2018 年度報告 ANNUAL REPORT

錦州銀行股份有限公司
Bank of Jinzhou Co., Ltd.*

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

Stock Code: 0416
Stock Code of Preference Shares: 4615

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

Contents

Definitions

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

"Articles of Association"	the articles of association of the Bank, as amended from time to time
"Bank", "Bank of Jinzhou" or "Group"	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on 22 January 1997 with limited liability in accordance with PRC laws and, unless the context requires otherwise, its subsidiaries, branches, sub-branches and special institutions
"Board" or "Board of Directors"	the board of Directors
"Board of Supervisors"	the board of Supervisors
"CBIRC"	China Banking and Insurance Regulatory Commission, which was formed after duty restructuring of China Banking Regulatory Commission (the "CBRC") and China Insurance Regulatory Commission
"former CBRC Liaoning Bureau"	the former China Banking Regulatory Commission Liaoning Bureau (中國銀行業監督管理委員會遼寧監管局), now renamed as China Banking and Insurance Regulatory Commission Liaoning Bureau (中國銀行保險監督管理委員會遼寧監管局) ("CBIRC Liaoning Regulatory Bureau")
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Bank
"Domestic Share(s)"	the ordinary share(s) issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in Renminbi
"H Share(s)"	the ordinary share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"HK$" or "HK dollars"	the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time

"Offshore Preference Share(s)"	offshore preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each, which are listed on the Hong Kong Stock Exchange and traded in US dollars (stock code: 4615)
"PBOC"	the People's Bank of China (中國人民銀行)
"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report only, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Reporting Period"	the year ended 31 December 2018
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	the holder(s) of the share(s) of the Bank
"Share(s)" or "Ordinary Share(s)"	the Domestic Share(s) and the H Share(s) of the Bank, excluding the Offshore Preference Share(s)
"Supervisor(s)"	the supervisor(s) of the Bank
"US$" or "US dollars"	the lawful currency of the United States of America

Chapter 1 Company Profile

I. Basic Information about the Company

Legal Chinese Name and Abbreviation	:	錦州銀行股份有限公司 (abbreviated as "錦州銀行")
Legal English Name and Abbreviation	:	BANK OF JINZHOU CO., LTD. (abbreviated as "BANK OF JINZHOU")
Legal Representative	:	Zhang Wei
Authorised Representatives	:	Zhang Wei, Wang Jing
Secretary to the Board	:	Sun Jing
Joint Company Secretaries	:	Sun Jing, Leung Wing Han Sharon
Registered and Office Address	:	No. 68 Keji Road, Jinzhou City, Liaoning Province, the PRC
Telephone	:	+86-416-3220002
Fax	:	+86-416-3220003
Postal Code	:	121013
Company Website	:	www.jinzhoubank.com
Email Address	:	webmaster@jinzhoubank.com
Customer Service Hotline	:	+86-400-66-96178
Principal Place of Business in Hong Kong	:	40th Floor, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Accounting Firm	:	Crowe (HK) CPA Limited
PRC Legal Advisor	:	Beijing Zhong Lun Law Firm
Hong Kong Legal Advisor	:	Luk & Partners in Association with Morgan, Lewis & Bockius

Custodian of Domestic Shares	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited
Listing Place of Stock, Stock Name and Stock Code	:	H Share: Hong Kong Stock Exchange; BANKOFJINZHOU; 0416 Offshore Preference Shares: Hong Kong Stock Exchange; BOJZ 17USDPREF; 4615
Uniform Social Credit Code of Corporation	:	912107002426682145
Finance License No. of Institution	:	B0127H221070001
Website of the Hong Kong Stock Exchange where this annual report is published	:	www.hkexnews.hk
Place where the annual report is maintained	:	Office of the Board

II. Company Profile

Bank of Jinzhou was incorporated, with approval of the PBOC, on 22 January 1997, headquartered in Jinzhou City, Liaoning Province, the PRC. The Bank established 15 branches in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and Jinzhou, the PRC and 7 village and township banks, namely 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), Liaoning Kazuo Jinyin Rural Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧淩海錦銀村鎮銀行股份有限公司) and Liaoning Huanren Jinyin Village and Township Bank Co., Ltd. (遼寧桓仁錦銀村鎮銀行股份有限公司); meanwhile, Bank of Jinzhou promoted and established Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司). As at the end of the Reporting Period, the Bank had 243 branches in aggregate.

As at the end of the Reporting Period, the Bank had total assets of RMB845.923 billion, loans and advances balances released of RMB370.726 billion and total deposits of RMB445.576 billion.

The Bank was listed on the Main Board of the Hong Kong Stock Exchange (stock code: 0416) on 7 December 2015. On 27 October 2017, the Bank successfully issued US$1.496 billion of Offshore Preference Shares which were listed on the Hong Kong Stock Exchange with stock code 4615.

III. Awards in 2018

In January 2018, the Bank was rated the "Provincial Advanced Unit of Secrecy Work" (全省保密工作先進集體) by the State Secrecy Bureau of Liaoning Province (遼寧省國家保密局).

In June 2018, the Bank received the "Best Ten Bank Smart Branch Innovation Award" (十佳銀行智能網點創新獎) at the "2018 China Financial Innovation Awards" (2018 中國金融創新獎) organized by The Banker (銀行家) magazine.

In June 2018, the Bank received the "2018 Junding Award for City Commercial Bank (Rural Commercial Bank) Wealth Management Brand" (2018中國城商行(農商行)理財品牌君鼎獎) at the "2018 Junding Awards for China Wealth Management Organizations" (2018年中國財富管理機構君鼎獎) organized by the Securities Times (證券時報).

In June 2018, the Bank was rated the "2018 Inclusive Finance Practice Organization" (2018普惠金融踐行機構) by the China Business Journal (中國經營報).

In September 2018, the Bank was awarded the "2017-2018 National Excellent Rural Sponsoring Bank" (2017-2018年度全國優秀村鎮銀行主發起銀行) by the China Promotion Association for County Economic Exchanges (中國縣鎮經濟交流促進會) and the Organizing Committee of the Forum for the Development of Chinese Village and Township Banks (中國村鎮銀行發展論壇組委會).

In September 2018, at the China E-Learning Forum & Exhibition and BOOAOO Awards Ceremony, the Bank's "Excellent Learning and Leisure Enjoying" online learning platform was awarded the "Excellent Mobile Learning Application Award" (優秀移動學習應用獎) by the Online-edu.

In November 2018, the Bank won the group championship of the "Liaoning Province Banking Industry 4th Business Skills Competition" (遼寧省銀行業第四屆業務技能大賽).

In November 2018, the Bank was awarded 2017 National Top Ten Commercial Banks for Supporting the Small and Medium Sized Enterprises Development (2017年度全國支持中小企業發展十佳商業銀行) by China Small and Medium Sized Enterprises Association (中國中小商業企業協會) and China General Chamber of Commerce (中國商業聯合會).

In December 2018, the Bank was awarded the "Advanced Unit of the Support Plan for Small and Micro Enterprises in Liaoning Province" (遼寧省小微企業千戶扶持計劃先進單位) by the Liaoning Banking Association.

In December 2018, the Bank won the "2018 Regional Commercial Bank Mobile Application Innovation Award" (2018年區域型商業銀行移動應用創新獎) at the 14th Annual Conference of China E-Banking held by the China Financial Certification Authority (CFCA).

I. Financial Data

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2018	2017	2018 vs 2017	2016	2015	2014
Operating Results			**Change (%)**			
Interest income	**46,002,674**	39,943,533	15.2	27,897,191	21,819,437	13,582,488
Interest expense	**(26,901,602)**	(21,410,609)	25.6	(12,448,982)	(11,015,124)	(7,954,065)
Net interest income	**19,101,072**	18,532,924	3.1	15,448,209	10,804,313	5,628,423
Net fee and commission income	**757,528**	736,674	2.8	809,265	500,790	116,323
Net trading gains/(losses)	**1,491,100**	(278,264)	(635.9)	49,948	97,164	470
Dividend income	**880**	640	37.5	895	6,440	6,360
Net gains arising from investment securities	**100,234**	30,796	225.5	10,348	2,896	8,396
Net foreign exchange (losses)/gains	**(183,660)**	(239,637)	(23.4)	53,724	85,895	7,872
Other net operating income	**16,045**	22,859	(29.8)	41,460	19,886	26,765
Operating income	**21,283,199**	18,805,992	13.2	16,413,849	11,517,384	5,794,609
Operating expenses	**(3,586,646)**	(3,308,138)	8.4	(2,758,039)	(2,724,872)	(2,213,490)
Operating profit before impairment	**17,696,553**	15,497,854	14.2	13,655,810	8,792,512	3,581,119
Impairment losses on assets	**(23,683,718)**	(3,444,523)	587.6	(2,784,895)	(2,296,943)	(793,469)
(Loss)/profit before taxation	**(5,987,165)**	12,053,331	(149.7)	10,870,915	6,495,569	2,787,650
Income tax credit/(expense)	**1,449,054**	(2,963,273)	(148.9)	(2,671,469)	(1,587,513)	(664,473)
Net (loss)/profit for the year	**(4,538,111)**	9,090,058	(149.9)	8,199,446	4,908,056	2,123,177
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	2,115,715
Calculated on a Per Share Basis (RMB)			**Change**			
Basic and diluted (losses)/earnings per share (in RMB)	**(0.77)**	1.32	(2.09)	1.40	1.09	0.54

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2018	2017	2018 vs 2017	2016	2015	2014
Major Indicators of Assets/Liabilities			**Change (%)**			
Total assets	**845,922,748**	723,417,650	16.9	539,059,522	361,659,913	250,692,720
Of which: net loans and advances to customers	**349,110,123**	209,084,947	67.0	121,930,761	97,313,206	86,548,794
Total liabilities	**785,159,604**	663,252,922	18.4	496,165,210	335,388,599	234,815,584
Of which: deposits from customers	**445,576,089**	342,264,228	30.2	262,969,211	170,178,722	119,402,997
Share capital	**7,781,616**	6,781,616	14.7	6,781,616	5,781,616	4,402,234
Total equity attributable to equity shareholders of the Parent Company	**56,777,412**	56,230,555	1.0	39,035,430	25,598,461	15,658,315
Total equity	**60,763,144**	60,164,728	1.0	42,894,312	26,271,314	15,877,136

II. Financial Indicators

	For the year ended 31 December					
	2018	2017	2018 vs 2017	2016	2015	2014
Profitability Indicators (%)			**Change**			
Return on average total assets[1]	**(0.58)**	1.44	(2.02)	1.82	1.60	1.00
Return on average equity[2]	**(9.86)**	21.03	(30.89)	25.16	23.75	15.64
Net interest spread[3]	**1.93**	2.58	(0.65)	3.41	3.29	2.43
Net interest margin[4]	**2.46**	2.88	(0.42)	3.67	3.51	2.63
Net fee and commission income to operating income ratio	**3.56**	3.92	(0.36)	4.93	4.35	2.01
Cost-to-income ratio[5]	**15.91**	15.71	0.20	14.83	18.80	31.26

	As at 31 December					
	2018	2017	2018 vs 2017	2016	2015	2014
Assets Quality Indicators (%)			**Change**			
Non-performing loan ratio[6]	**4.99**	1.04	3.95	1.14	1.03	0.99
Provision coverage ratio[7]	**123.75**	268.64	(144.89)	336.30	369.13	256.15
Provision to loans ratio[8]	**6.18**	2.81	3.37	3.84	3.82	2.53
Capital Adequacy Indicators (%)			**Change**			
Core tier-one capital adequacy ratio[9]	**6.07**	8.44	(2.37)	9.79	8.96	8.64
Tier-one capital adequacy ratio[10]	**7.43**	10.24	(2.81)	9.80	8.97	8.64
Capital adequacy ratio	**9.12**	11.67	(2.55)	11.62	10.50	10.45
Total equity to total assets	**7.18**	8.32	(1.14)	7.96	7.26	6.33
Other Indicators (%)			**Change**			
Loan-to-deposit ratio[11]	**72.12**	53.68	18.44	40.36	47.44	55.70

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 = allowance for impairment losses on loans/total non-performing loans.

(8) Provision-to-loans ratio = allowance 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 CBIRC and were calculated in accordance with relevant financial data under the PRC Generally Accepted Accounting Principles and the CBIRC requirements.

Chapter 3 Management Discussion and Analysis

I. Environment and Outlook

In 2018, the trade tensions and policy uncertainties in the global economy caused fluctuations on the market. The financial market conditions in developed economies remained accommodative, and the growth of emerging market economies slowed down. The sharp fluctuation in the international commodity prices and the notably increased factors of instability and uncertainty increased the external input risks. 2018 is China's first year of fully implementing the spirit of the 19th National Congress of the Communist Party of China. Adhering to the general principle of promoting progress while maintaining stability, China continuously implemented the supply-side structural reform, accelerated the construction of an innovative country, prevented and resolved material risks. As such, the stabilised macro leverage ratio and generally stable financial operations vigorously promoted the targeted poverty alleviation. Strategies for rural revitalisation and regional collaborative development were implemented to accelerate the improvement of the socialist market economic system, further promote the revitalising Northeastern China, and drive the formation of a new open-up landscape, maintaining a sustained and healthy economic development and stable social development. The GDP for the whole year reached RMB90.03 trillion, representing an increase of 6.6%, and the consumer price index rose by 2.1%, both on a year-on-year basis.

Looking ahead in 2019, global growth rate will slow down, and the balance of risk remains tilted to the downside, the Bank is facing the test of the international economic structure changes. 2019 is a year crucial to comprehensively building a moderately prosperous society. The Bank adheres to the general principle of promoting progress while maintaining stability, takes the supply-side structural reform as the theme to promote the high-quality development. By enhancing the capacity of financial system to serve the physical economy, the Bank will adjust and optimize the financial system structure to promote the gradual back of banking business to its origin, and prevent and control financial risks. It will also solidly advance the strategies of rural revitalization, promote the coordinated regional development, focus on a sound development and tighten the regulatory requirements to face new opportunities and challenges in its business development.

II. Development Strategies

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 ability of serving real economy.

III. 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.

(I) Analysis of the income statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2018	2017	Change in amount	Rate of change (%)
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)
(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 affected net interest income, net trading gains, net interest spread and net interest margin to a certain extent.

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2018	2017	Change in amount	Rate of change (%)
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:

	For the year ended 31 December					
	2018			2017		
(Expressed in thousands of Renminbi, unless otherwise stated)	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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2018 Average balance	Interest income/ expense	Average yield/ cost (%)	2017 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.

(Expressed in thousands of Renminbi, unless otherwise stated)	2018 vs 2017 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
Changes in interest income	8,296,321	(2,237,180)	6,059,141
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
Changes in interest expense	2,777,034	2,713,959	5,490,993
Changes in net interest income	5,519,287	(4,951,139)	568,148

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.

2. **Interest income**

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2018 Amount	2018 % of total	2017 Amount	2017 % 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 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2018			2017		
	Average balance	**Interest income**	**Average yield (%)**	Average balance	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	**270,869,061**	**18,096,785**	**6.68**	175,586,314	11,109,727	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 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 resulted 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 2017, primarily due to 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 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 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 2017. The average yield of placements with banks and other financial institutions rose to 2.92% in the Reporting Period from 1.75% in 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 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 2017, primarily due to 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. 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	
(Expressed in thousands of Renminbi, unless otherwise stated)	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	**26,901,602**	**100.0**	21,410,609	100.0

Interest expense of the Bank increased by 25.6% from RMB21,410,609 thousand in 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2018 Average balance	Interest expense	Average cost (%)	2017 Average balance	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 2017, primarily due to the increase in the scale of the Bank's deposits and 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 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 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 2017. The average cost of placements from banks and other financial institutions increased from 2.30% in 2017 to 2.55% in the Reporting Period, which was mainly attributable to the increase in the offered rate of the US dollars in 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 2017, primarily because of the increase of interest expense resulted from the increase in average balance of financial assets sold under repurchase agreements which was partially offset by the decrease of interest expense 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 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 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 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 2017, which was mainly due to the increase in the average balance of the Bank's re-discounting business.

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 2017 and the net interest margin decreased to 2.46% in the Reporting Period as compared to 2.88% in 2017, primarily due to (i) the impact of the decrease in yield of interest-bearing 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.

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5. **Non-interest income**

(1) ***Net fee and commission income***

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2018	2017	Change in amount	Rate of 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 compared to RMB832,833 thousand in 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 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 2017, primarily because the decrease of the Bank's the business of issuing letters of credit and letters of guarantees by other banks, thereby reducing the fee expense to other banks accordingly.

(2) ***Net trading gains/(losses)***

Net trading gains/(losses) primarily comprises 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 has 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 2017.

(4) Net gains arising from investment securities

Net gain from investment securities increased by 225.5% to RMB100,234 thousand in the Reporting Period from RMB30,796 thousand in 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 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 2017.

6. Operating expenses

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2018	2017	Change in amount	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 amortization	**427,286**	403,193	24,093	6.0
Others	**185,502**	184,919	583	0.3
Total operating expenses	**3,586,646**	3,308,138	278,508	8.4

(1) Staff costs

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2018	2017	Change in amount	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	**1,783,664**	1,680,269	103,395	6.2

During the Reporting Period, the staff costs of the Bank was RMB1,783,664 thousand, representing an increase of RMB103,395 thousand as compared with 2017 with growth rate of 6.2%, which is mainly because the remuneration and number increase of employees of the Bank brings the correspondent increase of human resource costs.

(2) General and administrative expenses

General and administrative expenses increased by 13.8% to RMB989,780 thousand in the Reporting Period compared to RMB869,788 thousand in 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 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 2017, primarily due to the increase 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 2017, mainly attributable to the Bank's increase in 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.

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	**For the year ended 31 December 2018**
Loans and advances to customers	
– 12 months expected credit loss (the "ECL")	**2,344,237**
– Lifetime ECL-not credit-impaired loans	**5,005,797**
– 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	**23,683,718**

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2017
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	3,444,523

Impairment losses on assets increased by 587.6% to RMB23,683,718 thousand in the Reporting Period from RMB3,444,523 thousand in 2017, mainly because (i) the increase of the balance of loans and advances to customers as well as the non-performing ratio; and (ii) in response to the declining quality of assets and increase of non-performing assets, 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.

8. Income tax credit/(expense)

In the Reporting Period, the Bank's income tax credit was RMB1,449,054 thousand, and income tax expenses 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.

(II) Analysis of the statement of financial position

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 of the Bank 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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	**845,922,748**	**100.0**	723,417,650	100.0

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 increase in the Bank's total assets was primarily because 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.

(Expressed in thousands of Renminbi, unless otherwise stated)	**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	**370,725,731**	**100.0**	215,121,174	100.0

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 beneficiary rights transfer plan measured at amortised cost to the loan and (ii) the Bank combined the development needs of the real economy with the development plan of its own business to appropriately increase the loan scale.

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 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2018**		As at 31 December 2017	
	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	**370,725,731**	**100.0**	215,121,174	100.0

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, 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	Next 12-month ECL	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 expected credit loss ("**ECL**")				
over the next 12-months	(35,938)	24,699	11,239	–
to lifetime ECL-not				
credit-imapired loans	246,178	(264,332)	18,154	–
to lifetime ECL-				
credit-imapired 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	Next 12-month ECL	Lifetime ECL-not credit-impaired loans	Lifetime ECL-credit-impaired loans	Total
As at 1 January 2018				
after adjustmnet	(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 2017 are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	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	(4,769,538)	(1,266,689)	(6,036,227)

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 increase of the Bank's provision for impairment losses in response to the decline in asset quality and the increase in the outstanding balance of non-performing assets and the adoption of the expected loss model following the implementation of IFRS9, so as to enhance the Bank's capability to defend against risks.

(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 component 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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 at amortized 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 amortized 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 at amortized 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 Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to be loan, resulting the decrease in the scale of investment securities and other financial assets.

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:

(Expressed in thousands of Renminbi,	**As at 31 December 2018**		As at 31 December 2017	
unless otherwise stated)	**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:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2018		As at 31 December 2017	
	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 because 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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) Debts securities issued

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.

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

3. Shareholders' equity

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

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2018**		As at 31 December 2017	
	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	**60,763,144**	**100.0**	60,164,728	100.0

On 21 December 2018, the Bank placed 1,000 million new H shares with a par value of RMB1.00 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.

(III) Loan quality analysis

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 amortized cost and at fair fair value though 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2018		As at 31 December 2017	
	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 points 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.

