Other Northeastern China Region and Northern China Region.

Non-current assets include property and equipment, land use rights and intangible assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries and the branches which generate income. The distribution of the geographical areas is as follows:

“Jinzhou Region” Including headquarters of the Bank, Jinzhou branch and the five subsidiaries of the Group.

“Other Northeastern China Region” Including the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and the three subsidiaries of the Group.

“Northern China Region” Including the following areas serviced by branches of the Bank: Beijing and Tianjin.

	Operating Income	
	Year ended 31 December	
	2018	2017
Jinzhou Region	16,871,441	14,153,945
Other Northeastern China Region	2,382,459	2,416,986
Northern China Region	2,029,299	2,235,061
Total	<u>21,283,199</u>	<u>18,805,992</u>

	Non-current Assets	
	31 December	31 December
	2018	2017
Jinzhou Region	2,801,676	2,730,457
Other Northeastern China Region	3,381,635	3,195,954
Northern China Region	695,045	695,987
Total	<u>6,878,356</u>	<u>6,622,398</u>

20 COMMITMENTS AND CONTINGENT LIABILITIES

(a) *Credit commitments*

The Group's credit commitments mainly includes loan commitments, credit card commitments, acceptances, letters of credit and letters of guarantee.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial 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 management of the Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2018	31 December 2017
Loan commitments		
- Original contractual maturity within one year	666,784	203,848
- Original contractual maturity more than one year (inclusive)	4,502,295	3,666,368
Credit card commitments	1,174,794	929,182
Subtotal	<u>6,343,873</u>	<u>4,799,398</u>
Acceptances	219,978,680	105,422,308
Letters of guarantees	525,856	3,284,999
Letters of credit	18,172,538	21,070,234
Total	<u><u>245,020,947</u></u>	<u><u>134,576,939</u></u>

The Group may be exposed to credit risk in all the above credit businesses. The management of the Group 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) *Operating lease commitments*

As at the end of the Reporting Period, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

	31 December 2018	31 December 2017
Within one year (inclusive)	100,709	106,568
After one year but within two years (inclusive)	78,129	95,314
After two years but within three years (inclusive)	66,119	90,771
After three years but within five years (inclusive)	88,383	78,608
After five years	<u>128,330</u>	<u>68,659</u>
Total	<u><u>461,670</u></u>	<u><u>439,920</u></u>

(c) Capital commitments

As at the end of the Reporting Period, the Group's authorised capital commitments are as follows:

	31 December 2018	31 December 2017
Contracted but not provided for		
- Purchase of property and equipment	407,225	901,773
Authorised but not contracted		
- Purchase of property and equipment	—	120,797
	<hr/>	<hr/>
Total	<u>407,225</u>	<u>1,022,570</u>

(d) Outstanding litigations and disputes

As at 31 December 2018, the Group had no material outstanding litigation and disputes with gross claims.

The equity dispute litigation disclosed in the 2017 Annual Report had new progress. On 4 June 2018, the Bank received the Civil Judgment of the Liaoning Higher People's Court ((2012) Liao Min Er Chu Zi No. 00026), and the Liaoning Provincial Higher People's Court made the following judgment on the above equity litigation: (i) rejecting the claim of Liaoning Overseas Chinese Group Co., Ltd.; (ii) the case acceptance fee is RMB561,370, which is borne by Liaoning Overseas Chinese Group Co., Ltd.. After the judgment of the first instance, Liaoning Overseas Chinese Group Co., Ltd. refused to accept the first-instance judgment and appealed to the Supreme People's Court. The Supreme People's Court held a hearing on 5 November 2018, and made a final judgment on 26 December 2018 ((2018) Supreme Court No. 1168), dismissed the appeal and upheld the original judgment. The Bank received the final judgment on 29 January 2019.

7. PROCEDURES PERFORMED BY CROWE (HK) CPA LIMITED IN RESPONSE TO THE OUTSTANDING MATTERS IDENTIFIED BY ERNST & YOUNG

Regarding the Outstanding Matters identified by Ernst & Young set out in the Bank's announcement dated 31 May 2019, Crowe (HK) CPA Limited ("Crowe") has performed the following additional audit procedures (the "Additional Audit Procedures"), included but not limited to the below, which Crowe considered necessary for addressing the Outstanding Matters:

- a. reviewed and discussed the Outstanding Matters with the management of the Bank;
- b. enquired with the management on their judgments and assessments on the Outstanding Matters;
- c. identified the actual usage of the loans related to the Outstanding Matters and assessed the financial impact of such changes;
- d. checked the subsequent settlements made by the customers, and if applicable, obtained the agreed settlement plans with customers and compared the actual receipts against the settlement plans up to the report date;
- e. assessed the processes and controls over loans; and
- f. assessed the loss allowances of loans.

Crowe considered that the Outstanding Matters were properly addressed in order to form their audit opinion based on the results of the above Additional Audit Procedures.

Based on the results of the procedures performed by the management of the Bank and the Additional Audit Procedures performed by Crowe, the audit committee of the Bank also considered that the Outstanding Matters were properly addressed.

8. RELEASE OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement was published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com). The 2018 annual report prepared in accordance with the Listing Rules and the IFRSs will be released on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Bank (www.jinzhoubank.com), and will be dispatched to the holders of H shares of the Bank in due course.

This results announcement was prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English versions, the Chinese version shall prevail.

9. SUSPENSION OF TRADING AND RESUMPTION OF TRADING

At the request of the Bank, trading in H shares and offshore preference shares of the Bank on Hong Kong Stock Exchange have been suspended with effect from 9:00 a.m. on 1 April 2019 pending the publication of this announcement. An application has been made by the Bank to the Hong Kong Stock Exchange for the resumption of trading in H shares and offshore preference shares of the Bank with effect from 9: 00 a.m. on 2 September 2019.

By order of the Board
Bank of Jinzhou Co., Ltd.*
Zhang Wei
Chairman

Jinzhou, the PRC
30 August 2019

As at the date of this announcement, the executive Directors of the Bank are Mr. Zhang Wei, Mr. Huo Lingbo, Mr. Wang Jing, Mr. Sun Jing and Ms. Wang Xiaoyu; the non-executive Directors are Ms. Liu Hong, Ms. Gu Jie, Ms. Meng Xiao, Mr. Li Dongjun and Ms. Tangfang; and the independent non-executive Directors are Mr. Choon Yew Khee, Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying.

* *Bank of Jinzhou Co., Ltd. is not an authorised 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 authorised to carry on banking and/or deposit-taking business in Hong Kong.*