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 loans and non-performing status by industry as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2018 Loan amount	% of total	Non-performing loan amount	Non-performing loan rate (%)	As at 31 December 2017 Loan amount	% of total	Non-performing loan amount	Non-performing loan rate (%)
Corporate loans								
Wholesale and retail trade	**160,556,340**	**43.3**	**3,646,801**	**2.27**	107,983,226	50.2	566,118	0.52
Manufacturing	**69,766,423**	**18.8**	**8,405,265**	**12.05**	34,526,186	16.0	986,879	2.86
Leasing and commercial services	**28,961,888**	**7.8**	**44,830**	**0.15**	11,297,965	5.3	22,961	0.20
Real estate	**25,681,503**	**6.9**	**637,937**	**2.48**	14,611,490	6.8	12,243	0.08
Transportation, storage and postal services	**9,224,015**	**2.5**	**1,510,000**	**16.37**	1,704,719	0.8	12,070	0.71
Public management and social organization	**8,061,209**	**2.2**	**–**	**–**	8,160,339	3.8	–	–
Electricity, gas and water production and supply	**7,412,338**	**2.0**	**1,295,850**	**17.48**	2,524,672	1.2	–	–
Education	**6,539,454**	**1.8**	**140**	**0.00**	5,573,015	2.6	1,640	0.03
Mining	**5,002,120**	**1.3**	**1,606,682**	**32.12**	2,312,522	1.1	8,282	0.36
Construction	**3,555,251**	**1.0**	**26,296**	**0.74**	2,088,328	1.0	51,744	2.48
Water, environment and public utility management	**1,519,360**	**0.4**	**–**	**–**	1,326,750	0.6	–	–
Agriculture, forestry, animal husbandry and fishery	**1,253,166**	**0.3**	**123,866**	**9.88**	1,540,602	0.7	33,925	2.20
Others	**24,782,430**	**6.7**	**155,454**	**0.63**	8,837,541	4.1	141,691	1.60
Discounted bills	**6,344,375**	**1.7**	**–**	**–**	2,472,719	1.1	–	–
Personal loans	**12,065,859**	**3.3**	**1,055,026**	**8.74**	10,161,100	4.7	409,380	4.03
Total	**370,725,731**	**100.0**	**18,508,148**	**4.99**	215,121,174	100.0	2,246,933	1.04

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)		As at 31 December 2018	
Customer	Industry involved	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:

(Expressed in thousands of Renminbi, unless otherwise stated)	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	352,315,497	17,453,122	4.95	202,487,355	1,837,553	0.91
Discounted bills	6,344,375	–	–	2,472,719	–	–
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	12,065,859	1,055,026	8.74	10,161,100	409,380	4.03
Total	370,725,731	18,508,148	4.99	215,121,174	2,246,933	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 points 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 aging analysis of the Bank's overdue loans and advances to customers as at the dates indicated:

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

(IV) 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 points 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 points 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 points 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 Bank increased provision for impairment in response to the decline in asset quality and the increase in the outstanding balance of non-performing assets and the adoption of the expected loss model following the implementation of IFRS9, so as to enhance the Bank's capability to defend against risks, 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 of the Bank.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2018**	As at 31 December 2017
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%

(V) Segment information

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 all of the Bank's business is 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. (遼寧淩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.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2018		2017	
	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

2. **Summary of business segment**

The Bank manages its business 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2018 Amount	% of total	2017 Amount	% of total
Operating income				
Corporate banking	**8,038,726**	**37.8**	6,207,732	33.0
Retail banking	**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

(VI) Off-balance sheet items

The Bank's off-balance sheet items include credit commitment and other off-balance sheet items. Credit commitment mainly includes bank 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. Acceptance bills 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2018**	As at 31 December 2017
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

IV. Business Overview

(I) Corporate banking

	For the year ended 31 December		
(Expressed in thousands of Renminbi, unless otherwise stated)	**2018**	2017	Rate of change (%)
External net interest income	**10,682,484**	5,674,718	88.2
Internal net interest (expense)/income	**(3,090,880)**	48,976	(6,411.0)
Net interest income	**7,591,604**	5,723,694	32.6
Net fee and commission income	**443,093**	538,370	(17.7)
Net foreign exchange gains/(losses)	**4,029**	(54,332)	(107.4)
Impairment losses on assets	**(18,481,150)**	(1,688,908)	994.3
Operating expenses	**(1,342,424)**	(1,601,011)	(16.2)
(Loss)/profit of segments before tax	**(11,784,848)**	2,917,813	(503.9)
Depreciation and amortisation expenses	**(143,397)**	(194,936)	(26.4)
Capital expenditure	**275,271**	341,189	(19.3)

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2018**	As at 31 December 2017	Rate of change (%)
Segment assets	**345,609,993**	207,210,217	66.8
Segment liabilities	**199,185,865**	198,695,911	0.2

1. Corporate deposits

As at the end of the Reporting Period, total corporate deposits of the Bank (excluding interests payable) amounted to RMB199,185,865 thousand, representing an increase of RMB8,448,249 thousand or 4.4% as compared to the end of the previous year, of which, corporate demand deposits amounted to RMB56,908,802 thousand, accounting for 28.6%; corporate time deposits amounted to RMB142,277,063 thousand, accounting for 71.4%. During the Reporting Period, the Bank increased its marketing efforts, expanded its coverage and expanded its deposit business through improving its service quality.

2. Corporate loans

As at the end of the Reporting Period, corporate loans of the Bank amounted to RMB352,315,497 thousand, representing an increase of RMB149,828,142 thousand or 74.0% as compared to the end of the previous year.

During the Reporting Period, the Bank moderately expanded the supply chain financial services sector under the principle of risk control, enhancing the capability and standard of supporting the real economy to improve the quality of finance for serving the real economy. By raising concerns on environment credit rating on credit-grant enterprises, the Bank implemented the green credit policy. It implemented the policy of reducing inventory by strengthening credit business management of real estate. Through focusing on developing inclusive finance, gradually improve financial services in small and micro enterprises, "Three Nongs" (三農) and private enterprises as well as credit support to areas including service sector, medical and science education.

3. Discounted bills

During the Reporting Period, according to the regulatory policies, the Bank prudently carried out cross-provincial discounting business, and comprehensively considered the asset scale, liquidity, revenue and risks. As at the end of the Reporting Period, the discounted bills of the Bank amounted to RMB6,344,375 thousand, representing an increase of RMB3,871,656 thousand or 156.6% as compared with that at the end of the previous year.

4. International business

During the Reporting Period, the Bank was committed to product innovation, launched unique foreign currency financial products by combining traditional loan-deposit products with trade finance products and financial derivative instruments, including "Youyuebao" (悠悅寶), "Ronghuitong" (融匯通) and "Agreement Deposit" (協議存款). Besides, the Bank established forward settlement and sale exchange business for customers to avoid exchange risks of export enterprises brought by fluctuations of RMB exchange rate, promoted development of derivative product business, and established businesses of foreign exchange swap, currency swap and interest rate swap business in the inter-bank market.

During the Reporting Period, the foreign exchange capital products of the Bank became diversified and the trade volume increased continuously. The cumulative trade volume of inter-bank foreign exchange reached USD25.667 billion, representing a year-on-year increase of 38.8%, of which the cumulative trade volume of derivative product business (including foreign exchange forward, foreign exchange swap, currency swap and interest rate swap) amounted to USD23.413 billion, representing a year-on-year increase of 249.2%. During the Reporting Period, the cumulative trade volume of inter-bank foreign currency borrowing reached USD202.580 billion, representing a year-on-year increase of 151.8%.

During the Reporting Period, the Bank's international business had a steady development. The Bank's international settlement amount was USD6.313 billion and the forfeiting business volume amounted to RMB17.989 billion. Besides, the Bank's foreign currency savings business developed rapidly. As at the end of the Reporting Period, foreign currency savings deposits of the Bank amounted to USD50 million, representing an increase of 336.4% compared to that at the end of last year. For agency channel development and inter-bank cooperation, the Bank referred to the needs of customers and business development and enhanced the Bank's foreign agency network and domestic inter-bank cooperation channels. Its agency network covered 67 countries and regions, comprising of 474 agencies. The Bank entered into forfeiting business cooperation agreement with 58 banks and financial institutions, so as to cater to customers' needs of settlement and finance.

(II) The "Three Basis & Three Smalls" (三基三小) Business

1. Overview of the "Three Basis & Three Smalls" business

During the Reporting Period, the Bank continued adhering to the market positioning based on "Three Basis & Three Smalls" (三基三小) ("Three Basis" means "basic accounts, basic customer base and basic settlement volume" and "Three Smalls" means "small enterprises, small shops and small retail stalls"). Based on the objectives of "regulatory management, risk prevention and control, structural adjustment, expansion of customer base, and online deployment", various tasks of "Three Basis & Three Smalls" proceeded steadily. As at the end of the Reporting Period, the "Three Smalls" loan balance of the Bank amounted to RMB11,032,861 thousand. The number of customers of "Three Smalls" loans amounted to 12,013 accounts, representing 92.72% of the accounts of total loans (excluding subsidiaries). The "Three Basis" business maintained its good development momentum, the number of settlement accounts amounted to 78,200 accounts, representing an increase of 6,100 accounts as compared to that at the end of the previous year. The basic settlement volume accumulated to 52.89 million, representing an increase of 2.25 million as compared to the end of previous year. The coverage of integrated financial services for "Three Smalls" customers was increasing continuously.

2. Measures for developing the "Three Basis & Three Smalls" business

(1) The Bank strengthened risk management to enrich the means of risk control. The Bank achieved the management of the dynamic authorization of business examination and approval according to the level of risk management. To adjust the structure of guarantee, the Bank continued to withdraw from high-risk guarantees and weak guarantee businesses such as joint guarantee, mutual guarantee and offsite businesses. In order to lower the loss given default and increase the risk mitigation, the Bank has implemented "general ledger" management on the loans falling due, and a special person was responsible for statistics, included the normal type of deferred interest loans in the management of problematic loans, for which a specific person shall be responsible. The newly added overdue and interest-bearing loans were controlled and the "list system" was implemented, which was collected by a specific person; the overdue and interest-bearing loans over 90 days was included in the management of non-performing loans, and "every one of them should be treated with a special pattern", with a special agency, a special scheme, a special management and professional collection.

(2) The Bank increased the input of resources to focus on the development of inclusive financial services and promoted the loans of less than RMB1 million (inclusive), consumer loans, residential and commercial property mortgage loans among the "Three Smalls" customers, to expand the monthly repayment to business ratio. Executing internal capital transfer preferential pricing to the inclusive financial loans. The Bank included the completion rate of inclusive finance into effectiveness assessment system and commenced inclusive work with specialized people and positions on a daily basis. Meanwhile, the Bank responded to the poverty alleviation of the country by increasing the fund in respect of poverty alleviation, applied fast track approval and executed preferential rates, so as to increase the non-performing loans (NPL) tolerance of poverty alleviation. As at the end of Reporting Period, balance of inclusive financial loans increased by 35.6% as compared to that at the end of the previous year. The balance of consumption loans to the "Three Smalls" amounted to RMB1,521,596 thousand, representing an increase of 18.6% as compared to that at the end of the previous year. The coverage ratio of the Bank's loans secured by mortgages and pledges amounted to 88.5%.

(3) Supported real economy and reduced leverage. The Bank reduced the leverage ratio of small and micro enterprises and supported their operational capital demand; controlled the financing of high-leveraged enterprises and guided the capital to flow into the real economy from the virtual economy. The Bank reduced the financing costs of enterprises, restrained the leverage ratio of residents, prohibited the misappropriation of consumer loans, and strictly controlled the illegal flow of personal loans into the stock market and housing market. The granting of loans to high-leveraged residents was restricted and high liability individual customers were given up.

(4) Promoted layouts of technological finance and the innovation of financial products. The Bank strived to organise the online channels to achieve online functions including loan application, loan enquiry, loan repayment, loan estimate function; it researched and developed electronic channel self-help pledge loans to provide convenient credit services; it entered into a strategic cooperation agreement with Tencent Cloud Computing (Beijing) Company Limited to research and develop "Salary Loans" products, exploit existing high-quality customers and improve cross-selling rate; it cooperated with WeBank to launch WeCar Loan products, setting up layouts of online passenger groups. The Bank attempted to cooperate with third-party platforms and explore online consumer finance, so as to broaden ways to attract new customers; it provided business support for re-credit of existing customers and new credit of potential customers, which was supported by large data as well as customer relationship management system (CRM) to accumulate data within the Bank.

(5) Promoted management adjustment and optimized "Three Smalls" system construction. Based on the requirements of supervision on the specialized management of small and micro-business in financial institutions by the departments, and with the overall direction of improving the "six mechanisms" and deepening the "four single principles", the Bank adjusted the structure, re-engineered the process and built the team of credit management for the "Three Smalls". Human resources were professionally allocated, business process was professionally managed, the appraisal of specific performance was implemented and business data was specifically collected.

(6) Innovated after-sales service system for the "Three Smalls" to enhance service quality and efficiency. By setting up special service organizations, special communication channels, special data accumulation and special system management, relying on WeChat Bank, the "Three Smalls" credit customer service center was innovatively launched to improve service quality and further strengthen supervision and management. Meanwhile, the Bank grasped current market fluctuations, and reasonably adjusted product and service positioning and optimization of customer experience according to market orientation.

(7) Strengthened refining and precipitation of professional knowledge on "Three Smalls", and enhanced the professional skills of teams. The Bank recorded professional training courseware for account managers to learn online; it proactively developed "Three Smalls" internal trainers through pilot building of professional lecturers team; with the integration of internal and external training, the risk management ability of account managers could be enhanced; it also organised qualification exams, so as to practically improve the skills of account managers by "adoption of examinations instead of training" (以考代訓).

(III) Retail Banking Business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December **2018**	2017	Rate of change (%)
External net interest expense	**(6,686,581)**	(4,483,138)	49.1
Internal net interest income	**8,556,251**	5,751,527	48.8
Net interest income	**1,869,670**	1,268,389	47.4
Net fee and commission income	**281,115**	135,627	107.3
Net foreign exchange gains/(losses)	**255**	(446)	(157.2)
Impairment losses on assets	**(460,936)**	(67,049)	587.5
Operating expenses	**(359,350)**	(795,359)	(54.8)
Profit before tax of segments	**1,330,754**	541,162	145.9
Depreciation and amortization expenses	**(67,810)**	(96,938)	(30.0)
Capital expenditure	**130,172**	169,665	(23.3)

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2018**	As at 31 December 2017	Rate of change (%)
Segment assets	**11,353,537**	10,676,142	6.3
Segment liabilities	**246,390,224**	170,395,089	44.6

1. **Retail Deposits**

During the Reporting Period, the Bank continuously optimised pricing mechanism and system upgrade so as to provide retail customers with personalized stratified pricing products and raise pricing capability within authorised interest rates and their floating range. Utilising new means of financial technology (FinTech) and thinking patterns of the "Internet plus", the Bank continuously broke through online and offline channels to make attempts on innovating online products and marketing means. The Bank also adopted various marketing tactics including mini programs and online "red pocket" certificate of deposit to raise customers' experiences. As at the end of the Reporting Period, the total retail deposits (excluding interests payable) of the Bank amounted to RMB234,582,429 thousand, increasing by RMB83,055,817 thousand or 54.8% compared with that at the end of the previous year.

2. **Retail Loans**

During the Reporting Period, the Bank focused on loans in the inclusive finance area, facilitated the development of consumption loans, mortgage loans for residential and commercial properties and poverty alleviation microloans, launched online consumption financial product "Micro Car Loans", developed electronic self-service platform for pledge loans, developed "Salary Loans" products based on internal data to integrate online platforms and enhance service quality and efficiency. As at the end of the Reporting Period, retail loans of the Bank comprising of personal business loans, residential and commercial property mortgage loans, personal consumption loans, credit card overdrafts and other personal loans amounted to RMB12,065,859 thousand, of which personal business loans amounted to RMB9,976,346 thousand, personal consumption loans amounted to RMB630,907 thousand, and residential and commercial property mortgage loans amounted to RMB1,302,895 thousand.

As at the end of the Reporting Period, the total amount of credit card facilities of the Bank amounted to RMB1,330,217 thousand, increased by RMB275,267 thousand or 26.1% as compared to that at the end of last year.

3. **Bank Cards**

During the Reporting Period, the Bank continuously expanded the application of financial technology, improved the bank card product system, and continuously performed well in credit card issuing. During the Reporting Period, the official launching of credit card big data application project successfully realized the application of big data in the business sectors such as smart approval, quota administration and customer portraits. The continuous expansion of electronic card issuance channel of credit cards, the official launching of mobile terminal submission system and the successful promotion and application of online application effectively enhanced the efficiency of card issuance. The launching of credit card points shopping mall, "Hua Ji Fen" (花積分) platform and rights and interests platform continuously optimized the customer service system. The credit card risk was under good control as a result of the successful launch of the smart collection system and the stable operation of risk fraud detection system. With the completion of renewed project of NetsUnion platform, putting into use of card-free fast payment platforms of UnionPay, the continuous enriching of featured card products, and increasing efforts made in the promotion of bank cards, the comprehensive competitiveness of various products of bank cards of the Bank was enhanced. As at the end of the Reporting Period, the number of debit cards issued by the Bank amounted to 5,848.7 thousand, representing an increase of 7.0% as compared to the end of last year; while the number of credit cards issued by the Bank amounted to 69,323, representing an increase of 23.2% as compared to the end of last year.

4. Wealth Management

During the Reporting Period, the Bank takes customer demands as the guideline of its retail banking business, makes customers and sales as the main line, and constantly opened up and optimised product innovation, improved service system, consolidated customer base, enhanced business scale and accelerated the development of retail business. The trend of business development was fine. With good performance in sales of wealth management products and agency products, the VIP management was constantly enhanced. The Bank also optimized CRM system functions and organized professional training related to wealth management. As at the end of the Reporting Period, there were 192 employees in the Bank obtained the Associate Financial Planner (AFP) qualification, 22 employees obtained the Certified Financial Planner (CFP) qualification certificates, and 12 employees obtained the Certified Private Banker (CPB) qualification certificates.

As at the end of the Reporting Period, the number of retail customers amounted to 4.8906 million. The number of core customers (with assets value of RMB50,000 and above) was 0.5954 million, representing an increase of 156,100 or 35.5% compared with that at the end of last year. There were 247,700 VIP customers (with assets value of RMB200,000 and above), representing an increase of 77,100 or 45.2% compared with that at the end of previous year.

In accordance with regulatory requirements, dedicated corner for wealth management products and recording and filming system were established at all sales outlets of the Bank's products. The Bank has 143 registered sales outlets for fund agency business and 109 registered sales outlets for insurance agency business.

(IV) Treasury Business

	For the year ended 31 December		
(Expressed in thousands of Renminbi, unless otherwise stated)	**2018**	2017	Rate of change (%)
External net interest income	**15,105,169**	17,341,344	(12.9)
Internal net interest expense	**(5,465,371)**	(5,800,503)	(5.8)
Net interest income	**9,639,798**	11,540,841	(16.5)
Net fee and commission income	**33,320**	62,677	(46.8)
Net trading gains/(losses)	**1,491,100**	(278,264)	(635.9)
Dividend income	**880**	640	37.5
Net gains arising from investment securities	**100,234**	30,796	225.5
Net foreign exchange losses	**(171,968)**	(184,519)	(6.8)
Impairment losses on assets	**(4,741,632)**	(1,685,215)	181.4
Operating expenses	**(1,882,192)**	(726,812)	159.0
Profit before tax of segments	**4,469,540**	8,760,144	(49.0)
Depreciation and amortization expenses	**(189,202)**	(88,583)	113.6
Capital expenditure	**363,201**	155,043	134.3

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2018**	As at 31 December 2017	Rate of change (%)
Segment assets	**473,361,112**	494,839,182	(4.3)
Segment liabilities	**245,609,700**	285,754,251	(14.0)

1. Currency Market Transactions

During the Reporting Period, with a significant decrease in market interest rates of interbank market and a further increase in fund granting by the PBOC, the money market maintained a reasonably easy liquidity, and the fund interest rate continually remained at a low level with a slight fluctuation. The Bank evaluated the trend of fund interest rate in 2018, allocated financing structure, and endeavoured to reduce financing cost and increase productivity. As at the end of the Reporting Period, the balance of financial assets held under resale agreements amounted to RMB100 million, the balance of financial assets sold under repurchase agreements amounted to RMB43.445 billion.

2. Investments in Securities and Other Financial Assets

During the Reporting Period, the factors affecting bond market in China were becoming more complicated. The sentiment and trade behavior of bond market participants are always affected by economic fundamentals, fund fundamentals, financial regulation, exchange rate, overseas market, structure of bond market participants, product transaction chain and other factors.

The Bank paid close attention to changes in policy environment, facilitated analysis and research on the financial market, and adjusted operation strategies when appropriate. While reducing repurchase financing costs by various means, the Bank selected certain bond assets with appropriate maturities and yields. The Bank has maintained its expected bond portfolio structure and no credit risk has occurred in the year.

(1) *Securities investment distribution breakdown by business model and holding purpose*

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2018		31 December 2017	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	**66,062,880**	**17.0**	23,526,808	5.5
Financial assets at fair value through other comprehensive income	**42,054,653**	**10.8**	N/A	N/A
Financial assets at amortised cost	**281,240,864**	**72.2**	N/A	N/A
Available-for-sale financial assets	**N/A**	**N/A**	50,697,199	11.9
Held-to-maturity investment	**N/A**	**N/A**	7,778,664	1.9
Debt securities classified as receivables	**N/A**	**N/A**	343,369,567	80.7
Total	**389,358,397**	**100.0**	425,372,238	100.0

(2) *Securities investment distribution breakdown by residual maturity*

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2018		As at 31 December 2017	
	Amount	% of total	Amount	% of total
Indefinite	**5,121,836**	**1.3**	556,597	0.1
Repayable on demand	–	–	–	–
Within 3 months	**41,492,004**	**10.6**	41,397,355	9.7
3 months to 1 year	**120,628,561**	**30.8**	94,996,281	22.4
1 to 5 years	**219,813,482**	**56.0**	278,978,328	65.6
More than 5 years	**5,000,955**	**1.3**	9,443,677	2.2
Total	**392,056,838**	**100.0**	425,372,238	100.0

(3) Holding of state bonds

As at the end of the Reporting Period, the balance of nominal value of the state bonds held by the Bank amounted to RMB4.540 billion. The table below sets out the top ten state bonds with the highest nominal value held by the Bank as at the end of the Reporting Period.

Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
12 Coupon-bearing State Bond 10	1,540,000	3.14	7 June 2019
12 Coupon-bearing State Bond 09	1,000,000	3.36	24 May 2022
17 Coupon-bearing State Bond 04	500,000	3.40	9 February 2027
06 State Bond 19	300,000	3.27	15 November 2021
09 Coupon-bearing State Bond 16	250,000	3.48	23 July 2019
17 Coupon-bearing State Bond 18	250,000	3.59	3 August 2027
09 State Bond 03	220,000	3.05	12 March 2019
17 Coupon-bearing State Bond 10	160,000	3.52	4 May 2027
17 Coupon-bearing State Bond 25	150,000	3.82	2 November 2027
09 Coupon-bearing State Bond 20	100,000	4.00	27 August 2029

(4) Holding of financial bonds

As at the end of the Reporting Period, the balance of nominal value of the financial bonds (mainly financial bonds issued by policy banks) held by the Bank amounted to RMB42.73 billion. The table below showed the top ten financial bonds with the highest nominal value held by the Bank as at the end of the Reporting Period.

Name of the bond (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal value	Interest rate per annum (%)	Maturity date
16 Nong Fa 20	5,000,000	2.79	27 July 2019
16 Nong Fa 15	4,500,000	3.08	22 April 2019
18 Jin Chu 09	3,300,000	4.37	19 June 2023
16 Jin Chu 01	2,000,000	2.82	22 February 2019
18 Nong Fa 08	1,800,000	4.37	25 May 2023
16 Jin Chu 13	1,500,000	2.80	7 November 2019
16 Jin Chu 07	1,500,000	2.76	11 July 2019
16 Nong Fa 02	1,500,000	2.77	6 January 2019
17 Nong Fa 02	1,500,000	3.54	6 January 2020
10 Nong Fa 14	1,240,000	4.00	4 November 2020

3. Wealth Management Business

As at the end of the Reporting Period, the balance of the Bank's wealth management amounted to RMB25.892 billion. During the Reporting Period, all wealth management products of the Bank were cashed in a timely manner, without any complaints from customers. Besides maintaining stable returns and development in scale of its products, the Bank also sought breakthroughs in asset structure and product innovation to fulfill customers' diversified wealth management need. Based on its four existing product lines "Jinxiu" (錦繡), "Chuangying" (創贏), "Chuangfu" (創富) and "Tiantianshang" (天天上), the Bank has officially issued the new open and closed-end net-worth product "Chuangxin" (創鑫). During the Reporting Period, the Bank's wealth management business has increasingly improved investment channels and promoted a more rational investment mix and wider product varieties. The business transformation of the Bank is steadily in progressing.

In June 2018, the Bank was granted "2018 Chinatown Firm (Agricultural Commercial Bank) Financial Brand Jun Ding Award" (2018中國城商行 (農商行) 理財品牌君鼎獎) in the activities of the "2018 China Wealth Management Agency Jun Ding Award" (2018年中國財富管理機構君鼎獎).

In October 2018, the Bank was awarded the title of "Outstanding Wealth Management Bank of the Year" in the "Financial Development Forum of China in 2018 & The Ninth Jinding Award" event.

4. Interbank Business

The Bank continuously improved the layout of interbank businesses in liabilities, investment and bills transactions and conducted businesses of asset securitization and bonds issuance. As at the end of the Reporting Period, the Bank's deposit with banks and other financial institutions amounted to RMB16,231,627 thousand, and the Bank's deposits from banks and other financial institutions amounted to RMB164,629,085 thousand. As at the end of the Reporting Period, the Bank issued and not yet due 212 interbank certificates of deposit in total, with book balance of RMB81.400 billion.

5. Investment Banking Business

During the Reporting Period, by responding to relevant national policies, the Bank focused on promoting investment banking services such as direct financing and bond distribution and establishing a diversified product management system, which laid a good foundation for further optimizing the structure of investment banking business. At the end of the Reporting Period, the original carrying amount of beneficial right transfer plan of the Bank measured at amortized cost amounted to RMB283.324 billion.

(V) Distribution Channels

1. Physical Outlets

Development of the Bank's institution complied with the basic premise being matching cross-regional development speed and self-management and control abilities. The Bank scientifically mastered cross-regional development speed and pace. As at the end of the Reporting Period, the Bank had a total of 218 outlets (excluding those of its subsidiaries). In addition to the headquarters, the Bank had 15 branches, 194 traditional sub-branches, 7 mini/community branches and 1 specialized institution in total, which were distributed mainly over provinces and cities such as Beijing, Tianjin, Harbin and Liaoning.

2. Self-service Banking

As at the end of the Reporting Period, the Bank (excluding subsidiaries) had a total of 145 self-service banking and self-service zones, representing an increase of 18 as compared to the end of the previous year, and the Bank (excluding subsidiaries) had 886 self-service machines, including 583 ATMs, representing an increase of 25 ATMs as compared to the end of the previous year, with accumulated transactions number of 6.021 million and transaction amount of RMB 10.743 billion. There were 117 multi-media enquiry machines, representing an increase of 3 as compared to the end of the previous year, and the accumulated transaction number was 509.1 thousand. There were 114 automatic card issuing machines, representing an increase of 26 as compared to the end of the previous year, and the accumulated transaction number was 42,207. There were 72 smart ATMs, representing an increase of 70 as compared to the end of the previous year.

During the Reporting Period, the Bank's "mobile easy pay demonstration project" was officially implemented. The easy pay project is a key task of the Bank. Over the years, the Bank has been focusing on "settled customers, settled capital and customer experience" to continuously expand payment services in easy pay sector. It actively cooperated with various payment channels and strived for regulatory support and supporting resources of third party institutions to develop a business module based on the payment scenario. Through the development of seven payment scenarios, namely smart food farms, smart campuses, smart medical treatment, smart rural areas, smart transportation, smart cashiers and smart payment, as well as upgrading and optimizing the equipment of business hall in each outlet, the Bank developed a smart business hall to effectively solve some shortcomings and pain points of the financial services.

During the Reporting Period, The Bank optimized and upgraded the functions of the self-service machines. It also enriched the functions of smart ATMs covering more than 30 kinds of businesses such as self-service card issuance, corporate receipt printing, online banking signing business, wealth management business, interrelated repayment of credit card, card activation, password modification, passbook record, information maintenance, balance inquiry, password reset, statement inquiry and printing, one-click cancellation and loss reporting. It also optimized and adjusted the daily limit and limit per individual withdrawal operation of "passbook or card-free" deposit business at the CDM and CRS to realize cash circulation function of the CRS and complete promotion of ATM face recognition business. On 2 June 2018, the award ceremony of "2018 China Financial Innovation Awards" organized by The Banker magazine was held in Beijing. Shifu Road Keji Sub-branch was awarded the "Best Ten Bank Smart Branch Innovation Award".

3. Electronic Banking

During the Reporting Period, by focusing on the strategic layout of "upgrading channel with innovation", the Bank promoted the development, business innovation and service optimization of electronic banking in a focused and step-by-step manner. With the constant improvement in electronic banking channel service system of "traditional channel + internet finance", satisfactory operation of each business, increasing number of electronic banking customers and business volume, and enhancement of customer's loyalty, the comprehensive competitiveness of the Bank's financial services was improved, while new growth potentials were also brought for each business.

(1) Online Banking

During the Reporting Period, the Bank was committed to developing an online banking channel with diversified product varieties, optimized business processes, diversified authentication means and improved service system. It launched innovative products such as dynamic token authentication means, smart customer service, net worth wealth management and personal business loan and consumer loan in online banking, effectively improving the service efficiency and user experience of online banking.

As at the end of the Reporting Period, the Bank had 332,650 online banking customers in aggregate, representing an increase of 19.3% compared with with that at the end of last year, including corporate online banking customers of 37,296 in aggregate, representing an increase of 26.0% compared with with that at the end of last year, with transaction amount of RMB1,954.076 billion during the Reporting Period; personal online banking customers amounted to 295,354 in aggregate, representing an increase of 18.5% compared with that at the end of last year, with transaction amount of RMB277.726 billion during the Reporting Period, representing an increase of 30.8% year on year.

(2) Mobile Banking

During the Reporting Period, with constant expansion of mobile financial service scenarios, more complete product system of the mobile banking and WeChat banking and more abundant service content, the Bank launched innovative products such as the smart tax payment service, inter-bank collection service, opening of category II/III account, Xinjiali (薪加利) and fund, which effectively expanded the scopes of the Bank's mobile financial services and continuously enhanced the product compliance, business experience and brand recognition.

As at the end of the Reporting Period, we had 340,954 mobile banking customers in aggregate, representing an increase of 53.0% compared with with that at the end of last year, the transaction volume amounted to RMB49.414 billion during the Reporting Period, representing an increase of 96.1% year on year. WeChat Banking had 197,152 customers in aggregate, representing an increase of 102.9% compared with that at the end of last year, and the transaction volume amounted to RMB5.876 billion during the Reporting Period, representing an increase of 178.1% year on year.

(3) Internet Finance

During the Reporting Period, the Bank continuously deepened the construction of the internet financial business system by starting from the high-quality retailers, focusing on the extensive payment scenarios, and integration of the application of financial technology.

In terms of internet payment, the Bank expanded its mobile payment scenarios such as purchasing tickets by scanning QR code of smart travel, payment by scanning QR code of smart logistics, Smart Payment of party membership dues, and college payment of smart campus. On this basis, the Bank launched collection service of micro and small merchants and merchant T+0 capital settlement service in terms of its QR code collection business, which satisfied the diversified collection demand of merchants on the basis of optimized business process. As at the end of the Reporting Period, the Bank's collection merchants of internet payment amounted to 14,034, representing an increase of 268.8% as compared to the end of the previous year, with a transaction amount during the Reporting Period being RMB1.744 billion.

In terms of e-commerce, the Bank introduced convenient living services such as cinemas, telephone charge, traffic, air tickets and fuel cards to its e-commerce platform during the Reporting Period. In addition, it established Jingdong direct procurement channel, and carried out effective e-commerce platform marketing and promotion activities on that basis to further enhance the market influence of the Bank's internet financial business.

(VI) Information on Subsidiaries

1. Banks in Villages and Towns

The village and township banks funded and set up by the Bank adhered to the purpose of "basing on urban and rural areas, supporting small and micro enterprises, serving agriculture, rural area and farmers, benefiting the common people", insisted on orienting at market, centering on customers and taking innovation as a driving force, and provided financial services to general urban and rural customers.

We have invested in 7 village and township banks, 5 in Jinzhou City, Liaoning Province, the PRC, 1 in Chaoyang City and 1 in Benxi City. As at the end of the Reporting Period, the total assets of 7 village and township banks were RMB8,237,907 thousand, representing an increase of 9.5% as compared to the end of last year, the net loans and advances granted were RMB4,428,217 thousand, representing an increase of 7.1% as compared to the end of last year, and the total deposits were RMB7,360,262 thousand, representing an increase of 15.5% as compared to the end of last year. Net loss amounted to RMB90,411 thousand.

2. Bank of Jinzhou Financial Leasing Company Limited

Bank of Jinzhou Financial Leasing Company Limited ("**Jinyin Leasing**") continuously improves the service layout of the industry and supports the development of real economy through financing projects according to the industry orientation, customer orientation and regional orientation for market expansion. At the end of the Reporting Period, a total of RMB14.446 billion was released as leasing funds, and an additional RMB5.459 billion was released as leasing funds during the Reporting period. At the end of the Reporting Period, the total assets of Jinyin Leasing were RMB8,245,536 thousand, of which the balance of finance lease was RMB7,484,842 thousand, and the net profit during the Reporting Period was RMB149,123 thousand.

(VII) Information Technology

During the Reporting Period, the Bank carried out a series of work in internal management, infrastructure, information security, system construction and upgrade.

In the aspect of internal management, the Bank deepened the refined project management concept and improved the overall strength and efficiency rapidly; it refined the outsourcing management system and strengthened the management of outsourcing personnel interviews and pricing; it formulated scientific and effective staff performance appraisal rules, and effectively incorporated the job quantity and quality of employees into daily management; it strengthened the compliance management of the procurement process and continuously improved the documentation of the execution process.

In the aspect of infrastructure, the main projects that were launched included the replacement of UPS power system by production center, disaster recovery and storage upgrade project, PC server platform expansion project, expansion and transformation project of core network access at 10Gigabit/s, and upgrade and transformation of electronic banking network.

In the aspect of information security, security reinforcement on core system, new data desensitization system and additional two-factor authentication of operation and maintenance audit system were emphatically constructed, and the integrated operation and maintenance system and BPC monitoring system were upgraded and optimized. The Bank conducted Internet security monitoring, ISO27001 information security system certification, information system graded protection and security assessment and other services.

In the aspect of system construction and upgrade, the Bank continuously improved the core system and transfer of direct connection mode of non-bank payment institution to NetsUnion platform by the Payment and Settlement Department of PBOC. Through the planning and construction of large data basic platform and exploration of related applications, the Bank constantly developed and improved a variety of characteristic products to meet business development need. The Bank provided high-quality information technology services for the business development of the Bank by continuously optimizing and improving various business line systems, data warehouse systems, regulatory data standardization reporting system and management and office related system within the Bank. These measures generated remarkable results on business promotion. By establishing strategic partnerships with technology groups, such as Tencent and establishing laboratories, the Bank developed internet financial products, such as WeCar Loan (微車貸) and Xing Yun Loan (星雲貸). The Bank introduced big data technology and widely used it in the sectors of precision marketing, data analysis and risk prevention. It actively promoted the promotion and use of new technologies such as artificial intelligence, face recognition and blockchain to develop a variety of financial technology service scenarios for the convenience and favor of people, such as smart campus, smart medical care, smart vegetable market and smart tax payment. Through the connections with the UnionPay, NetsUnion, Alipay, WeChat, Apple Pay, Huawei, Xiaomi and other platforms, the Bank achieved a complete financial system payment platform, thereby promoting the development of business.

V. Risk Management

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

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

(I) 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-credit 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 organizing meetings of Credit Approval Management Committee.

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.

(II) Operational risk

Operational risk refers to, in the process of operation and management of a commercial bank, 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.

(III) 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 unfavorable 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 due to 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 maximize 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 centralized management of interest rate risks and exchange rate risks.

1. Interest rate risk

Interest rates in China have been gradually liberalized 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 results 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 classified the transactions as the banking account transactions and trading account transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these accounts. The trading account transactions include the Bank's investments with an intention to sell in the short term and profit from actual or expected short-term price fluctuations or with risk exposures locked in. The banking account transactions represent non-trading businesses. The Bank mainly analyses the interest rate risk of banking account transactions.

The Bank has adopted, including but not limited to, re-pricing gap analysis, duration analysis, net interest income simulation and economic value simulation 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 analyzes 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 analyzes 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 period by the expected next repricing dates or by maturity dates, whichever is earlier:

	As at 31 December 2018					
(Expressed in thousands of Renminbi, unless otherwise stated)	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						
Borrowings 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

(Expressed in thousands of Renminbi, unless otherwise stated)	Total	Non-interest bearing	As at 31 December 2017 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	723,417,650	15,130,594	140,614,017	171,551,490	384,867,968	11,253,581
Liabilities						
Borrowings 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	663,252,922	20,997,333	225,558,109	215,225,281	198,224,398	3,247,801
Asset-liability gap	60,164,728	(5,866,739)	(84,944,092)	(43,673,791)	186,643,570	8,005,780

Notes:

(1) The above-mentioned loans and advances to customers under the category "Less than three months" include overdue amounts as at the end of Reporting Period and as at 31 December 2017 with balances amounting to RMB2.801 billion and RMB1.754 billion (net of provision for impairment losses).

(2) Investments include debt investment at fair value through profit or loss, debt investment at fair value through other comprehensive income and debt investment 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 include 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	
(Expressed in thousands of Renminbi, unless otherwise stated)	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

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 book losses as a result of a change in exchange rate when converting foreign currencies into the bookkeeping base currency. The Bank's exchange rats risk mainly arises from 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 means: strict implementation of the process management of the foreign exchange business; strict implementation on the exchange business procedure; 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			
(Expressed in thousands of Renminbi, unless otherwise stated)	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2017 RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
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	717,624,123	5,582,041	211,486	723,417,650
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	643,175,786	19,174,481	902,655	663,252,922
Net position	74,448,337	(13,592,440)	(691,169)	60,164,728
Credit commitments	130,544,733	3,033,937	998,269	134,576,939

(IV) 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 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.

1. Liquidity risk management

The Bank has established asset and liability management strategies and liquidity management policy incorporated liquidity risk into its comprehensive risk management system, being responsible for bank-wide liquidity management, the asset and liability management committee of the Bank establishes 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 the interbank department manage the liquidity risk on a daily basis.

2. Liquidity risk analysis

The tables below summarize the undiscounted contractual cash flows of the Bank's financial instruments based on the maturity date. The balances of some items in the tables below do not match the balances on the statement of financial position as the undiscounted contractual cash flows include both principal and interest. The Bank's expected cash flows on these 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:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2018							
	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	Total
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
Investment	5,121,836	–	12,536,693	28,955,311	120,628,561	219,813,482	5,000,955	392,056,838
Financial 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**

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2017 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	Total
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.

The Bank's liquidity coverage ratio

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2018**	As at 31 December 2017
Qualified quality current assets	**27,768,080**	18,058,809
Cash outflows in the future 30 days	**18,231,119**	11,070,323
Liquidity coverage ratio (%)	**152.31**	163.13

(V) Information Technology Risk

Information technology risk includes operational risk, legal risk, reputational risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from our use of information technology.

By establishing an information technology risk management system, the Bank has established an corresponding organizational structure, including the Board of Directors, information technology management committee, information technology division under the information technology management department, risk compliance division under the information technology risk management responsibility department, and internal audit division under the information technology audit responsibility department. In addition, according to the Bank's risk management capabilities, risk appetite and risk tolerance, it has set up appropriate risk management processes. Through adhering to a sound information technology risk management policy, establishing a scientific risk management organization structure, and dividing clear risk management responsibilities to prevent major technology risk events, the Bank is able to maintain stable operation of the system and to control the Bank's information technology risk within a reasonable level.

(VI) Reputation Risk

Reputation risk refers to the risk resulting from negative comments to the Bank by stakeholder with respect to the operations, management or other activities, or due to external events.

During the Reporting Period, the Bank strengthened the management aspects and processes of reputation risk identification, monitoring, control and solution through diversified initiatives such as improvement of the establishment of system, strengthening real time monitoring of online public opinion, self-examination and investigation of reputational risks, and the positive guidance and promotion of brand image. With the control mechanism on reputation risk improved continuously.

(VII) Anti-money Laundering Management

The Bank earnestly implemented anti-money laundering laws and regulations, through adoption of "risk-based" as the working concept for carrying out anti-money laundering work, with the target of preventing and controlling money laundering activities is to further implement the Work Requirements of the Measures for the Management of Reports on Large-scale Transactions and Suspicious Transactions (Order No. 3 of the People's Bank of China [2016]), establishes and improves the anti-money laundering internal control system. Through comprehensively carrying out customer identification work, the Bank promoted the identity verification against existing customers, and continuously improved the establishment of anti-money laundering system, continuously optimized suspicious transaction indicator model, so as to conscientiously perform the reporting duties of large-scale transactions and suspicious transactions and rationally classified the risk level of customers' money laundering and carefully carried out classification and rating work of anti-money laundering. It also actively cooperated with the regulatory authority to carry out anti-money laundering investigations, deeply carried out the on-site and off-site inspections of anti-money laundering, and comprehensively promoted anti-money laundering business training and promotion, with a view to continue to improve the risk prevention and control standard of the Bank's money laundering.

(VIII) Protection of Consumer Rights

The Bank has always regarded protection of consumer rights as a long-term strategy for development through adhering to people-orientation, service first and social responsibility. Through the establishment of the Consumer Rights and Interests Protection Committee under the Board of Directors and the Consumer Rights and Interests Protection Office, the Bank established a sound organization system, consummated the rules and regulations, strengthened business guidance and work assessment, continued to promote the establishment of Bank's consumer rights protection work system, and effectively protected the legitimate rights of consumers, so as to improve the satisfaction of financial consumer.

As for the popularization of financial knowledge, the outlets was the primary entity responsible for a systematic, automated, diversified and specialize long-term promotion and education mechanism of financial knowledge that continued all the year round, engaged by all employees and covered by all audiences on the basis of daily promotion of the outlets, with the WeChat official account as the platform, and by the enhancement of centralized promotion. In the aspect of everyday publicity, innovative activities such as "Jin's Time", "Community Culture Day", "Financial Morning and Night Market" and "Movie Caravan" were carried out to explain issues such as prevention from phone frauds and illegal fund-raising, identification of counterfeit currency and the safe use of bank cards that consumers were concerned about, so as to enhance consumers' awareness of financial knowledge. In the aspect of each centralized publicity, the Bank actively participated in the special centralized promotion and education activities organized by the regulatory authorities. Through formulating programs, issuing notices, holding meetings and supervising visits, the Bank focused on policy transmission, strengthened organizational deployment, followed up the implementation of activities, and highlighted the effectiveness of promotion and education. The Bank successfully sponsored the 15th March Financial Consumer Rights and Interests Protection Large-scale Public Welfare Campaign organized by Liaoning Provincial Banking Regulatory Bureau. During the special centralized promotion activities such as "Popularizing Financial Knowledge and Guarding Your Money Bag" (普及金融知識，守住錢袋子) and "Bringing Financial Knowledge into Thousands of Families" (金融知識進萬家), the Bank continuously improved the ability of consumers to identify and prevent financial risks by way of "inviting the people in and sending staff out" (請進來，走出去) to carry out promotion and education activities.

CHAPTER 4 CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. Changes in Ordinary Share Capital of the Bank

(I) Share Capital

On 21 December 2018, the Bank placed 1,000,000,000 new H Shares with a par value of RMB1.00 at the price of HK$8.30 per Share with a premium in the placing. The fund raised from the placing amounted to approximately HK$8,300,000 thousand and the net proceeds after deducting related costs and expenses have all been used to replenish the core tier-one capital of the Bank. Upon completion of such placing, the total number of issued shares of the Bank was 7,781,615,684 shares, including 4,264,295,684 Domestic Shares and 3,517,320,000 H Shares. The total share capital of the Bank amounted to RMB7,781,615,684.

(II) Chart on Changes in Share Capital

	31 December 2017		Changes during the Reporting Period			**31 December 2018**	
	Number of Shares	Percentage (%)	Issue of New Shares	Other	Sub-Total	**Number of Shares**	**Percentage (%)**
1. Shareholding of legal person of domestic Shareholders	4,186,698,558	61.74	–	–	–	**4,186,698,558**	**53.80**
Of which: (1) state-owned legal person	56,136,296	0.83	–	(41,890,739)	(41,890,739)	**14,245,557**	**0.18**
(2) private legal person	4,130,562,262	60.91	–	41,890,739	41,890,739	**4,172,453,001**	**53.62**
2. Shareholding of natural person of domestic Shareholders	77,597,126	1.14	–	–	–	**77,597,126**	**1.00**
3. H Shares	2,517,320,000	37.12	1,000,000,000	–	1,000,000,000	**3,517,320,000**	**45.20**
Total	6,781,615,684	100.00	1,000,000,000	–	1,000,000,000	**7,781,615,684**	**100.00**

II. Particulars of Shareholders of Ordinary Shares

(I) Shareholding of Shareholders

As at the end of the Reporting Period, the Bank had 7,781,615,684 Ordinary Shares in total, comprising 4,264,295,684 Domestic Shares and 3,517,320,000 H Shares.

As at the end of the Reporting Period, the total number of Shareholders of Domestic Shares of the Bank was 2,239.

Shareholding of the Top Ten Domestic Shareholders as of the end of the Reporting Period

No.	Name of Shareholders	Nature of Shareholders	Total number of Shares held	Shareholding Percentage (%)	Pledged Shares
1	China Enterprise Development Investment (Beijing) Co., Ltd. (中企發展投資（北京）有限公司)	Private	324,523,430	4.17	–
2	Rongcheng Huatai Motor Co., Ltd. (榮成華泰汽車有限公司)	Private	317,076,722	4.07	317,076,722
3	Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司)	Private	250,000,000	3.21	250,000,000
4	Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司)	Private	213,507,565	2.74	150,000,000
5	Liaoning Tenghua Plastic Co., Ltd. (遼寧騰華塑料有限公司)	Private	180,000,000	2.31	–
6	Qingzhou Taihe Mines Co., Ltd. (青州泰和礦業有限公司)	Private	180,000,000	2.31	180,000,000
7	Liaoning Chengwei Plastic Profile Co., Ltd. (遼寧程威塑料型材有限公司)	Private	170,000,000	2.18	–
8	Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司)	Private	150,000,000	1.93	–
9	Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司)	Private	130,000,000	1.67	–
10	Jinzhou Daxing Construction Group Co., Ltd. (錦州大興建設集團有限公司)	Private	110,000,000	1.41	–
Total			**2,025,107,717**	**26.02**	**897,076,722**

Interests and Short Positions of Substantial Shareholders and Other Persons

As at the end of the Reporting Period, the following persons, other than the Directors, Supervisors and chief executive of the Bank, had interests or short positions in the Shares or underlying Shares of the Bank, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank:

Name of Shareholders	Nature of Interests	Class of Shares	Number of Shares[1]	Approximate Percentage of the Total Issued Ordinary Share Capital[1] (%)	Approximate Percentage of the Total Issued Class of Ordinary Share Capital[1] (%)
Domestic Shares					
China Enterprise Development Investment (Beijing) Co., Ltd.[2]	Beneficial owner	Domestic Shares	324,523,430 (L)	4.17	7.61
Tianjin Quanying Technology Development Co., Ltd.[2]	Interest of controlled corporation	Domestic Shares	324,523,430 (L)	4.17	7.61
Zhang Haibo[2]	Interest of controlled corporation	Domestic Shares	324,523,430 (L)	4.17	7.61
Rongcheng Huatai Motor Co., Ltd.[3]	Beneficial owner	Domestic Shares	317,076,722 (L)	4.07	7.44
Huatai Automobile Group Co., Ltd.[3]	Interest of controlled corporation	Domestic Shares	317,076,722 (L)	4.07	7.44
Zhang Hongliang[3]	Interest of controlled corporation	Domestic Shares	317,076,722 (L)	4.07	7.44
Yinchuan Baota Refined Chemical Industry Co., Ltd.[4]	Beneficial owner	Domestic Shares	250,000,000 (L)	3.21	5.86
Ningxia Baota Energy Chemical Co., Ltd.[4]	Interest of controlled corporation	Domestic Shares	250,000,000 (L)	3.21	5.86
Baota Petrochemical Group Co., Ltd.[4]	Interest of controlled corporation	Domestic Shares	250,000,000 (L)	3.21	5.86
Sun Hengchao[4]	Interest of controlled corporation	Domestic Shares	250,000,000 (L)	3.21	5.86

Name of Shareholders	Nature of Interests	Class of Shares	Number of Shares[1]	Approximate Percentage of the Total Issued Ordinary Share Capital[1] (%)	Approximate Percentage of the Total Issued Class of Ordinary Share Capital[1] (%)
H Shares					
Wah Li (Hong Kong) Limited[5]	Beneficial owner	H Shares	247,042,000 (L)	3.17	7.02
Zhao Yong[5]	Interest of controlled corporation	H Shares	247,042,000 (L)	3.17	7.02
Wu Jing[5]	Spouse interest	H Shares	247,042,000 (L)	3.17	7.02
Grand Fortune Venture Limited[6]	Beneficial owner	H Shares	201,700,000 (L)	2.59	5.73
Xuzhou Zhong'an Mining Service Co., Ltd.[6]	Interest of controlled corporation	H Shares	201,700,000 (L)	2.59	5.73
Zhang Yuan[6]	Interest of controlled corporation	H Shares	201,700,000 (L)	2.59	5.73
Beijing Jingyuan Wanlong Investment Management Co., Ltd.[7]	Interest of controlled corporation	H Shares	200,000,000 (L)	2.57	5.69
Li Feng[7]	Interest of controlled corporation	H Shares	200,000,000 (L)	2.57	5.69
Wang Xiaoliang[7]	Interest of controlled corporation	H Shares	200,000,000 (L)	2.57	5.69

Notes: (1) As at the end of the Reporting Period, the Bank had 7,781,615,684 issued Ordinary Shares in total, comprising 4,264,295,684 Domestic Shares and 3,517,320,000 H Shares. (L) represents long positions; (S) represents short positions.

(2) Such Shares are held by China Enterprise Development Investment (Beijing) Co., Ltd. ("**CEDI**"), which was then held by Tianjin Quanying Technology Development Co., Ltd. (天津市銓贏科技發展有限公司, "**TQTD**") as to 23.08%, while TQTD was held as to 80% by Zhang Haibo. Under the SFO, both TQTD and Zhang Haibo are deemed to be interested in all the Shares held by CEDI.

(3) Such shares were held by Rongcheng Huatai Motor Co., Ltd. (榮成華泰汽車有限公司, "**Rongcheng Huatai**") which is wholly owned by Huatai Automobile Group Co., Ltd. ("**Huatai Automobile**") and Huatai Automobile was controlled by Zhang Hongliang as to 76%. Under the SFO, Huatai Automobile and Zhang Hongliang are deemed to own the interests in all the Shares held by Rongcheng Huatai.

(4) Such Shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司, "**Yinchuan Baota**"), which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. (寧夏寶塔能源化工有限公司, "**Baota Energy**"), which is in turn held by Baota Petrochemical Group Co., Ltd. (寶塔石化集團有限公司, "**Baota Petrochemical**") as to 90.20%. Baota Petrochemical is controlled by Sun Hengchao as to 43.79%. Under the SFO, Baota Energy, Baota Petrochemical and Sun Hengchao are deemed to be interested in all the Shares held by Yinchuan Baota.

(5) Such Shares are held by Wah Li (Hong Kong) Limited (香港華麗有限公司), which is wholly owned by Zhao Yong, and Ng Ching is the spouse of Zhao Yong. Under the SFO, Zhao Yong and Ng Ching are deemed to be interested in all the Shares held by Wah Li (Hong Kong) Limited.

(6) Such Shares are held by Grand Fortune Venture Limited, which is wholly-owned by Xuzhou Zhong'an Mining Services Limited (徐州中安礦業服務有限公司, "**Xuzhou Zhong'an**"), which is in turn held by Zhang Yuan as to 80%. Under the SFO, Xuzhou Zhong'an and Zhang Yuan are deemed to be interested in all the Shares held by Grand Fortune Venture Limited.

(7) Such Shares are held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited, which is wholly-owned by Beijing Jingyuan Wanlong Investment Management Co., Ltd. (北京京元萬隆投資管理有限責任公司, "**Jingyuan Wanlong**"), which is in turn held by Li Feng and Wang Xiaoliang as to 60% and 40%, respectively. Under the SFO, Jingyuan Wanlong, Li Feng and Wang Xiaoliang are deemed to be interested in all the Shares held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited.

Save as disclosed above, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying Shares of the Bank as at the end of the Reporting Period, pursuant to section 336 of the SFO, which were required to be recorded in the register maintained by the Bank.

(II) Circumstances of Substantial Shareholders Prescribed in Provisional Measures of Equity Management in Commercial Banks

As at the end of the Reporting Period, the Bank did not have any shareholders holding or controlling more than 5% of the shares or voting rights of the Bank. Pursuant to the Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the CBRC, the following shareholders recommended directors or supervisors to the Bank, are of great significance to the Bank and are also the substantial shareholders of the Bank.

Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司) was established on 29 July 1995 with a registered capital of RMB1 billion. The legal representative is Li Dongjun (李東軍). The domicile is No. 35, Zhuhe Street, Zhongshan District, Dalian City, Liaoning Province, the PRC. The business scope includes international delivery agent business for import and export of goods by sea or air, cargo canvassing, booking, warehousing, transiting, LCL service, settlement, freight and miscellaneous charges, customs declaration, inspection application, insurance, related short-distance delivery services and consulting services; computer network technology services (as permitted); Internet based economic information consultation; handling international and domestic express delivery (other than letters and other items with letter nature); non-vessel shipping business; domestic general trade, goods, technology import and export; economic information consultation. (The operation of items subject to approval under laws shall be carried out with the approval of relevant authorities). The term of operation is from 29 July 1995 to the long term. As at the end of the Reporting Period, Jincheng International Logistics Group Co., Ltd. held 213,507,565 shares of the Bank, representing 2.74% of the total share capital of the ordinary shares, and 150,000,000 shares of the Bank were pledged. During the Reporting Period, Mr. Li Dongjun, a non-executive director of the Bank, was the chairman of the board of director of this company. Pursuant to the information submitted by the shareholders, its controlling shareholder is Jinlian Investment Group Co., Ltd. (錦聯控股集團有限公司), the de facto controller is Li Dongjun (李東軍), and the person acting in concert is Dalian Changxing Island Greencity Development Co., Ltd. (大連長興島綠城發展有限公司). As at the end of the Reporting Period, Dalian Changxing Island Greencity Development Co., Ltd. held 33,179,021 shares of the Bank and 26,000,000 shares of the Bank were pledged.

Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600266), was established on 30 December 1998 with a registered capital of RMB1,567.04 million; the legal representative is Chen Daihua (陳代華); the domicile is the 19/F of Building 2, Daliushu Fuhai Center, Haidian District, Beijing, the PRC; the business scope includes real estate development, sales of commercial property; investment and investment management; sales of metal materials, timber, building materials, machinery and electrical equipment; information consulting (excluding intermediary services); environmental technology development and technical services. The term of operation is from 30 December 1998 to long-term. As at the end of the Reporting Period, Beijing Urban Construction Investment Development Co., Ltd. held 130,000,000 shares of the Bank, representing 1.67% of the total share capital of the ordinary shares, and no shares of the Bank were pledged. As at the end of the Reporting Period, Ms. Tang Fang (唐芳), a non-executive director of the Bank, was the deputy director of the directors and supervisors affairs department of this company. Pursuant to the information submitted by the shareholders, its controlling shareholder is Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), the de facto controller is Beijing State-owned Assets Supervision and Administration Commission, and there is no person acting in concert.

Xinghua Fortune Group Co., Ltd. (興華財富集團有限公司) was established on 7 June 2004 with a registered capital of RMB500 million; the legal representative is Chen Maochun (陳茂春); the domicile is Shangtuancheng west, Wu'an City, Handan, Hebei Province, the PRC; the business scope includes iron concentrates, iron ore, pellet, coal, pig iron, ferro-silicon, coke, steel, billet, labour protection appliance; open-air storage; planting of seedlings and flowers; leasing of shopping mall counter, business information consultation; real estate development, property services (it is not allowed to carry out without obtaining relevant qualification certificates); recycling of renewable waste materials (unless otherwise specifically provided by the laws and regulations); import and export trade of goods (unless otherwise specifically provided by the laws and regulations, the restricted businesses shall not be carried out until obtaining the approval). The term of operation is from 7 June 2004 to 31 October 2023. As at the end of the Reporting Period, Xinghua Fortune Group Co., Ltd. held 62,012,725 shares of the Bank, representing 0.80% of the total share capital of the ordinary shares, and 40,000,000 shares of the Bank were pledged. During the Reporting Period, Mr. Chen Tanguang (陳壇光), a shareholder representative supervisor of the Bank, was the general manager of the finance department of this company. Pursuant to the information submitted by the shareholders, its controlling shareholder and de facto controller is Chen Maochun (陳茂春), and the persons acting in concert are Xinghua Fortune Group Xinghua Eco-Friendly Material Co., Ltd. (興華財富集團興華環保材料有限公司) and Hebei Xinghua Steel Co., Ltd. (河北興華鋼鐵有限公司). As at the end of the Reporting Period, Xinghua Fortune Group Xinghua Eco-Friendly Material Co., Ltd. held 60,000,000 shares of the Bank, representing 0.77% of the total share capital of the ordinary shares, and 60,000,000 shares of the Bank were pledged, and Hebei Xinghua Steel Co., Ltd. held 30,000,000 shares of the Bank, representing 0.39% of the total share capital of the ordinary shares, and 30,000,000 shares of the Bank were pledged.

Jinzhou Yixing College Logistical Services Co., Ltd (錦州逸興高校後勤服務有限公司) was established on 21 September 2006 with a registered capital of RMB50 million; the legal representative is Zheng Yunpeng (鄭雲鵬); the domicile is No. 2 Kunming Street, High-tech Industrial Park, Jinzhou, Liaoning Province, the PRC; the business scope includes sales of office equipment, general merchandise, fitness equipment, clothing, needle textiles, daily necessities, computers, arts and crafts (other than gold and silver jewelry), mechanical and electrical products (other than automobile), property management, general equipment maintenance, landscaping project construction, cleaning services, housekeeping service, indoor facility maintenance service, and real estate intermediary service. (The operation of items subject to approval under laws shall be carried out with the approval of relevant authorities). The term of operation is from 21 September 2006 to 21 September 2026. As at the end of the Reporting Period, Jinzhou Yixing College Logistical Services Co., Ltd held 62,000,000 shares of the Bank, representing 0.80% of the total share capital of the Ordinary Shares, and 62,000,000 shares of the Bank were pledged. During the Reporting Period, Ms. He Mingyan (何明艷), a shareholder representative supervisor of the Bank, was the deputy general manager of this company. Pursuant to the information submitted by the shareholders, its controlling shareholder and the de facto controller is Zhuang Na (莊娜), and there is no person acting in concert.

Beijing Fulaige Investment Co., Ltd. (北京浮萊格投資有限公司) was established on 19 January 2007 with a registered capital of RMB50 million; the legal representative is Weng Xiaochen (翁小琛); the domicile is 6C021, Building 101-2, Yongdingmenwai Street, Dongcheng District, Beijing, the PRC; the business scope includes project investment and investment Management; investment consulting. ("1. Public fundraising is not allowed without the approval of the relevant authorities; 2. It is not allowed to carry out trading activities of securities products and financial derivatives publicly; 3. Loans granting is not allowed; 4. No guarantees may be provided to other enterprises other than the invested enterprise; 5. The commitments that no loss of principal will be incurred or the minimum income will be generated made to the investor are not allowed"; carry out the business activities of the items the company shall independently choose to operate according to laws; the operation of items subject to approval under laws shall be carried out with the approval of relevant authorities; it is not allowed to carry the business activities which are prohibited and restricted according to the industrial policy of the city). The term of operation is from 19 January 2007 to 18 January 2037. As at the end of the Reporting Period, Beijing Fulaige Investment Co., Ltd. held 30,000,000 shares of the Bank, representing 0.39% of the total share capital of the Ordinary Shares, and no shares of the Bank were pledged. During the Reporting Period, Ms. Gu Jie (顧潔), a non-executive director of the Bank, was the deputy general manager of this company. Pursuant to the information submitted by the shareholders, its controlling shareholder and the de facto controller is Weng Xiaochen (翁小琛), there is no person acting in concert.

Jinzhou Jinhua Co., Ltd. (錦州錦華股份有限公司) was established on 8 January 2002 with a registered capital of RMB20.61 million; the legal representative is He Baosheng (何寶生); the domicile is No. 24, Section 3, Shanghai Road, Guta District, Jinzhou, Liaoning Province, PRC; the business scope includes sales of pre-packaged food, bulk food, agricultural and sideline products, grocery, needle textiles, hardware and electrical equipment and household appliances, condiments, cooked food, fruits, vegetables; cooked food processing (for operations by its branches only); wholesale of goods of self-operated and agency chain distribution centers and the import and export business of self-use goods of chain enterprises; processing imported materials and "the three-processing and one compensation" business; counter trade and transhipment trade, cigarette retail; market management; site leasing; road transport of ordinary goods; hot food production and sales; pastry food production and sale; cold food production and sale; meat, poultry, eggs, milk and aquatic products retail; rice, flour, noodles, cut noodles and cooking oil retail. (The operation of items subject to approval under laws shall be carried out with the approval of relevant authorities). The term of operation is from 8 January 2002 to the long term. As at the end of the Reporting Period, Jinzhou Jinhua Co., Ltd. held 10,000,000 shares of the Bank, representing 0.13% of the total share capital of the Ordinary Shares, and 10,000,000 shares of the Bank were pledged. During the Reporting Period, Mr. He Baosheng (何寶生), a shareholder representative supervisor of the Bank, was the chairman of the board of directors of this company. Pursuant to the information submitted by the shareholders, the controlling shareholder and the de facto controller is He Baosheng (何寶生), there is no person acting in concert.

Fuguo Investment Co., Ltd. (富國投資有限公司) was established on 22 July 2015 with a registered capital of US$1.00 million; the executive director is Liang Weiming (梁偉民); the domicile is 138 GRANGE RD, #8-01 PARKVIEW ECLAT, SINGAPORE 249617; the business scope is project investment. The term of operation is from 22 July 2015 to infinite. As at the end of the Reporting Period, Fuguo Investment Co., Ltd. held 750,000 shares of the Bank, representing 0.01% of the total share capital of the ordinary shares, and no share of the Bank is pledged. During the Reporting Period, Ms. Meng Xiao (孟曉), a non-executive director of the Bank, was the secretary of this company. Pursuant to the information submitted by the shareholders, its controlling shareholder, de facto controller and ultimate beneficiary is Liang Weimin (梁偉民), and there is no acting-in-concert party.

(III) Shareholders holding more than 5% of the Ordinary Share Capital

As at the end of the Reporting Period, none of the Shareholders of the Bank holds more than 5% of the Bank's total Ordinary Share capital.

(IV) Particulars of Controlling Shareholders and Actual Controller

The shareholding structure of the Bank is diversified with no controlling Shareholder or actual controller. As at the end of the Reporting Period, CEDI held a total of approximately 4.17% of issued Ordinary Share capital of the Bank, and was the single largest Shareholder of the Bank.

CEDI is one of the non-state-owned Shareholders of the Bank, which is held as to 23.08% by TQTD and was the Shareholder with largest shareholding as at the end of the Reporting Period. The business scope of CEDI mainly includes (but not limited to) investment management, investment consulting, and economic and trade consultation.

(V) Performance of Undertakings by the Bank and Shareholders holding more than 5% of Ordinary Shares

As at the end of the Reporting Period, there was neither Shareholder holding more than 5% of Ordinary Shares nor any undertaking by such Shareholder.

(VI) Pledging and Freezing of Shares in respect of Ordinary Shares of the Bank

As at the end of the Reporting Period, there was no pledging and freezing of Ordinary Shares in respect of Shareholders holdings more than 5% (inclusive) of Ordinary Shares.

As at the end of the Reporting Period, to the knowledge of the Bank, 2,330,039,697 Domestic Shares of the Bank were pledged, representing 29.94% of the total issued ordinary shares; 314,297,688 Domestic Shares were frozen, representing 4.04% of the total issued ordinary shares of the Bank.

Chapter 5 Particulars of Offshore Preference Shares

I. Issuance and Listing of Offshore Preference Shares for the Past Three Years as of the End of the Reporting Period

Pursuant to the approval of the former CBRC Liaoning Bureau (Liaoyinjianfu [2017] No. 133) and the CSRC (CSRC [2017] No. 1833), on 27 October 2017, the Bank issued non-accumulative perpetual Offshore Preference Shares of US$1.496 billion (stock name: BOJZ 17USDPREF, stock code: 4615) over the counter. The Offshore Preference Shares were listed on the Hong Kong Stock Exchange on 30 October 2017. The par value of the Offshore Preference Shares was RMB100 each at an issue price of US$20 per share. The Offshore Preference Shares issued amounted to 74,800,000 shares, all of which were fully paid in US dollars.

According to the RMB exchange rate announced by the China Foreign Exchange Trading Center on 27 October 2017, the total amount of proceeds raised from the issue of Offshore Preference Shares was approximately RMB9.944 billion. After deducting relevant commissions and expenses for issuance, the proceeds raised from the issuance of Offshore Preference Shares have been used to supplement other tier-one capital of the Bank in accordance with the applicable laws and regulations and the approval of the relevant regulatory authorities such as the former CBRC Liaoning Bureau and the CSRC.

Please refer to the announcements issued by the Bank on the website of the Hong Kong Stock Exchange and website of the Bank for the terms of the issuance of Offshore Preference Shares.

II. Number of Offshore Preference Shareholders and Their Shareholdings

As at the end of the Reporting Period and as at the date of this annual report, the Bank has one offshore preference shareholder.

As at the end of the Reporting Period, the shareholdings of the top ten offshore preference shareholders (or proxies) of the Bank were as follows:

Name of shareholder	Nature of shareholder	Class of shares	Change during the Reporting Period	Proportion of shareholding (%)	Total number of shares held	Number of shares held with restrictive conditions	Number of shares pledged or frozen
The Bank of New York Depository (Nominees) Limited	Offshore legal person	Offshore Preference Shares	–	100.0	74,800,000	–	unknown

Notes:

1. The shareholdings of offshore preference shareholders of the Bank are based on the information listed in the register of holders of the Offshore Preference Shares.

2. Since Offshore Preference Share issuance is non-public and offshore, the list of offshore preference shareholders name of the Bank is the proxy information of the allocated investor.

3. The Bank is not aware of whether there is any connected relationship between the above-mentioned offshore preference shareholders of the Bank and the top ten ordinary Shareholders, or if they are acting in concert.

III. Changes in Offshore Preference Shares

Class of preference shares	Number of issued Offshore Preference Shares held on 31 December 2017	Change during the Reporting Period	**Number of issued Offshore Preference Shares held on 31 December 2018**
US dollar Offshore Preference Shares	74,800,000	–	**74,800,000**

IV. Profit Distribution of Offshore Preference Shares

The Board of the Bank passed a resolution on 28 August 2018 for distribution of dividends to holders of Offshore Preference Shares according to the requirements of relevant laws and regulations, the Articles of Association and the terms and conditions on Offshore Preference Shares issuance. The total dividends of such Offshore Preference Shares paid amounted to US$91,422,222.22, of which US$82,280,000 was paid to the holders of Offshore Preference Shares; and US$9,142,222.22 was withheld as income tax. According to the terms and conditions of the Offshore Preference Shares, the dividend payment date should be 27 October 2018. But as 27 October 2018 is not a payment business day, the dividend payment date was adjusted to 29 October 2018, being the next payment business day. The interest period was from 27 October 2017 (inclusive) to 27 October 2018 (exclusive). Recipients were persons registered on the register of holders of Offshore Preference Shares as at the close of business of such clearing systems on 22 October 2018. For details, please refer to the announcement of the Bank dated 28 August 2018.

On 29 October 2018, the Bank completed the first payment of dividends after the issuance of Offshore Preference Shares.

V. Repurchase or Conversion of Offshore Preference Shares

During the Reporting Period, no repurchase or conversion of Offshore Preference Shares occurred in the Bank.

VI. Dilution Impact on the Shares in the Event that all Outstanding Offshore Preference Shares were Converted as at 31 December 2018

As at 31 December 2018, the outstanding principal amount of all 74,800,000 Offshore Preference Shares was US$1.496 billion. Assuming that the conditions of mandatory conversion were activated and that the conversion price was the initial mandatory conversion price, i.e. HK$9.09 per H Share, a maximum number of 1,278,084,312 H Shares (as converted into HK dollars at the conversion exchange rate of US$1.00 to HK$7.7659) would be issued upon conversion of all outstanding Offshore Preference Shares, representing approximately 16.42% of the then existing issued share capital of the Bank as at 31 December 2018 and approximately 14.11% of the issued share capital of the Bank as enlarged by the issue of the H Shares upon the conversion of all the outstanding Offshore Preference Shares. Based on the net loss attributable to equity Shareholders of the parent company for the year ended 31 December 2018 amounted to approximately RMB4.59 billion, the basic and diluted loss per share would be diluted to approximately RMB0.51 assuming occurrence of such conversion.

Conversion price of the Offshore Preference Shares will be subject to adjustment for distributing bonus shares with respect to the H Shares, making capitalisation issues, issuing H Shares below the market price of the H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into Ordinary Shares) or making any rights issues, as the case may be, which may have impacts on the rights of the holders of the Offshore Preference Shares. Under the premise of obtaining the approval of the CBIRC and conditions of redemption, the Bank has right to redeem all or some of Offshore Preference Shares in first call date and subsequent any dividend payment date. The first redemption date is set at five years after issuance, i.e. 27 October 2022. Additional information of the main clauses of the Offshore Preference Shares is set out in the note 44 to the financial statements in this annual report.

VII. Recovery of Voting Rights of Offshore Preference Shares during the Reporting Period

During the Reporting Period, the Bank did not resume the voting right of the Offshore Preference Shares.

VIII. Accounting Policies Adopted by Offshore Preference Shares and Reasons

According to the “Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, “Accounting Standards for Business Enterprises No. 37 – Reporting of Financial Instruments”, “Differentiation of Financial Liabilities and Equity Instruments and Relevant Accounting Regulations” issued by the Ministry of Finance and the “International Financial Reporting Standards No. 9 - Financial Instruments” and “International Accounting Standards No. 32 - Financial Instruments: Disclosure and Presentation” issued by International Accounting Standards Board as well as the key terms of the Offshore Preference Shares, the Offshore Preference Shares issued by the Bank met the requirements for accounting as an equity instrument. Therefore, the Offshore Preference Shares issued by the Bank were accounted for as equity instruments.

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

I. Information on Directors, Supervisors and Senior Management

As at the end of the Reporting Period, the information on Directors, Supervisors and senior management of the Bank were as follows:

Name	Gender	Age	Position
ZHANG Wei	Male	60	Chairman, Executive Director
HUO Lingbo	Male	61	Vice Chairman, Executive Director, Executive Vice President
LIU Hong	Female	55	Executive Director, President
WANG Jing	Male	50	Executive Director, Vice President
SUN Jing	Male	41	Executive Director, Secretary to the Board
WANG Xiaoyu	Female	50	Executive Director, Head of Finance
GU Jie	Female	51	Non-executive Director
MENG Xiao	Female	32	Non-executive Director
LI Dongjun	Male	60	Non-executive Director
TANG Fang(1)	Female	40	Non-executive Director
CHOON Yew Khee	Male	49	Independent Non-executive Director
LIN Yanjun	Male	39	Independent Non-executive Director
CHANG Peng'ao	Male	44	Independent Non-executive Director
PENG Taoying	Female	53	Independent Non-executive Director
TAN Ying	Female	53	Independent Non-executive Director
CAI Hongguang	Male	58	Chairman of Board of Supervisors, Employee Representative Supervisor
DAI Shujun	Male	53	Vice Chairman of Board of Supervisors, Employee Representative Supervisor
CAO Wenqing	Female	50	Employee Representative Supervisor
LI Wei	Female	53	Employee Representative Supervisor
LI Xiu	Female	46	Employee Representative Supervisor
HE Baosheng	Male	71	Shareholder Representative Supervisor
CHEN Tanguang	Male	35	Shareholder Representative Supervisor
HE Mingyan	Female	39	Shareholder Representative Supervisor
JIANG Daxing	Male	47	External Supervisor
DENG Xiaoyang	Male	54	External Supervisor
NIE Ying	Female	48	External Supervisor
LI Tongyu	Female	47	External Supervisor
ZHAO Hongxia	Female	40	External Supervisor
GUO Guang	Male	58	Vice President
LIU Wenzhong	Male	56	Vice President
WANG Xin (王昕)	Male	42	Vice President
WANG Xin (王鑫)	Male	48	Vice President
SONG Yaping	Female	55	Chief Accountant

Note:

(1) On 21 September 2018, upon consideration and approval at the first extraordinary general meeting in 2018, the Bank elected Ms. Tang Fang (唐芳) as a non-executive Director of the fifth session of the Board. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau for her qualifications of serving as the director of the Bank on 31 January 2019. Her term of service commenced from 31 January 2019 until expiration of the term of the fifth session of the Board.

II. Changes in Directors, Supervisors and Senior Management Members

(I) Changes in Directors

On 29 December 2017, upon the consideration and approval at the second extraordinary general meeting in 2017, the Bank elected Ms. Liu Hong and Mr. Sun Jing as executive Directors for the fifth session of the Board, Mr. Wang Jinsong and Ms. Meng Xiao as non-executive Directors for the fifth session of the Board, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying as independent non-executive Directors for the fifth session of the Board. The Bank received the approval of the former CBRC Liaoning Bureau on their respective qualifications as Directors of the Bank on 13 and 14 February 2018. The term of office of Ms. Liu Hong commenced from 9 February 2018 until the expiration of the fifth session of the Board. The terms of office of Mr. Sun Jing, Mr. Wang Jinsong, Ms. Meng Xiao, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying commenced from 11 February 2018 until the expiration of the fifth session of the Board. Meanwhile, Mr. Jiang Daxing, Mr. Deng Xiaoyang, Mr. Niu Sihu and Ms. Jiang Jian retired as independent non-executive Directors on 11 February 2018.

On 7 August 2018, upon consideration and approval at the fifth Board meeting of the fifth session of the Board, Mr. Zhang Caiguang has tendered his resignation as a non-executive Director and a member of the risk management committee of the Bank due to his personal work engagement. Mr. Wang Jinsong has also tendered his resignation as a non-executive Director of the Bank due to work reallocation. The resignation of Mr. Zhang Caiguang and Mr. Wang Jinsong has taken effect on 7 August 2018.

On 21 September 2018, upon the consideration and approval at the 2018 first extraordinary general meeting, Ms. Tang Fang and Mr. Li Dongjun were elected as non-executive Directors of the fifth session of the Board of the Bank. The term of office of Mr. Li Dongjun shall commence from the 21 September 2018 till the expiry of the term of the fifth session of the Board. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau regarding the qualification of Ms. Tang Fang as the Director of the Bank on 31 January 2019. The term of office of Ms. Tang Fang shall commence from 31 January 2019 till the expiry of the term of the fifth session of the Board.

On 2 August 2019, Ms. Liu Hong resigned as the president of the Bank due to her personal health reasons, and continued to serve as a non-executive director of the Bank and perform her duties as a director.

(II) Changes in Supervisors

On 29 December 2017, upon consideration and approval at the second extraordinary general meeting in 2017, the Bank elected Mr. Jiang Daxing and Mr. Deng Xiaoyang as external Supervisors. Their term of office commenced from 11 February 2018 until the expiration of the term of the fifth session of the Board of Supervisors.

(III) Changes in Senior Management

On 29 December 2017, Mr. Wang Xin (王昕), Mr. Wang Jing and Mr. Wang Xin (王鑫) were appointed as vice presidents of the Bank. Their term of office was from 11 February 2018 until the expiration of the fifth session of the Board. Mr. Lu Siwei was appointed as the assistant to president of the Bank, his term of office was from 21 March 2018 until the expiration of the fifth session of the Board. On 20 August 2018, Mr. Lu Siwei tendered his resignation to the Bank due to health reasons. As approved by the party committee of the Bank, the resignation of Mr. Lu Siwei became effective on 20 August 2018.

On 14 December 2018, Mr. Wang Jing has tendered his resignation as a joint company secretary of the Bank due to the change of his work arrangements within the Bank with effect from 14 December 2018. On the same day, upon consideration and approval at the eighth meeting of the fifth session of the Board, the Bank elected Mr. Sun Jing as a joint company secretary of the Bank. Mr. Sun Jing currently does not possess the academic or professional qualifications of a company secretary as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Leung Wing Han Sharon, who is another joint company secretary of the Bank, will continue to serve as a joint company secretary of the Bank and work closely with and provide assistance to Mr. Sun Jing in discharging his duties and responsibilities as a company secretary of the Bank for the first three years commencing from the appointment of Mr. Sun Jing as a joint company secretary of the Bank (the "**Waiver Period**"). The Bank has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules with respect to the appointment of Mr. Sun Jing as a joint company secretary of the Bank during the Waiver Period.

On 26 February 2019, upon consideration and approval at the eleventh meeting of the fifth session of the Board, Ms. Luo Yan was appointed as the assistant to president of the Bank, the Bank received response from CBIRC Liaoning Regulatory Bureau on 17 July 2019 in respect of Ms. Luo Yan 's qualification as the assistant to president of the Bank, and her term of office would commence from 17 July 2019 until the expiration of the term of the fifth session of the Board.

On 2 August 2019, Ms. Liu Hong resigned as the president of the Bank due to her personal health reasons, and Ms. Wang Xiaoyu resigned as the head of finance of the Bank. On the same day, upon consideration and approval at the 18th meeting of the 5th session of the Board, Mr. Guo Wenfeng (郭文峰) was appointed as the president of the Bank and Mr. Kang Jun (康軍) and Mr. Yang Weihua (楊衛華) were appointed as vice presidents of the Bank. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau for their qualifications of serving as respective president and vice president of the Bank on 2 August 2019, their terms of service commenced from 2 August 2019 until expiration of the term of the fifth session of the Board. Mr. Yu Jun (余軍) was appointed as the chief financial officer of the Bank and the head of finance of the Bank. On 2 August 2019, the Bank received the approval from the CBIRC Liaoning Regulatory Bureau for his qualification of serving as the chief financial officer of the Bank. His term of office commenced from 2 August 2019 until the expiration of the term of the fifth session of the Board.

III. Biographies of Directors, Supervisors and Senior Management Members

As at the end of the Reporting Period, biographies of Directors, Supervisors and senior management members of the Bank are as follows:

(I) Biographies of Directors

1. **Mr. ZHANG Wei (張偉)**, has been a director and chairman of the Board of the Bank since August 2002.

   Before joining the Bank, Mr. Zhang served as head of Lingyun Urban Credit Cooperative of Jinzhou City (錦州市淩雲城市信用社) from September 1991 to May 1993. He served as deputy head of Jinzhou City Urban Credit United Cooperative (錦州市城市信用聯社) from May 1993 to January 1997, as vice president of the Bank from January 1997 to May 1998 and as president of the Bank from May 1998 to December 2012.

   Mr. Zhang obtained a master's degree in economics from Liaoning University (遼寧大學) in Liaoning, the PRC in July 1997. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 1998. In addition, Mr. Zhang was awarded the "Nationwide May 1st Labor Medal (全國五一勞動獎章)" from the All China Federation of Labor Unions (中華全國總工會) in April 2004. He was also awarded titles including the "Liaoning Top 10 Finance Person For the Year 2006 (2006年度遼寧十大財經人物)" jointly awarded by various institutions, including Liaoning Science and Technology Bureau (遼寧省科學技術廳), Liaoning Small and Medium Enterprises Bureau (遼寧省中小企業廳) and Liaoning Banking Association (遼寧省銀行業協會) in January 2007, "National Top 10 Honest Persons of Outstanding Ability in 2006 (2006年中國十大誠信英才)" issued by China's Talents (中華英才雜誌), and the "Advanced Individual in respect of the Small Business Financial Services of National Banking Financial Institutions (全國銀行業金融機構小企業金融服務先進個人)" issued by the CBRC in February 2011. He had received the special allowance awarded by the State Council (國務院特殊津貼) from 2010 to 2011, and was awarded the "Outstanding Contribution Award (突出貢獻獎)" awarded by Rural Finance Times (農村金融時報社) and China Micro Credit Alliance (中國小額信貸聯盟) in April 2012 and the "Best Individual for the Development of National Small and Medium Services Provider (全國服務中小企業發展先進個人)" granted by the China Association of Small and Medium Commercial Businesses (中國中小商業企業協會) in December 2014. In November 2016, he was awarded the "Top Ten Individuals for the Development of National Small and Medium Services Provider (2016全國服務中小企業發展十佳個人)" granted by the committee of the China Association of Small and Medium Commercial Businesses.

2. **Mr. HUO Lingbo (霍淩波)**, has been appointed as our executive vice president since December 2012, and as executive Director and vice chairman of the Bank from July 2017.

   Mr. Huo served as deputy head and head of Jinzhong Urban Credit Cooperative (錦中城市信用社) from February 1989 to February 1992 and from February 1992 to August 1995, respectively. Mr. Huo also served as Vice President, deputy party secretary, party secretary and executive vice president (performing the duties of president) of the Bank from August 1995 to December 2006, from April 2004 to December 2006, from December 2006 to February 2017 and from December 2012 to February 2017, respectively.

   Mr. Huo graduated from the Liaoning Radio and TV University (遼寧廣播電視大學) majoring in electronics in Liaoning, the PRC in August 1985 and graduated from a postgraduate course (part-time) of economics management in the Party School of C.P.C. of Liaoning Province (中共遼寧省委黨校) in Liaoning, the PRC in July 1996. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 1996.

3. **Mr. WANG Jing (王晶)**, has been an executive Director of the Bank since March 2015, vice president of the Bank since January 2016.

   Mr. Wang served as staff member of the savings section in Jinzhou City Urban Credit United Cooperative (錦州城市信用聯社) from July 1994 to February 1997. He also served as section chief of the accounting section of the Bank's operation management department from February 1997 to March 1998, section chief of the savings section of the Bank's operation management department from March 1998 to August 1998, head of the deposits department and head of the research and development department of the Bank from August 1998 to March 2000 and from March 2000 to April 2009, respectively. He has been secretary to the Board of the Bank from November 2004 to May 2017, head of office of the Board from April 2009 to September 2016 and assistant to president from April 2013 to January 2016. In addition, Mr. Wang was a Director of the Bank from August 2008 to October 2014, and a joint company secretary of the Bank from October 2014 to December 2018.

   Mr. Wang completed an undergraduate course in oil engineering and graduated from Zhengzhou Grain College (鄭州糧食學院) in Henan, the PRC in March 1991. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 2002.

4. **Mr. SUN Jing (孫晶)**, has been the general manager of the strategy development department of the Bank since December 2016, became the secretary to the Board of the Bank since May 2017, the executive Director of the Bank since Februay 2018 and the joint company secretary of the Bank since December 2018. Mr. Sun has also served as the director of Jinyin Leasing since November 2015.

   Mr. Sun worked in the research and development department of the Bank from April 2003 to April 2009, as vice general manager of the research and development department of the Bank from April 2009 to April 2013, as deputy head of president office of the Bank from April 2013 to October 2015, and as head of president office of the Bank from October 2015 to December 2016.

   Mr. Sun graduated from Dongbei University of Finance and Economics in Liaoning, the PRC in April 2003 and obtained a master's degree in corporate management. Since November 2003, he obtained the Intermediate Economist qualification issued by the Ministry of Personnel of the People's Republic of China.

5. **Ms. WANG Xiaoyu (王曉宇)**, has been the general manager of the financial management department of the Bank since October 2015, and an executive Director of the Bank since January 2015.

   Ms. Wang served as head of the operation department in Tiefa sub-branch of China Construction Bank (中國建設銀行鐵法支行) from August 1989 to May 2001, vice president in Chengnei sub-branch of the Bank from May 2001 to June 2003, vice president in Shanghai Road sub-branch of the Bank from June 2003 to November 2004, successively as the deputy director of the finance and accounting department of the Bank, the general manager of the Jinzhou management finance and accounting department department and the vice manager of the financial management department from November 2004 to October 2015, and the head of finance of the Bank from November 2014 to August 2019 respectively. Ms. Wang served as a Director of the Bank from August 2008 to October 2014.

   Ms. Wang completed an undergraduate course in economics and graduated from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1989. She also completed a postgraduate master of business administration course (distance learning) from Guanghua School of Management, Peking University (北京大學光華管理學院) in November 2003. She has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 2002.

6. **Ms. LIU Hong (劉泓)**, has been appointed as the non-executive Director of the Bank since August 2019.

   Ms. Liu worked as teacher at Jinzhou Teachers Training College (錦州師範高等專科學校) from August 1985 to December 1994 and was head of "Sanba"savings office ("三八"儲蓄所) of Chengnei sub-branch of Jinzhou branch of Industrial and Commercial Bank of China (中國工商銀行錦州分行城內支行) from December 1994 to April 1999. She served as head of the Bank's marketing department, assistant to the president and vice president of the Bank from March 2002 to August 2008, from August 2008 to November 2009 and from November 2009 to February 2017, respectively. Ms. Liu has been appointed as the president of the Bank since February 2017 to August 2019, as the Party secretary of the Bank since April 2017 to August 2019, and as the executive Director of the Bank since February 2018 to August 2019.

   Ms. Liu completed an undergraduate course in political education (by correspondence) and graduated from Jinzhou Normal University (錦州師範學院) in Liaoning, the PRC in July 1991. She also completed a postgraduate course in political economics and graduated from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 2002. She has been accredited as a senior engineer by Personnel Department of Liaoning (遼寧省人事廳) since October 2008.

7. **Ms. GU Jie (顧潔)**, has been a non-executive Director of the Bank since October 2014. Ms. Gu has also served as vice general manager of Beijing Fulaige Investment Co., Ltd. (北京浮萊格投資有限公司) since November 2008.

   Ms. Gu served as head of asset management department of Bairong Investment Holding Group Co., Ltd. (百榮投資控股集團有限公司) from September 2005 to November 2008.

   Ms. Gu completed a junior college course in finance and graduated from China University of Science and Technology Management (中國科技經營管理大學) in Beijing, the PRC in July 1989.

8. **Ms. MENG Xiao (孟曉)**, has been the non-executive Director of the Bank since February 2018 and secretary of Nation Rich Investments Limited since December 2018.

   Ms. Meng served as a consultant in New Oriental Education Technology (Group) Co., Ltd. (新東方教育科技(集團)有限公司) from June 2010 to October 2010, as the secretary to the chairman of the board and investment securities representative in Qingdao Hai Wo Real Estate Co., Ltd. (青島海沃置業有限公司) from October 2010 to October 2012, as the manager of overseas financial investment department in Yong Xinhua Holding Co., Ltd. (永新華控股有限公司) from October 2012 to August 2014, and as the financial investment officer of Yong Xinhua Holding Co., Ltd. (永新華控股有限公司) from August 2014 to December 2018.

   Ms. Meng graduated from Qingdao University (青島大學) in Shandong Province, the PRC with a bachelor 's degree in English in June 2010 and from University of International Business and Economics in Beijing, the PRC, with a degree of master of business administration in May 2014 (part-time).

9. **Mr. LI Dongjun (李東軍)**, has been the non-executive Director of the Bank since September 2018 and the chairman of the board of directors of Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司) since September 1993.

   Mr. Li served as a section chief of Beifang Container Transportation Company (北方集裝箱運輸公司) from September 1982 to January 1990, and as the manager of Dalian Jinlian Import and Export Shipping Agency Company (大連錦聯進出口貨運代理公司) from February 1990 to October 1993. Mr. Li was a Director of the Bank from May 2008 to December 2017.

   Mr. Li obtained a master 's degree in business economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1998.

10. **Ms. TANG Fang (唐芳)**, has been the non-executive Director of the Bank since January 2019 and the vice minister of the director and supervisor works department of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), which is listed on the Shanghai Stock Exchange (SSE) (stock code: 600266), since January 2018.

    Ms. Tang served at Beijing City Donghu Real Estate Company (北京市東湖房地產公司) from July 2002 to June 2005. She then worked at the finance department of Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司) from June 2005 to December 2013. Ms. Tang successively served as the financial manager of Beijing Urban Construction Wan Ke Tian Yun Property Co., Ltd (北京城建萬科天運置業有限公司) from December 2013 to January 2018, and as the chief financial officer of Beijing Urban Construction (Shanghai) Equity Investment Management Co., Ltd (北京城建 (上海) 股權投資管理有限公司) from August 2015 to January 2018.

    Ms. Tang obtained a bachelor 's degree in taxation from Tianjin University of Commerce (天津商學院) in Tianjin, the PRC in June 2002. Ms. Tang has been accredited as an intermediate economist by Beijing Municipal Bureau of Personnel (北京市人事局) since November 2008.

11. **Mr. CHOON Yew Khee (秦耀奇)**, has been an independent non-executive Director of the Bank since October 2014. Mr. Choon also served as the director of the Hong Kong Chinese Importers' & Exporters' Association since January 2017, has been a Director of Handong Capital Corporation since November 2017 and a Director and person-in-charge of Hing Lee Securities Limited since October 2018.

    Mr. Choon served successively as director of institutional business and head of retail business in Asia (excluding Japan) of Citigroup Asset Management, Hong Kong, from December 1999 to July 2006, as head of North Asia business of Lehman Brothers Investment Management, Hong Kong, from July 2006 to March 2008, as managing director of Lazard Asset Management, Hong Kong, from April 2008 to October 2013, and served as the head of Asia-Pacific region of GAM Hong Kong Limited from November 2013 to May 2017.

    Mr. Choon obtained a bachelor's degree in business administration from the City University of New York in the United States in September 1992. Mr. Choon has been accredited as a chartered financial analyst by the Association for Investment Management and Research since September 2002.

12. **Mr. LIN Yanjun (林彥軍)**, has been an independent non-executive Director of the Bank since January 2017. Mr. Lin is currently the director, senior vice president and the chief financial officer of 9F INC. (玖富科技集團), chief executive officer of 9F international business, and chief executive officer of 9F Primasia Securities Limited(玖富證券有限公司). Mr. Lin also served as a council member of the intelligent finance research center of Tsinghua University Fintech institute, deputy secretary general of the Union of Finance Alumni of Peking University as well as director of Asia Youth Orchestra Limited (public service organization).

    Before joining 9F INC. (玖富科技集團), Mr. Lin served as an analyst and manager at BOC International Holdings Limited from July 2001 to July 2004, served as a manager at Cazenove (Asia) Limited from July 2004 to October 2005, served as a manager at Bear Stearns Asia Limited from October 2005 to May 2008, served as a manager, vice president and director at Credit Suisse (Hong Kong) Limited from June 2008 to August 2012, and served as the director of Barclays Capital Asia Limited from August 2012 to April 2015.

    Mr. Lin graduated from Peking University in Beijing, the PRC in July 2001 with a bachelor's degree in money and banking, now studying EMBA Course at PBC School of Finance, Tsinghua University (清華五道口金融學院). He is also a member of sixth session of Aspen Institute China Talent Programme and Aspen Global Leadership Network.

13. **Mr. CHANG Peng'ao (常鵬翱)**, has been an independent non-executive Director of the Bank since February 2018 and a professor and doctoral supervisor in Peking University Law School (北京大學法學院) since May 2014.

    Mr. Chang served as a court clerk in Luanchuan County People's Court of Henan Province (河南省欒川縣人民法院) from July 1996 to August 1997. He also successively served as a research associate and a deputy researcher in Institute of Law, Chinese Academy of Social Sciences (中國社會科學院法學研究所) from July 2003 to December 2008.

    Mr. Chang obtained a bachelor 's degree in law from Zhengzhou University (鄭州大學) in Henan Province, the PRC in July 1996, a master 's degree in law from Peking University (北京大學) in Beijing, the PRC in July 2000, majoring in civil and commercial law and a doctor's degree in law from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in July 2003, majoring in civil and commercial law. He has been accredited as a professor by Peking University Law School since May 2014.

14. **Ms. PENG Taoying (彭桃英)**, has been an independent non-executive Director of the Bank since February 2018 and a partner of BDO China Shu Lun Pan CPAs (立信會計師事務所) since December 2010. Ms. PENG has been an associate professor and a professor in the Business School of Hunan University (湖南大學工商管理學院), including the former Hunan College of Finance and Economics (湖南財經學院)) since January 1994 and an independent director of China United Insurance Holding Co., Ltd. (currently known as China United Insurance Holding Corporation) since July 2016.

    Ms. Peng has been in charge of or participated in the audit work of many listed companies and state-owned companies. She has served as an independent director of Shandong Huifa Foodstuff Co., Ltd. (山東慧發食品股份有限公司) (listed on SSE, stock code: 603536) from October 2012 to July 2018, and as an independent director of Feiyi Co., Ltd. (飛翼股份有限公司) (listed on NEEQ, stock code: 831327) from December 2012 to December 2018.

    Ms. Peng graduated from Hunan Education College (湖南教育學院, currently known as Hunan Normal University (湖南師範大學)) in Hunan Province, the PRC in July 1988, majoring in math. She obtained a master 's degree from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, the PRC in July 1990, majoring in accounting and a doctor 's degree from Central South University (中南大學) in Hunan Province, the PRC in December 2005, majoring in management science and engineering. She has been awarded the senior professional title of management (管理學高級專業技術職稱) by Hunan University (湖南大學) since June 2008, and has been accredited as a certified public accountant by Hunan Institute of Certified Public Accountant (湖南省註冊會計師協會) since April 2000.

15. **Ms. TAN Ying (譚英)**, has been an independent non-executive Director of the Bank since February 2018 and a professor of College of Economy and Law, Bohai University (渤海大學經法學院) since December 2010.

    Ms. Tan served as the legal counsel of Jinzhou Gas Co., Ltd. (錦州市燃氣公司) from January 1988 to December 1992, as the legal counsel of Jinzhou 115 Factory (錦州市一一五廠) from January 1990 to December 1995 and as the legal counsel of Jinzhou Sunshine Energy Co., Ltd. (錦州市陽光能源股份有限公司) from January 2010 to December 2013. She has also been the legal counsel of Jinzhou Huaxin Assets Management (Group) Co., Ltd (錦州華信資產經營(集團)有限公司) since January 2017.

    Ms. Tan obtained a bachelor 's degree in law from China University of Political Science and Law (中國政法大學) in Beijing, the PRC in June 1994 and a master 's degree in economics from Nankai University (南開大學) in Tianjin, the PRC in July 1999, majoring in political economy. She has been accredited as a professor by Liaoning Provincial Department of Human Resources and Social Security (遼寧省人力資源和社會保障廳) since December 2010.

(II) Biographies of Supervisors

1. **Mr. CAI Hongguang (才洪光)**, has been appointed as Employee Representative Supervisor of the Bank since December 2017, and has served as chairman of the Board of Supervisors since then.

   Mr. Cai served as deputy division head of the credit department and the auditing department of Jinzhou Urban Credit Union (錦州市城市信用聯社), respectively, from January 1993 to March 1993 and from March 1993 to April 1994, and continued to act as section chief of the credit section and deputy division head of the sales section of Jinzhou Urban Credit Union (錦州市城市信用聯社) from February 1995 to February 1997.He acted as president and chief auditor of Yongfeng sub-branch of the Bank from February 1997 to February 2001 and February 2001 to August 2004, as vice president of the Bank from August 2004 to December 2017.

   Mr. Cai completed a postgraduate course in political economics and graduated from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 2002. Mr. Cai has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since June 1997.

2. **Mr. DAI Shujun (戴書軍)**, has been appointed as an Employee Representative Supervisor of the Bank since December 2017 and has served as the vice chairman of the Board of Supervisors.

   Mr. Dai successively served as a technician, a secretary and the officer in charge of organization in Jinzhou Saltworks (錦州鹽場) from August 1985 to October 1991, as a secretary of Jinzhou First Light Industry Bureau (錦州市第一輕工業局) from October 1991 to June 1994, as the office secretary of Jinzhou City Urban Credit United Cooperative (錦州市城市信用聯社) from June 1994 to May 1995, as the head of the political work department and the secretary of Youth League Committee in Jinzhou City Urban Credit United Cooperative (錦州市城市信用聯社) from May 1995 to March 1997, as the president and the secretary of the Party Committee of Xidaqiao sub-branch of Jinzhou City Cooperative Bank (錦州市城市合作銀行西大橋支行) from March 1997 to June 1997, and as the president and the secretary of the Party Committee of Tiebei sub-branch of Jinzhou Commercial Bank (錦州市商業銀行鐵北支行) from June 1997 to January 2003. Mr. Dai served as the president of Yongfeng sub-branch of the Bank from January 2003 to February 2011, as the president of Harbin branch of the Bank from February 2011 to March 2013, and as the president and secretary of the party committee of Harbin branch of the Bank from March 2013 to December 2017.

   Mr. Dai graduated from the Party School of the Central Committee of C.P.C. (中共中央黨校) in Beijing, the PRC in December 1997 with a bachelor 's degree, majoring in economic management. He has been accredited as a senior economist by the Review Committee of Senior Economic Professional Position Qualification of Liaoning Province (遼寧省經濟專業高級職務任職條件評審委員會) since September 2005 and as a senior political analyst by the Review Committee of Senior Professional Position Qualification of Ideological and Political Staff in Enterprises of Liaoning Province (遼寧省企業思想政治工作人員高級專業職務任職資格評審委員會) since October 2000.

3. **Ms. CAO Wenqing (曹文青)**, has been appointed as an Employee Representative Supervisor of the Bank during the Reporting Period.

   Ms. Cao successively served as a staff member of international department and the deputy head of the second department of banking regulation and supervision in the head office of the PBOC from August 1991 to July 2003, as the deputy head and the head of the second department of regulation and supervision in CBRC from July 2003 to November 2008, as the assistant to the president of the Hangzhou branch of Ping An Bank (平安銀行) from November 2008 to September 2009, as the vice president of the Shenzhen branch of Ping An Bank (平安銀行) from September 2009 to October 2010, as the general manager of operational risk department of the head office of Ping An Bank (平安銀行) from October 2010 to February 2011, as the vice president of the Beijing branch of the Bank from February 2011 to August 2019.

   Ms. Cao graduated from Capital University of Economics and Business (首都經貿大學) in Beijing, the PRC in July 1991 and obtained a master 's degree in finance from Xi'an Jiaotong University (西安交通大學) in Shaanxi Province, the PRC in July 1999.

4. **Ms. LI Wei (李偉)**, has been appointed as an Employee Representative Supervisor of the Bank since December 2017, and has been the vice president and the chairman of the labor union of Shenyang branch of the Bank since October 2015.

   Ms. Li successively served as the section chief of accounting section of Xidaqiao Credit Cooperative of Industrial and Commercial Bank of China (中國工商銀行西大橋信用社) from March 1985 to September 1992, as the section chief of accounting section of Xidaqiao Credit Cooperative of Jinzhou City Urban Credit United Cooperative (錦州市城市信用聯社西大橋信用社) from September 1992 to March 1997, as an inspector of auditing department of Jinzhou Commercial Bank (錦州市商業銀行) from March 1997 to February 2002. Ms. Li served various roles in Yongfeng sub-branch of the Bank, as the section chief of accounting section from February 2002 to November 2004, as the assistant to the president from November 2004 to March 2009, and as the vice president from March 2009 to June 2009. She also served various roles in Shenyang branch of the Bank, as the general manager of financing plan department from June 2009 to June 2012, as the general manager of settlement department from June 2012 to November 2012, and as the assistant to the president from April 2013 to September 2015.

   Ms. Li graduated from Party School of the Central Committee of C.P.C. (中共中央黨校) in Beijing, the PRC in July 2003 and graduated from a postgraduate course (part-time) in Guanghua School of Management, Peking University (北京大學光華管理學院) in Beijing, the PRC in September 2003.

5. **Ms. LI Xiu (李秀)**, has been appointed as our Employee Representative Supervisor since May 2008. Ms. Li has also served as vice president of Jinzhou branch of the Bank since December 2017.

   Ms. Li worked as bookkeeper of accounting department in the Railway Sub-branch of the Bank from April 1992 to September 1995. She served as an office staff member and administrative accountant of the Bank from October 1995 to October 2005. Ms. Li served successively as assistant to the president and vice president of Gaoxin sub-branch of the Bank from November 2005 to February 2011, as deputy general manager of financing plan department of Jinzhou branch of the Bank from February 2011 to September 2013 and as head of office of Jinzhou branch of the Bank from October 2013 to August 2016 respectively, she also served as assistant to president of Jinzhou branch of the Bank from August 2016 to December 2017.

   Ms. Li completed an undergraduate course in economics management and graduated from the correspondence school of Party School of the Central Committee of C.P.C. (中共中央黨校) in December 2000. She has been accredited as an economist by the Ministry of Personnel of the PRC (中華人民共和國人事部) since November 2001.

6. **Mr. HE Baosheng (何寶生)**, has been appointed as our Shareholder Representative Supervisor since October 2014.

   He has served as chairman of Jinzhou Jinhua Co., Ltd. (錦州錦華股份有限公司) since December 2001. Mr. He also served as a Director of the Bank from January 1997 to October 2014.

   Mr. He graduated from correspondence college of Liaoning University (遼寧大學函授學院) in economics and management in Liaoning, the PRC in September 1984. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since September 1992.

7. **Mr. CHEN Tanguang (陳壇光)**, has been appointed as our Shareholder Representative Supervisor since December 2017, and has been the general manager of finance department of Xinghua Fortune Group Co., Ltd. (興華財富集團有限公司) since June 2016.

   Mr. Chen served as a staff member of finance department and the head of accounting section of finance department in Hebei Xinghua Steel Co., Ltd. (河北興華鋼鐵有限公司) from September 2007 to July 2008 and from July 2007 to July 2008, respectively. He also served as the manager of finance department of Xinghua Fortune Group Xinghua Real Estate Co., Ltd. (興華財富集團興華房地產公司) from July 2008 to September 2010, as the manager of finance department of Xinghua Fortune Group Fortune International Hotel Co., Ltd. (興華財富集團財富國際酒店公司) from September 2010 to April 2012, as the manager of finance department of Xinghua Fortune Group the Republic of Kyrgyzstan Mining Industry Management Co., Ltd. (興華財富集團吉爾吉斯共和國礦業管理公司) from April 2012 to September 2013, and as the general manager of Xinghua Fortune Group the Republic of Kyrgyzstan Xinghua International Mining Industry Co., Ltd. (興華財富集團吉爾吉斯共和國興華國際礦業公司) and the general manager of BLS Landscaping & Construction, Inc. from September 2013 to July 2016. Mr. Chen then served as an independent director of Hebei Xinghua Steel Rolled Products Co., Ltd. (河北興華鋼鐵軋材有限公司) from January 2017 to May 2017.

   Mr. Chen graduated from Jiangxi University of Technology (江西科技學院) in Jiangxi Province, the PRC in July 2007.

8. **Ms. HE Mingyan (何明艷)**, has been appointed as our Shareholder Representative Supervisor since December 2017, and has been the vice general manager of Jinzhou Yixing College Logistics Services Limited (錦州逸興高校後勤服務有限公司) since July 2016.

   Ms. He previously served as the dean of students in Bohai University Arts and Sciences Institute (渤海大學文理學院, currently known as Liaoning Institute of Science and Engineering (遼寧理工學院)) from July 2008 to July 2009 and as the dean of students in Shenyang Construction University Urban Construction Institute (瀋陽建築大學城市建設學院, currently known as Shenyang Urban Construction University (瀋陽城市建設學院)) from July 2009 to April 2010. She then served as the deputy dean of Shenyang Urban Construction University (瀋陽城市建設學院) from April 2010 to July 2016.

   Ms. He graduated from Bohai University (渤海大學) in Liaoning Province, the PRC, majoring in financial management, in July 2005, and then she obtained a master 's degree in education science from Guangxi Normal University in Guilin, Guangxi Province, the PRC in July 2008.

9. **Mr. JIANG Daxing (蔣大興)**, has been appointed as the external Supervisor since December 2017. Mr. Jiang has also worked in the Law School of Peking University (北京大學法學院) since February 2008. He has served as professor in the Law School of Peking University (北京大學法學院) and doctoral advisor in the Law School of Peking University (北京大學法學院) and head of the China Enterprise Legal Risk Management Research Centre of Peking University (北京大學中國企業法律風險管理研究中心) since February 2014. Mr. Jiang currently also serves as the vice precedent of China Institute of Securities Law (中國證券法學研究會), an executive director of China Institute of Commercial Law (中國商法學研究會), and an arbitrator of Beijing Arbitration Commission (北京仲裁委員會). He has served as independent director or external director in several companies, including Beijing Automotive Group Co., Ltd (北京汽車集團有限公司), Shenzhen Laibao Hi-Tech Co., Ltd. (深圳萊寶高科股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 002106), Beijing Yuanliu Hongyuan Electronic Technology Co., Ltd. (北京元六鴻遠電子科技股份有限公司), and Beijing Yiqing Holding Co., Ltd. (北京一輕控股有限責任公司).

   Mr. Jiang served successively as court clerk and assistant judge in the Intermediary People's Court of Shaoyang City, Hunan Province (湖南省邵陽市中級人民法院) from July 1993 to September 1996, and as tutor, lecturer, associate professor, professor and deputy dean of the Law School of Nanjing University (南京大學法學院) from July 1999 to February 2008. Mr. Jiang served as researcher in the Law School of Peking University from March 2008 to January 2014. Mr. Jiang served as an Independent Non-executire Director of the Bank from March 2011 to February 2018, and performed his duties as a Director through the Board and the Related-party Transactions Control Committee. Mr. Jiang served as an independent Director of Hubei Radio & Television Information Network Co., Ltd. (湖北省廣播電視信息網絡股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 000665) from November 2012 to February 2019, an independent Director of Beihai Yinhe Industry Investment Co., Ltd. (北海銀河產業投資股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 000806) from January 2014 to April 2017 and an independent Director of Zhuhai Hongta Renheng Packaging Co., Ltd. (珠海紅塔仁恒包裝股份有限公司) from January 2016 to September 2018.

   Mr. Jiang obtained a master's degree in economic law from Law School of Nanjing University (南京大學法學院) in Jiangsu, the PRC in June 1999 and a doctor's degree in economic law from Law School of Nanjing University (南京大學法學院) in Jiangsu, the PRC in September 2006.

10. **Mr. DENG Xiaoyang (鄧小洋)**, has been appointed as the external Supervisor since December 2017. Mr. Deng currently also serves as a professor in School of Accounting of Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院會計學院) and an independent director in Shanghai Baolong Automotive Corporation (上海保隆汽車科技股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 603197).

    Mr. Deng previously served teaching positions in the School of Accounting of Hunan College of Finance and Economic (湖南財經學院會計系) from August 1994 to April 2000, and in Hunan University (湖南大學) from April 2000 to April 2007, respectively. Mr. Deng served teaching and researching positions in the Scientific and Research Section of School of Accounting of Shanghai Lixin University of Commerce (上海立信會計學院會計學系) from May 2007 to October 2014. Mr. Deng held the position of independent director in several companies, including Hunan Gaea Gem Co., Ltd. (湖南金健米業股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600127), from August 2003 to April 2005, Changsha Lyrun Material Co., Ltd. (長沙力元新材料股份有限公司), currently known as Hunan Corun New Energy Co., Ltd. (湖南科力遠新能源股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600478), from March 2002 to June 2008, Hunan Copote Science & Technology Co., Ltd. (湖南湘郵科技股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600476), from April 2004 to May 2010, Hunan Sunward Intelligent Equipment Co., Ltd. (湖南山河智能機械股份有限公司), which is listed on the Shenzhen Stock Exchange (stock code: 002097), from April 2004 to April 2010 and Opple Lighting Co., Ltd. (歐普照明股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 603515) from June 2012 to June 2018. Mr. Deng served as an Independent Non-executive Director of the Bank from March 2011 to February 2018.

    Mr. Deng obtained a doctor's degree in management from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, the PRC in February 2001. Mr. Deng has been accredited as a professor by Hunan University (湖南大學) since June 2002.

11. **Ms. NIE Ying (聶穎)**, has been appointed as our external Supervisor since October 2014. She has also served as professor of the School of International Business in Shenyang Normal University (瀋陽師範大學國際商學院) since January 2014.

    Ms. Nie served as staff and business manager of the securities administration department in Jinzhou Port Co., Ltd. (錦州港股份有限公司) from July 1993 to May 2000, and vice professor of College of International Business in Shenyang Normal University (瀋陽師範大學國際商學院) from September 2003 to December 2013.

    Ms. Nie obtained a bachelor's degree in industrial foreign trade from Liaoning Institute of Technology (遼寧工學院) in Liaoning, the PRC in July 1993 and graduated from a postgraduate course (part-time) of investment and economics in the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in April 1998. She obtained a master's degree in economics from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in June 2007 and a doctor's degree in finance from Liaoning University (遼寧大學) in Liaoning, the PRC in June 2011. Ms. Nie has been accredited as a professor by Shenyang Normal University (瀋陽師範大學) since December 2013.

12. **Ms. LI Tongyu (李彤煜)**, has been appointed as our external Supervisor since October 2014. She has also served as a teacher and an associate professor of Liaoning University of Technology (遼寧工業大學) since August 1993 and August 2004, respectively.

    Ms. Li graduated from an undergraduate major of industrial management engineering from Liaoning Institute of Technology (遼寧工學院) in Liaoning, the PRC in July 1993 and obtained a master's equivalent degree in enterprise management from Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the PRC in July 2001. She has been accredited as an associate professor by the Personnel Department of Liaoning Province (遼寧省人事廳) since August 2004.

13. **Ms. ZHAO Hongxia (趙宏霞)**, has been appointed as our external Supervisor since October 2014. She has served as a professor in Qingdao University of Science & Technology (青島科技大學) since January 2019.

    Ms. Zhao served multiple teaching and research positions in Liaoning University of Engineering and Technology (遼寧工程技術大學) from April 2005 to February 2013 and served various teaching and research positions in the School of Management of Bohai University (渤海大學管理學院) from March 2013 to December 2018 and served as a professor since November 2015.

    Ms. Zhao obtained a bachelor's degree in management from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in July 2002, a master's degree in management from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in March 2005 and a doctor's degree in management from Liaoning University of Engineering and Technology (遼寧工程技術大學) in Liaoning, the PRC in January 2010.

(III) Biographies of Senior Management Members

1. For biography of **Mr. Huo Lingbo**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this annual report.

2. **Mr. GUO Guang (郭光)**, has been appointed as our vice president, and has been in charge of the president's office and the integrated affairs department since January 2007.

    Mr. Guo served as coordinator at the planning department of Jinzhou Urban Credit Union (錦州市城市信用聯社) from July 1992 to September 1993, and served as vice director of Jinzhou Linghe Credit Union (錦州市淩河信用社) from September 1993 to February 1994. Mr. Guo was deputy division head of the deposit division and accounting division of Jinzhou Urban Credit Union (錦州市城市信用聯社), respectively, from February 1994 to February 1996 and from February 1996 to March 1997, and acted as deputy division head of the planning division of the Bank from March 1997 to March 1998. He served as head of the planning and finance department from March 1998 to March 2003, head of the finance and management committee under the Board from March 2003 to June 2004, deputy chief accountant from June 2004 to June 2005 and chief economist from June 2005 to December 2006, of the Bank.

    Mr. Guo completed an undergraduate course (by correspondence) in economics management and graduated from the Party School of the Central Committee of C.P.C. (中共中央黨校) in December 2000. He has been accredited as a senior economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since December 2003.

3. **Mr. LIU Wenzhong (劉文忠)**, has been appointed as our vice president since May 2013, and as secretary of the party committee of Beijing branch of the Bank since December 2017. Mr. LIU has served as the chairman of Jinyin Leasing from November 2015.

   Mr. Liu worked as clerk and section chief of the credit section in Lingyun Urban Credit Cooperative (凌雲城市信用社) from January 1992 to March 1996, vice president of Lingyun sub-branch of the Bank from March 1996 to March 2002, president of Lingyun sub-branch of the Bank from March 2002 to July 2011, and assistant to president of the Bank from March 2011 to May 2013. Mr. Liu worked as vice president of Beijing branch of the Bank from July 2011 to January 2012 and president of Beijing branch of the Bank from January 2012 to February 2019.

   Mr. Liu completed a junior college course in electric automation and graduated from Liaoning Radio and TV University (遼寧廣播電視大學) in Liaoning, the PRC in July 1987. He also completed a postgraduate course in industrial economics and graduated from Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the PRC in July 2001. Mr. Liu has been accredited as an economist by the Personnel Department of Liaoning Province (遼寧省人事廳) since February 1995.

4. **Mr. WANG Xin (王昕)**, has been appointed as our vice president since January 2016.

   He served successively as an employee in the Bank's bank card department from July 1999 to March 2000, and the Bank's credit management department from March 2000 to March 2001, deputy head of the Bank's credit management department from March 2001 to July 2003, chief in the Bank's credit management department from January 2005 to January 2007 and assistant to president of Tianjin branch of the Bank from December 2008 to April 2010. Mr. Wang served as vice president of Tianjin branch of the Bank from April 2010 to February 2012, and served as the assistant to the president of the Bank from February 2012 to January 2016.

   Mr. Wang obtained a bachelor's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 1999 and a master's degree in business administration from the Chicago branch campus of the University of Illinois in the United States in August 2008. Mr. Wang is currently studying at Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC for a doctor's degree in finance.

5. For biography of **Mr. WANG Jing**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this annual report.

6. **Mr. WANG Xin (王鑫)**, has been appointed as the president of Jinzhou branch of the Bank since April 2015, and as vice president of the Bank since February 2018.

   Mr. Wang served as auditor of auditing department in Jinzhou City Urban Credit United Cooperative from November 1992 to March 1994, as well as credit officer of credit section of Jinzhou City Cooperative Bank and deputy-division-head-level credit officer of credit department from March 1994 to March 1998. He served as vice president in the Railway branch of the Bank and Shanghai Road sub-branch of the Bank from March 1998 to February 2010, president of Dandong branch and president of Yongfeng sub-branch from February 2010 to April 2012, deputy division head of Jinzhou management department, vice president of Jinzhou branch and president of Shenyang branch of the Bank from April 2012 to April 2015, president and party committee secretary of Jinzhou branch from April 2015 to August 2016, and assistant to president of the Bank from March 2016 to February 2018.

   Mr. Wang received an in-service graduate degree in regional economics from Graduate School of Peking University in December 2002. He has been a professor-level senior economist recognized by the Liaoning Provincial Personnel Department since October 2008.

7. **Ms. SONG Yaping (宋亞萍)**, has been appointed as our chief accountant since December 2012. She is currently in charge of internal audit department.

   Ms. Song worked in Jinzhou Municipal Auditing Bureau (錦州市審計局) from June 1989 to December 2010. Ms. Song served as general auditor of the Bank from December 2010 to December 2012.

   Ms. Song completed an undergraduate course in economics management and graduated from the Party School of C.P.C. of Liaoning Province (中共遼寧省委黨校) in Liaoning, the PRC in July 2005. She has been accredited as a senior auditor by Liaoning Provincial Audit Office (遼寧省審計廳) since August 1998.

8. For biography of **Mr. SUN Jing**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors"of this annual report.

9. For biography of **Ms. WANG Xiaoyu**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this annual report.

10. For biography of **Ms. Liu Hong**, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this annual report.

(IV) Biographies of Joint Company Secretaries

1. **Mr. SUN Jing (孫晶)**, was appointed as a joint company secretary of the Bank in December 2018. For his biography, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations-Biographies of Directors" of this annual report.

2. **Ms. LEUNG Wing Han Sharon (梁穎嫻)**, was appointed as a joint company secretary of the Bank in October 2014. Ms. Leung is a director of SWCS Corporate Services Group (Hong Kong) Limited. Ms. Leung holds degrees of bachelor of business administration in accounting, bachelor of laws, and master of laws in international corporate and financial law. She is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in UK, and the Association of Chartered Certified Accountants in UK. She is also a member of the Hong Kong Institute of Certified Public Accountants.

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

For detailed compensation of Directors and Supervisors and five individuals with the highest emoluments in the Bank, please refer to notes 8 and 9 to financial statement included in this annual report.

V. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As at the end of the Reporting Period, the Bank (excluding subsidiaries) had 4,837 full-time employees, of which 3,489 employees or 72.13% had bachelor's degrees or above, with the average age of 36.6.

In addition to full-time employees, as at the end of the Reporting Period, we also had 1,295 contractors from third party human resources agencies. These contractors are not our employees and enter into employment contracts with third party human resources agencies.

(II) Employee Trainning Program

The Bank values the overall improvement of employee qualities and business skills, strives to build a comprehensive study-type bank and carry out trainnings based on operation management targets. Our annual trainning program thoroughly considered actual circumstance of the Bank and employees' needs, combined innovative trainning, management trainning and business trainning to achieve the purposes of improving our team, enhancing our ability and driving the sustainable development throughout the Bank. "Jinxiansheng" (錦先聲) internal training instructor training program consolidated the foundation of extraction of internal knowledge and expanded the promotion path for employee. The multi-dimensional training model online and offline ensured full coverage of the training work and enhanced both staff quality and standard and level of competitiveness of the Bank.

(III) Employee Incentive Policies

The Bank has always been committed to the research and formulation of employee incentive policies throughout the Bank. The Bank provides better mechanism and measures for the selection, appointment, cultivation and retention of talents, to ensure the business development of Bank is supported by reliable human resources. Incentive policies of the Bank combined performance management system, employee career development system, new employee cultivation system and based on employee career development. It is a scientific comprehensive management system based on professional sequence management, covering performance evaluation, ability evaluation, service improvement and cultivation plan. The professional sequence management system developed by the Bank broke the career development bottleneck of employees, expanded promotion spaces of employees, and satisfied their diversified career development requirements, which fully encouraged employees to realize their values.

(IV) Remuneration Policies for Employees

Our remuneration policies are in line with the implementation of our strategic goals, the enhancement of our competitiveness, talent cultivation and risk control. These policies are developed based on the principles that satisfy our corporate governance requirements, give consideration to both the competitiveness and sustainability of the Bank, and are in line with our operating results adapted to risk cost and balance our short-term and long-term incentives. Remuneration of our employees comprises of fixed salary, variable compensation and allowance. Deferred payment and fixed term of payment are applied to senior management and key personnel to strengthen risk control.

(V) Retirement and Benefits

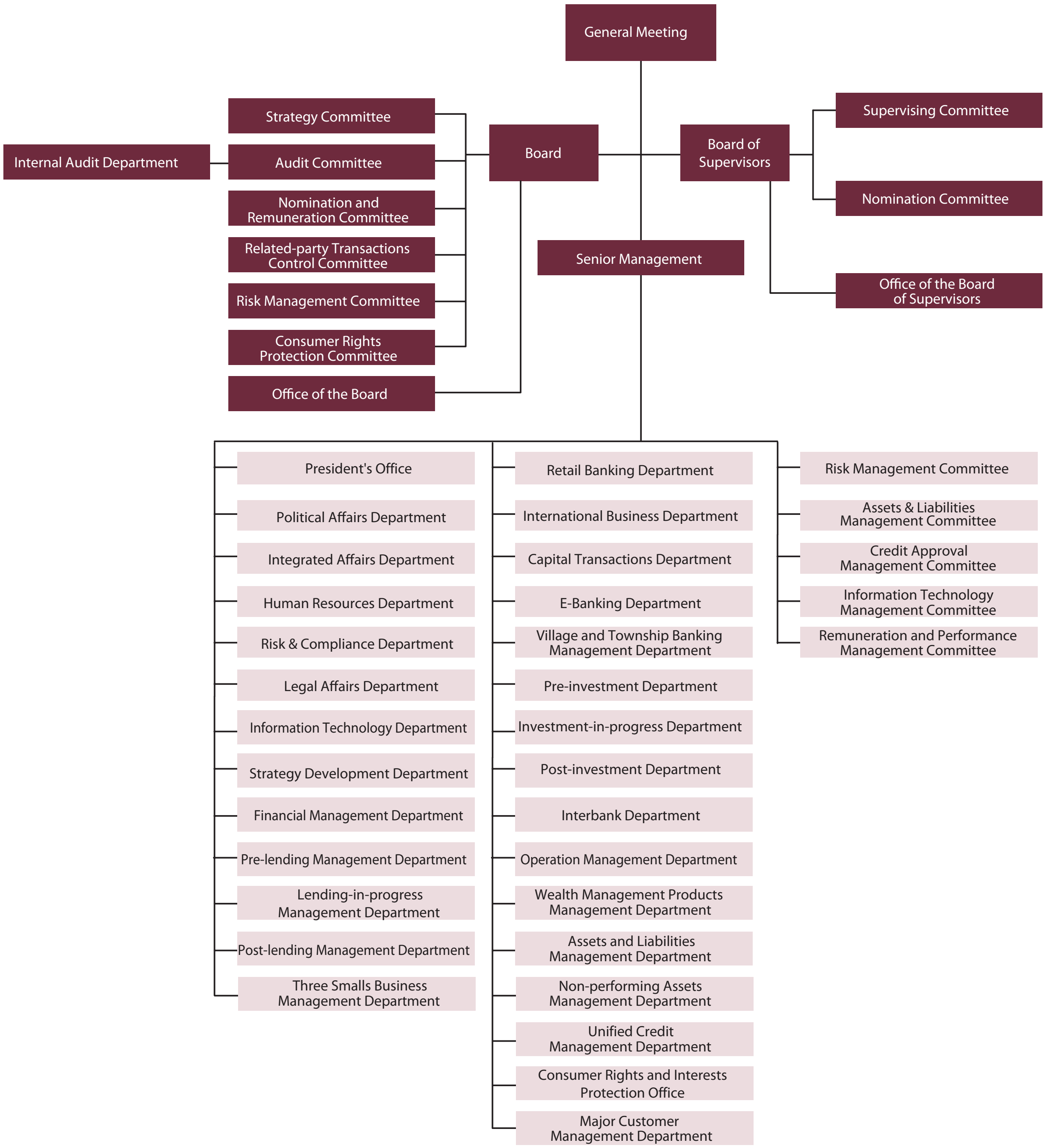
According to applicable laws in China, the Bank's male employees, cadre female employees and non-cadre female employees reaching the age of 60, 55 and 50, respectively, shall retire. The salary of retired employees will be suspended and paid by the social insurance fund agency to their basic pension on a monthly basis starting from the second month after retiring procedures are completed. With respect to benefits, the headquarters and the branches shall make timely and full contribution to basic old-age pension, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance, and housing provident fund for all in-service employees pursuant to applicable laws and regulations in China.

VI. Branches and Subsidiaries

Name of Branches/Subsidiaries	Location of Business	Remarks
Headquarters	No. 68 Keji Road, Jinzhou, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Beijing Branch	No. 5 Jianguomenbei Avenue, Dongcheng District, Beijing, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Tianjin Branch	No. 236 Nanjing Road, Heping District, Tianjin, the PRC	With 7 sub-branches
Bank of Jinzhou Co., Ltd., Shenyang Branch	No. 18 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC	With 12 sub-branches
Bank of Jinzhou Co., Ltd., Dalian Branch	No. 23 Renmin Road, Zhongshan District, Dalian, Liaoning Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Harbin Branch	No. 381 Youyi Road, Daoli District, Harbin, Heilongjiang Province, the PRC	With 7 sub-branches
Bank of Jinzhou Co., Ltd., Dandong Branch	No. 111 Jinshan Avenue, Yuanbao District, Dandong, Liaoning Province, the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Fushun Branch	No. 13 Xinhua Avenue, Shuncheng District, Fushun, Liaoning Province,the PRC	With 19 sub-branches
Bank of Jinzhou Co., Ltd., Anshan Branch	No. 15- S1, S2, S3, S4, S5, Shenglinan Road Tiedong District, Anshan, Liaoning Province, the PRC	With 5 sub-branches
Bank of Jinzhou Co., Ltd., Chaoyang Branch	No. 5 Xinhua Road (Section 2), Shuangta District, Chaoyang, Liaoning Province, the PRC	With 6 sub-branches
Bank of Jinzhou Co., Ltd., Fuxin Branch	No. 75 Zhonghua Road, Xihe District, Fuxin, Liaoning Province, the PRC	With 2 sub-branches
Bank of Jinzhou Co., Ltd., Liaoyang Branch	No. 366-1 Xinhua Road, Baita District, Liaoyang, Liaoning Province, the PRC	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Huludao Branch	1C Lanhua Plaza, Xinhua Avenue, Lianshan District, Huludao, Liaoning Province, the PRC	With 1 sub-branch
Bank of Jinzhou Co., Ltd., Benxi Branch	No. 8 Renmin Road, Pingshan District, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Co., Ltd., Yingkou Branch	No. 12-A1, East Bohai Avenue, Zhanqian District, Yingkou City, Liaoning Province, China	
Bank of Jinzhou Co., Ltd., Jinzhou Branch	No. 69 Shifu Road, Jinzhou, Liaoning Province, the PRC	With 110 sub-branches
Bank of Jinzhou Co., Ltd., Small Enterprise Financial Service Centre	No. 25-1, 2 Zhongyang Avenue (Section 2), Linghe District, Jinzhou, Liaoning Province, the PRC	
Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd.	No. 29-86, Jixiang Xinjiayuan, Taihe District, Jinzhou City, Liaoning Province, the PRC	With 6 sub-branches
Liaoning Yixian Jinyin Village and Township Bank Co., Ltd.	No. 38-21, Yingbin Road, Yizhou Town, Yixian, Jinzhou City, Liaoning Province, the PRC	With 4 sub-branches
Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd.	No. 1-1-121, Lvshan Road, Beizhen City Liaoning Province, the PRC	With 3 sub-branches
Liaoning Heishan Jinyin Village and Township Bank Co., Ltd.	House No. 9-14 (Level 1-3), City East, South Side,Diwang Fudi, No. 194, Zhongda Central Road,Heishan Town First Street, Heishan County,Liaoning Province, the PRC	With 3 sub-branches
Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd.	No. 01011, Building 10, Lidu Shuian Community, Binhe North Road, Dachengzi Town, Kazuo County, Chaoyang, Liaoning Province, the PRC	With 1 sub-branch
Liaoning Linghai Jinyin Village and Township Bank Co., Ltd.	Outlet No. 57-60, Block 1, Ziguanghaoyuan,No. 5 Zhongxing Avenue, Linghai, Jinzhou, Liaoning Province, the PRC	
Liaoning Huanren Jinyin Village and Township Bank Co., Ltd.	No. 2, Unit 0, Building 1, Block 1 Xinshi Street, Huanren Town, Huanren Manchu Autonomous County, Benxi, Liaoning Province, the PRC	
Bank of Jinzhou Financial Leasing Co.,Ltd.	No. 18, Beizhan Road, Shenhe District,Shenyang, Liaoning Province, the PRC	

I. Organization Structure

As at the date of publication of this report, the organization chart of the Bank was as follows:



II. Corporate Governance Overview

The Bank continuously improved corporate governance mechanism, and gradually enhanced corporate governance level. The Bank has adopted relevant requirements set out in the Corporate Governance Code set out in Appendix 14 to the Listing Rules ("**Corporate Governance Code**"), administrative measures and corporate governance for commercial banks in China. The Bank has also established a corresponding corporate governance system. In accordance with relevant requirements, the Bank has set up dedicated and professional Board of Directors, Board of Supervisors and senior management. All members of Board of Directors and Board of Supervisors (excluding employee representative Supervisors) were all elected on the general meeting by the Shareholders of the Bank. The Bank has further improved the information disclosure standards, regulated the management of investor relations activities and enhanced the transparency and governance standards persistently.

During the Reporting Period, the Bank has fully complied with all code provisions contained in the Corporate Governance Code. The Directors are not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Corporate Governance Code.

III. General Meeting

During the Reporting Period, the Bank convened one annual general meeting and one extraordinary general meeting, one domestic Shareholders' class meeting and one H Shareholders' class meeting. The Bank convened the 2017 annual general meeting, the 2018 first domestic Shareholders' class meeting and the 2018 first H Shareholders' class meeting on 29 May 2018 and held the 2018 first extraordinary Shareholders' general meeting on 21 September 2018.

The ordinary resolutions considered and approved at the 2017 annual general meeting include: the annual report of the Bank for the financial year ended 31 December 2017, the report of the Board of Directors for the year ended 31 December 2017, the report of the board of supervisors for the year ended 31 December 2017, 2017 Directors Due Diligence Evaluation Report, the Bank's final financial accounts for the year ended 31 December 2017 and financial budget plan for the year ended 31 December 2018, the Bank's profit distribution plan for the year ended 31 December 2017, 2018 affiliate credit program, and the appointment of Ernst & Young Hua Ming LLP as the Bank's domestic auditor and Ernst & Young as the Bank's international auditor, etc.

The special resolutions considered and approved at the 2017 annual general meeting include: the proposal on the issue of new H Shares under specific mandate by the Bank, the authorisation to the Board and the persons authorized by the Board to implement the issue of new H Shares, the proposed amendments to the Articles of Association, the general mandate to issue new Shares; and the issue of the tier-two capital bonds, etc.

The special resolutions considered and approved at the 2018 first domestic Shareholders' class meeting include: the proposal on the issue of new H Shares under specific mandate by the Bank, the authorisation to the Board and the persons authorized by the Board to implement the issue of new H Shares, etc.

The special resolutions considered and approved at the 2018 first H Shareholders' class meeting include: the proposal on the issue of new H Shares under specific mandate by the Bank, the authorisation to the Board and the persons authorized by the Board to implement the issue of new H Shares, etc.

The following ordinary resolutions were considered and approved at the 2018 first extraordinary general meeting: the election of Ms. Tang Fang as a non-executive Director of the Bank, the election of Mr. Li Dongjun as a non-executive Director and the adoption of the Rules for the Equity Management of Bank of Jinzhou Co., Ltd.

The following special resolutions were considered and approved at the 2018 first extraordinary general meeting: the amendments to the Articles of Association, the extension of term of validity of financial bonds specialised for small and micro enterprises and the relevant authorization matters and the extension of term of validity of green financial bonds and the relevant authorisation matters.

IV. Board of Directors and Special Committees

(I) Implementation of Resolutions of General Meetings by the Board of Directors

During the Reporting Period, the Board of Directors was able to execute the resolutions of the general meetings and successively completed such tasks as profit distribution, the issue of tier-two capital bonds and the issue of new H Shares, etc.

(II) Composition of the Board of Directors

As at the end of the Reporting Period, the Board of Directors consists of 14 Directors, including 6 executive Directors who are Mr. Zhang Wei (chairman), Mr. Huo Lingbo (vice chairman), Ms. Liu Hong, Mr. Wang Jing, Mr. Sun Jing and Ms. Wang Xiaoyu; 3 non-executive Directors who are Ms. Gu Jie, Ms. Meng Xiao and Mr. Li Dongjun and 5 independent non-executive Directors who are Mr. Choon Yew Khee, Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying.

On 29 December 2017, upon consideration and approval at the 2017 second extraordinary general meeting, the Bank elected Ms. Liu Hong and Mr. Sun Jing as executive Directors of the fifth session of the Board of Directors and elected Mr. Wang Jinsong and Ms. Meng Xiao as the non-executive Directors of the fifth session of the Board of Directors, elected Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying as the independent non-executive Directors of the fifth session of the Board of Directors. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau on their respective qualifications as directors of the Bank on 13 and 14 February 2018, respectively. The term of office of Ms. Liu Hong commenced from 9 February 2018 until the expiration of the fifth session of the Board of Directors. The terms of office of Mr. Sun Jing, Mr. Wang Jinsong, Ms. Meng Xiao, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying commenced from 11 February 2018 until the expiration of the fifth session of the Board of Directors. At the same time, Mr. Jiang Daxing, Mr. Deng Xiaoyang, Mr. Niu Sihu and Ms. Jiang Jian retired as independent non-executive Directors from 11 February 2018. On 2 August 2019, Ms. Liu Hong resigned as the president of the Bank due to her personal health reasons, and continued to serve as a non-executive director of the Bank and perform her duties as a director.

On 7 August 2018, upon consideration and approval at the fifth Board meeting of the fifth session of the Board, Mr. Zhang Caiguang has tendered his resignation as a non-executive Director and a member of the risk management committee of the Bank due to his personal work engagement. Mr. Wang Jinsong has also tendered his resignation as a non-executive Director due to work reallocation. The resignation of Mr. Zhang Caiguang and Mr. Wang Jinsong has taken effect on 7 August 2018.

On 21 September 2018, upon consideration and approval at the 2018 first extraordinary general meeting, the Bank elected Ms. Tang Fang and Mr. Li Dongjun as the non-executive Directors of the fifth session of the Board of Directors. The term of office of Mr. Li Dongjun commenced from 21 September 2018 until the expiration of the fifth session of the Board of Directors. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau on qualification of Ms. Tang Fang as a Director on 31 January 2019, and her term of office commenced from 31 January 2019 until the expiration of the fifth session of the Board of Directors.

The Board of Directors is responsible for establishing the management system of the Bank, supervision and control over important matters such as the decisions and performance of the business and financial policies of the Bank. The Board of Directors is accountable to the general meeting. The Board of Directors has delegated to the management the rights and duties of managing the Bank. In addition, the Board of Directors has also assigned to the Strategy Committee, Risk Management Committee, Related-party Transactions Control Committee, Nomination and Remuneration Committee, Audit Committee and Consumer Rights Protection Committee their respective responsibilities. Details about the above special committees are set out in this annual report.

The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Corporate Governance Code.

(III) Relationships between Directors, Supervisors and Senior Management Members

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

(IV) Changes of Directors

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

(V) Operation of the Board of Directors

The Board of Directors shall convene at least 4 meetings per year and at least one meeting per quarter. The meetings of the Board of Directors are divided into regular meetings and extraordinary meetings. The regular meetings of the Board of Directors are convened by the chairman, a notice in writing shall be delivered to all Directors and Supervisors 14 days prior to the date of convening the meeting. The notice of extraordinary meeting of the Board of Directors is 3 business days prior to the date of convening the meeting. In emergency circumstances, if an extraordinary meeting of the Board of Directors is required to be convened as soon as possible, the notice of meeting may be issued through telephone or other verbal means, but the convener shall give an explanation at the meeting. The meeting of the Board of Directors will generally conduct voting at the meeting (including video conference) by way of a show of hands and voting by registered ballot.

Under the pre-condition that sufficient protection is ensured for the expression of opinions by Directors, the extraordinary meeting of the Board of Directors may pass resolutions by communication voting to be signed by participating Directors. The conditions and procedure of communication voting are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors.

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

The relevant senior management members are invited to attend meetings of the Board of Directors from time to time for providing explanations or answering queries. In the meetings of the Board of Directors, Directors may express their opinions freely, important decisions should be made after detailed discussions have been conducted. Unless there is any exceptional circumstance (if any) contained in the Articles of Association as approved by the Hong Kong Stock Exchange, a Director shall not vote for the contracts or arrangement or other resolutions in which he/she or any of his or her close associate has material interest, and such Director shall not be accounted for the purpose of meeting the quorum.

The Board of Directors has established an office for use as the operating arm of the Board of Directors, the office of the Board of Directors shall be responsible for the preparation of general meetings, meetings of the Board of Directors and meetings of all special committees under the Board, information disclosure and other daily duties.

(VI) Functions and Authorities of the Board of Directors

The Board of Directors exercises the following functions and authorities:

(1) to convene the general meeting, and report to the general meeting;

(2) to implement the resolutions of the general meeting;

(3) to decide on the development plans of the Bank;

(4) to decide on operation plans, investment plans and major assets disposal plans of the Bank;

(5) to formulate annual financial budget plan and final account plan of the Bank;

(6) to formulate profit distribution plans and loss make-up plans of the Bank;

(7) to formulate the plans for the increase or decrease of registered capital, the issuance of bonds or other securities and the listing of the Bank;

(8) to formulate the plans for major acquisitions of the Bank, acquisitions of the stock of the Bank or merger, division, dissolution and form change of the Bank;

(9) to regularly evaluate and improve the Bank's corporate governance;

(10) to decide on external investment, acquisition and selling of assets, pledged assets, external guarantee matters, associated/connected transactions and other matters of the Bank, within the scope of authorization of the general meeting;

(11) to determine arrangement plans for the Bank's internal management institutions, branches and capacity, and the number of management personnel;

(12) to engage or dismiss the president and secretary to the Board of Directors according to the nomination of the chairman of the Board of Directors; engage or dismiss senior management personnel, such as the vice president, assistant to president and head of finance upon the nomination of the President;

(13) to decide on remuneration matters and disciplinary matters of senior management personnel;

(14) to formulate basic management system and validate work rules for the president;

(15) to formulate the amendment plan for the Articles of Association;

(16) to manage the information disclosure matters of the Bank;

(17) to propose on the engagement or replacement of the accounting firm that audits the Bank to the general meeting;

(18) to listen to the work report of the president of the Bank and check the work of the president;

(19) to verity the Bank's compliance with the Corporate Governance Code in the Listing Rules and the information disclosed in the corporate governance report; and

(20) other functions and powers conferred by laws, administrative regulations, department rules or the Articles of Association.

(VII) Appointment of Directors

The Directors (including non-executive Directors) have a term of office of three years. Upon expiry of the term, they may be re-elected. But the cumulative term of office for an independent non-executive Director must not exceed six years.

(VIII) Meetings of the Board of Directors

During the Reporting Period, the Bank has convened 9 meetings (including teleconference) of the Board of Directors, 89 resolutions have been considered and approved which include the consideration and approval of matters for the work report of the Board of Directors for 2017, final financial accounts for 2017 and financial budget plan for 2018, the annual report for 2017, and profit distribution plan for 2017.

Attendance of all Directors at the meetings of the Board of Directors, meetings of special committees of the Board and general meetings in 2018 are set out in the table as follows:

	Number of meetings attended in person/attended by proxy/should be attended							
Members of the Board of Directors	Board of Directors	Strategy Committee	Risk Management Committee	Related-party Transactions Control Committee	Nomination and Remuneration Committee	Audit Committee	Consumer Rights Protection Committee(1)	General Meeting
ZHANG Wei	9/0/9	4/0/4						4/0/4
HUO Lingbo	9/0/9							4/0/4
LIU Hong	8/0/8	4/0/4	1/0/1		3/0/3			4/0/4
WANG Jing	9/0/9			1/0/1				1/0/4
SUN Jing	8/0/8							4/0/4
WANG Xiaoyu	9/0/9							4/0/4
ZHANG Caiguang(2)	3/1/4		0/0/1					0/0/3
GU Jie	9/0/9							4/0/4
WANG Jinsong(2)	3/0/3							3/0/3
LI Dongjun	3/0/3							0/0/0
MENG Xiao	7/1/8					4/0/4		4/0/4
JIANG Daxing(3)	1/0/1							0/0/0
DENG Xiaoyang(3)	1/0/1							0/0/0
CHOON Yew Khee	8/1/9		1/0/1	1/0/1				4/0/4
LIN Yanjun	8/1/9	4/0/4			3/0/3			4/0/4
CHANG Peng'ao	6/2/8			0/1/1	3/0/3			1/0/4
PENG Taoying	8/0/8					4/0/4		4/0/4
TAN Ying	8/0/8					4/0/4		4/0/4
NIU Sihu(3)	1/0/1							0/0/0
JIANG Jian(3)	1/0/1							0/0/0

Notes:

(1) The Consumer Rights Protection Committee was established on 29 March 2018, with no meeting held during the Reporting Period.

(2) On 7 August 2018, Mr. Zhang Caiguang and Mr. Wang Jinsong resigned as non-executive Directors of the Bank. On the same date, Mr. Zhang Caiguang creased to perform his duties as a member of the risk management committee under the Board.

(3) On 11 February 2018, Mr. Jiang Daxing, Mr. Deng Xiaoyang, Mr. Niu Sihu and Ms. Jiang Jian ceased to perform their duties as independent non-executive Directors. On the same date, Mr. Deng Xiaoyang and Mr. Niu Sihu ceased to perform their duties as the chairman and/or members of the audit committee of the Board and the nomination and remuneration committee of the Board; Ms. Jiang Jian has ceased to perform her duties as a member of the audit committee of the Board.

(IX) Independent Non-executive Directors

The Board of Directors has complied with the requirements of the Listing Rules for the appointment of at least three independent non-executive Directors, representing at least one-third of the members of the Board of Directors, and at least one of these independent non-executive Directors has appropriate professional qualifications or expertise in accounting or financial management.

None of the independent non-executive Directors has any business or financial interests in the Bank, nor being a holder of any management position in the Bank. All current independent non-executive Directors are appointed through election for a term of three years, they may be re-elected upon expiry of the term but the cumulative term of office shall not exceed six years.

During the Reporting Period, the independent non-executive Directors participated in the meetings of the Board of Directors and meetings of all special committees, and provided opinions in respect of all material decisions at the meetings of the Board of Directors and meetings of the special committees by utilizing their own professional abilities and industry experience and acquired an understanding on the operation and management of the Bank through the communications with the senior management, specialized authorities and external auditor.

(X) Responsibilities Assumed by the Directors in the Preparation of Financial Statements

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended 31 December 2018. The Directors are responsible for the supervision of the financial statements for the Reporting Period in accounting to ensure that the financial statements will reflect a true and fair view of the financial conditions, operating results and cash flows of the Bank. In preparing the financial statements for the year ended 31 December 2018, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

(XI) Continuing Professional Development Plan for Directors

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

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. During the Reporting Period, the Company updated executive Directors, Mr. Zhang Wei, Mr. Huo Lingbo, Ms. Liu Hong, Mr. Wang Jing, Mr. Sun Jing, Ms. Wang Xiaoyu, the non-executive Directors, Ms. Gu Jie, Ms. Meng Xiao, Mr. Li Dongjun, the independent non-executive Directors, Mr. Choon Yew Khee, Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying, on the latest development regarding the Listing Rules and other applicable regulatory requirements from time to time, including trainings conducted under on-going obligations of the issuer and its Directors in Hong Kong, connected transactions under the Listing Rules, Corporate Governance Code and disclosure requirements of inside information to ensure that the directors continue to contribute to the Board with comprehensive information and appropriate circumstances, to comply with the Corporate Governance Code, and to enhance their awareness of good corporate governance practices.

(XII) Corporate Governance Functions of the Board of Directors

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

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

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

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

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

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

(XIII) Special committees under the Board

As at the end of the Reporting Period, six special committees, including the Strategy Committee, Audit Committee, Nomination and Remuneration Committee, Related-party Transactions Control Committee, Risk Management Committee and Consumer Rights Protection Committee, have been established under the Board of Directors.

1. Strategy Committee

As at the end of the Reporting Period, the Strategy Committee consists of three Directors, including Mr. Zhang Wei, an executive Director and the chairman of the Board of Directors, who is the chairman of the committee, and an executive Director Ms. LIU Hong and an independent non-executive Director Mr. Lin Yanjun, who are members of the committee.

The primary duties of the Strategy Committee include: formulating the operation goals and long-term development strategies of the Bank; supervising and inspecting the implementation of annual operating plans and investment proposals; analysing and making proposals on any major capital operations or asset operation projects of the Bank that is subject to approval of the Board of Directors; analysing and formulating proposals on any major events that may affect the development of the Bank; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Strategy Committee has held four meetings for the consideration of 9 proposals, including the extension of the validity period and the authorisation period for Resolution Regarding Issuance of Special Financial Bonds for Small and Micro Businesses, Rules for the Equity Management of Bank of Jinzhou Co., Ltd. and 2019-2021 Strategic Development Plan of Bank of Jinzhou, etc.

2. **Audit Committee**

As at the end of the Reporting Period, the Audit Committee consists of three Directors, including Ms. Peng Taoying, an independent non-executive Director, who is the chairman of the committee, Ms. Tan Ying, an independent non-executive Director, and Ms. Meng Xiao, a non-executive Director, who are members of the committee.

The primary duties of the Audit Committee include: inspecting the accounting policies, financial condition and financial reporting procedures of the Bank; assessing the risk and compliance status of the Bank; taking charge of the annual audit work of the Bank, formulation reports regarding the authenticity, integrity and accuracy of such audited information and reporting the same to the Board for approval; reviewing the internal control system of the Bank and auditing major connected transactions; and any other duties authorized by the Board.

During the Reporting Period, the Audit Committee has convened four meetings for the consideration of 10 resolutions, including Audit Work Report for 2017 Financial Statement, Final Accounts for 2017 and Financial Budget for 2018, 2017 Internal Audit Work Report, Compliance Risk Management Report of Jinzhou Bank, 2018 Interim Financial Statement Review Work Report, Engagement of 2018 Financial Statement Audit Agency, etc. The Audit Committee has communicated with the external auditor and management regarding the audit opinions and internal control suggestions proposed by the external auditor, and supervised the Bank's optimization and implementation. During the Reporting Period, the Audit Committee convened two meetings with the auditors.

3. **Nomination and Remuneration Committee**

As at the end of the Reporting Period, the Nomination and Remuneration Committee consists of three Directors, including Mr. Chang Peng'ao, an independent non-executive Director, who is the chairman of the committee, executive Director Ms. Liu Hong, and independent non-executive Director Mr. Lin Yanjun, who are members of the committee.

The primary duties of the Nomination and Remuneration Committee include: studying, formulating, reviewing and proposing the proposals in connection with the remuneration plans for Directors and senior management members, and supervising the implementation of such proposals; formulating the procedures and criteria for selecting and appointing Directors and senior management members; conducting preliminarily reviews on the qualifications and conditions of candidates for Directors and senior management members and making proposals to the Board; formulating the appraisal criteria for Directors and senior management members, proceeding with implementation and making proposals to the Board; searching for qualified candidates for Directors and senior management members; and any other duties authorized by the Board.

During the Reporting Period, the Nomination and Remuneration Committee has convened three meetings for the consideration of 9 resolutions, including the Remuneration Administrative Measures of Jinzhou Bank, Performance Evaluation Administrative Measures of Jinzhou Bank, Change of Joint Company Secretary, and nomination of non-executive Director etc.

The Articles of Association stipulates the general procedures for nomination and election of directors. According to the number of persons to be elected and in accordance with the Articles of Association, a list of nominated candidates for directors can be drawn up by the Nomination and Remuneration Committee of the Board of Directors. Shareholders individually or jointly holding 3% or more of the total issued shares with voting rights of the Bank may also nominate candidates for directors to the Board of Directors. Such nomination shall comply with the requirements of the Articles of Association and the number of candidates nominated shall not exceed the numbers of directors to be appointed. The Nomination and Remuneration Committee of the Board of Directors shall conduct preliminary verification on the qualifications and eligibility of the candidates for directors, and the names of qualified candidates shall be submitted to the Board of Directors for consideration. After approval by way of resolution from the Board of Directors, written proposals regarding the candidates for directors shall be submitted to the shareholders' general meeting. Please refer to the "Board of Directors" section of the Articles of Association for details.

The Articles of Association also stipulates the way and procedures for nomination of independent directors: the Nomination and Remuneration Committee may propose candidates qualified for independent directors to the Board of Directors; the Board of Directors, the Board of Supervisors or the shareholders that individually or jointly hold more than 1% of the issued shares of the Bank are entitled to nominate independent director candidate to the shareholders' general meeting, and independent directors are elected by the shareholders' general meeting.

The Board diversity policy of the Bank is summarized as follows: The Board of Directors is of the view that having a diversified composition of members in the Board of Directors will improve the decision-making capability of the Board of Directors more effectively to elevate the corporate governance level. The Board of Directors and the Nomination and Remuneration Committee will consider a range of factors in selecting candidates, including but not limited to sex, age, cultural and education background, race, professional experience, skills, knowledge and number of years of service, in order to achieve diversification in the membership of the Board of Directors. The Nomination and Remuneration Committee will report the composition of the Board of Directors from the perspective of diversification of the Board on annual basis and supervise the implementation of this policy.

As at the date of this annual report, the Board of Directors comprises 15 Directors, including 7 female persons, 2 persons who are regular residents in Hong Kong. The Board of Directors has achieved diversification in terms of sex, nationality, professional background and skills of the Board members.

4. **Related-party Transactions Control Committee**

As at the end of the Reporting Period, the Related-party Transactions Control Committee consists of three Directors, including Mr. Chang Peng'ao, an independent non-executive Director, as chairman, Mr. Choon Yew Khee, an independent non-executive Director, and Mr. Wang Jing, an executive Director, as members.

The primary duties of the Related-party Transactions Control Committee include: managing the related-party transactions of the Bank according to the requirements of laws and regulations, and formulating the corresponding related-party transactions management system; identifying related party of the Bank according to the requirements of laws and regulations, and reporting to the Board of Directors, the Board of Supervisors and relevant Chinese banking regulatory agencies; reviewing the related-party transactions of the Bank according to the requirements of laws and regulations and in accordance with business principles of fairness; the independent board committee shall issue written report on the fairness and the compliance of internal procedure in relation to material related party transactions and very material related party transactions; inspecting and supervising the control of the Bank's related party transactions, and the implementation of related party transactions control system by the Bank's directors, senior management personnel, the related parties, and report to the Board of Directors; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Related-party Transactions Control Committee has convened one meeting for the consideration of 5 resolutions, including the Plan of Granting Credit Facilities to Related Enterprises of Bank of Jinzhou for 2018.

5. **Risk Management Committee**

As at the end of the Reporting Period, the Risk Management Committee consists of two Directors. Ms. Liu Hong, an executive Director, is the chairperson of the committee, and Mr. Choon Yew Khee, an independent non-executive Director, is the member of the committee.

The primary duties of the Risk Management Committee include: supervising the control of credit risk, market risk, operation risk and other risks by senior management of the Bank; conducting regular assessment on the risk management status, risk tolerance and level of the Bank, providing opinions on the improvement of risk management and internal control; determining the overall risk management strategies, ascertaining the overall risk limit and reviewing material risk policies; reviewing the asset and liability management policies of the entire Bank; and any other duties authorized by the Board of Directors.

During the Reporting Period, the Risk Management Committee has convened one meeting for the consideration of 10 resolutions, including the Comprehensive Risk Management Policy of the Bank of Jinzhou Co., Ltd., Revision of Liquidity Risk Administrative Measures of Jinzhou Bank, etc.

6. **Consumer Rights Protection Committee**

As at the end of the Reporting Period, consumer rights protection committee consists of three Directors, executive Director Ms. Liu Hong is the chairperson of the committee, and executive Director Mr. Sun Jing and independent non-executive Director Ms. Tan Ying are members of the committee.

Main responsibilities of Consumer Rights Protection Committee: setting up strategies, policies and targets of consumer rights protection work of the Bank, incorporating the protection of consumer rights into corporate governance and operation management strategies, leading the senior management to strengthen corporate culture construction in enhancing protection over consumer rights from the overall planning level; supervising the senior management to effectively carry out and implement works related to consumer rights protection, regularly receiving special reports in respect of circumstances of consumer rights protection works carried out by the Bank from the senior management, considering and approving relevant special reports, submitting them to the Board of Directors and making information disclosure according to the requirements; responsible for supervision and evaluation of the comprehensiveness, promptness, and effectiveness of the Bank's consumer rights protection works as well as duties performance of senior management; according to the overall planning of the Bank, considering proposals in respect of consumer rights protection which intends to submit to the Board of Directors and make suggestions to the Board of Directors; other rights and authorities stipulated by laws and regulations and Articles of Association of the Bank, and those authorized by the Board of Directors.

Consumer Rights Protection Committee was established on 29 March 2018, and did not convene meeting during the Reporting Period.

V. Board of Supervisors

(I) Composition of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors consists of 13 Supervisors, including 5 employee representative Supervisors, being Mr. Cai Hongguang (chairman of Board of Supervisors), Mr. Dai Shujun (vice chairman of Board of Supervisors), Ms. Cao Wenqing, Ms. Li Wei and Ms. Li Xiu; 3 Shareholder representative Supervisors, namely Mr. He Baosheng, Mr. Chen Tanguang and Ms. He Mingyan; 5 external Supervisors, being Mr. Jiang Daxing, Mr. Deng Xiaoyang, Ms. Nie Ying, Ms. Li Tongyu and Ms. Zhao Hongxia.

(II) Chairman of the Board of Supervisors

Mr. Cai Hongguang is the chairman of the Board of Supervisors, and is responsible for organizing and performing the duties of the Board of Supervisors.

(III) Changes of Supervisors

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

(IV) Meetings of the Board of Supervisors

During the Reporting Period, the Bank convened 9 meetings of the Board of Supervisors, primarily for the consideration and approval of 88 resolutions, including the Work Report of the Board of Supervisors for 2017, Annual Report for 2017, Report of Final Accounts, Profit Distribution Plan, engagement of accounting firm and Performance Evaluation Report for Directors and Supervisors, etc.

Members of the Board of Supervisors	Number of meetings attended in person/ attended by proxy/should be attended		
	Board of Supervisors	Nomination Committee	Supervising Committee
CAI Hongguang	9/0/9		
DAI Shujun	9/0/9		
CAO Wenqing	8/1/9		
LI Wei	9/0/9		6/0/6
LI Xiu	9/0/9	3/0/3	
HE Baosheng	9/0/9		
CHEN Tanguang	8/1/9		
HE Mingyan	9/0/9		
JIANG Daxing(1)	7/1/8	3/0/3	
DENG Xiaoyang(1)	8/0/8		5/0/5
NIE Ying	9/0/9		6/0/6
LI Tongyu	8/1/9		
ZHAO Hongxia	9/0/9	3/0/3	
JING Fei(2)	1/0/1		1/0/1
CHEN Yingmei(2)	1/0/1		

Notes:

(1) On 11 February 2018, Mr. Jiang Daxing and Mr. Deng Xiaoyang started to perform their duties as external supervisors.

(2) On 11 February 2018, Mr. Jing Fei and Ms. Chen Yingmei ceased to perform their duties as external supervisors.

(V) Committees under the Board of Supervisors

As at the end of the Reporting Period, the Bank has established two committees under the Board of Supervisors, being the Supervising Committee and the Nomination Committee. The committees will operate in accordance with the terms of reference formulated by the Board of Supervisors.

1. **Supervising Committee**

As at the end of the Reporting Period, the Supervising Committee consists of three Supervisors, being external Supervisor Mr. Deng Xiaoyang as the chairman of the committee, external Supervisor Ms. Nie Ying and employee representative Supervisor Ms. Li Wei as the members of the committee.

The primary duties of the Supervising Committee include: drafting specific plans on supervising and examining the Bank's financial activities and implement such plans; supervising the Board to establish steady business operation principle and values as wells as practicable development strategy; drafting off-office auditing plans for Directors and senior management; conducting supervision and inspection on the Bank's business operation, risk management and internal control; and any other duties authorized by the Board of Supervisors.

During the Reporting Period, the Supervising Committee has convened six meetings for the consideration of 35 resolutions, including 2017 Work Report of Supervising Committee, 2017 Work Report of President, 2017 Annual Report, 2017 Internal Control Evaluation Report, 2017 Compliance Risk Management Report, 2018 Institution Development Plan, 2018 Interim Report etc.

2. **Nomination Committee**

As at the end of the Reporting Period, the Nomination Committee consists of three Supervisors, being external Supervisor Mr. Jiang Daxing as chairman of the committee, external Supervisor Ms. Zhao Hongxia and employee representative Supervisor Ms. Lixiu as members of the committee.

The primary duties of the Nomination Committee include: making proposals to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors; studying the procedures and criteria for selecting and appointing Supervisors; conducting preliminary review on the qualification of Supervisor candidates and making proposals to the Board of Supervisors; searching for qualified candidates for Supervisors; conducting preliminarily reviews on the qualifications and conditions of candidates for Supervisors nominated by Shareholders and making proposals to the Board of Supervisors; supervising the appointment procedures of Directors; making comprehensive evaluation on the duty performance of the Directors, Supervisors and senior management and reporting to the Board of Supervisors; supervising the scientificity and reasonability of remuneration management system and policy and remuneration plan of the senior management of the Bank; and any other duties authorized by the Board of Supervisors.

During the Reporting Period, the Nomination Committee has convened three meetings for the consideration of 14 resolutions, including 2017 Supervisor duty performance evaluation report, 2017 external Supervisor mutual evaluation report, change of joint company secretary etc.

(VI) Work Performed by External Supervisors

During the Reporting Period, external Supervisors have worked for more than 15 days in the Bank, their participation in the number of meetings of the Board of Supervisors was in line with the relevant requirements in the "Guidance for the Independent Director and External Supervisor Systems for Joint Stock Commercial Banks (《股份制商業銀行獨立董事和外部監事制度指引》)" and the Articles of Association, they have conscientiously considered each of the resolutions, expressed their opinions independently, professionally and objectively; they have actively participated in the inspection and investigative research projects organized by the Board of Supervisors diligently in a responsible manner, and have performed well in their supervision duties.

VI. Senior Management

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

The president, vice president, assistant to president, head of finance, secretary to the Board and other officers designated by the Board of Directors are the members of the senior management of the Bank.

The Bank has one president, who is nominated by the chairman of the Board of Directors, appointed or dismissed by the Board of Directors, and exercises the following duties and authorities:

1. to preside over the daily operation and management of the Bank, organizing and implementing the resolutions of the Board of Directors and report to the Board of Directors;

2. to organize and implement the annual operation plans and investment plan approved by the Board of Directors;

3. to draft plans for the establishment, dissolution or merger of internal management structure and branches of the Bank;

4. to formulate the basic management system and specific regulations and procedures of the Bank;

5. to propose to the Board of Directors the appointment or dismissal of other senior management personnel except for those who should be proposed by the chairman of the Board of Directors and be appointed or dismissed by the Board of Directors;

6. to appoint or dismiss management personnel except for those who should be appointed or dismissed by the Board of Directors upon its approval;

7. to authorize senior management members, persons in charge of internal functional departments and branches to engage in business activities;

8. to decide on the remuneration, welfares and imposition of any disciplinary measures for the employees of the Bank;

9. to decide on the appointment and dismissal of employees of the Bank; and

10. other functions and powers conferred by the Articles of Association, the Board of Directors and the chairman of the Board of Directors.

The president who is not a Director shall be present at meetings of the Board of Directors, but has no voting rights at such Board meetings.

Remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2018 is set out below:

Remuneration bands	Number of Persons
Below RMB1,000,000	4
RMB1,000,000 - RMB2,000,000	0
RMB2,000,000 - RMB3,000,000	1

VII. Delegation of Powers Authorized by the Board of Directors

The management represented by the Board of Directors and the president will perform their respective rights in accordance with the duties and responsibilities defined in the Articles of Association. In addition to executing resolutions of the Board of Directors, the management is responsible for daily operation and management activities. Significant capital expenditure projects may only be implemented after their annual budget proposals having been submitted to the Board of Directors and obtained approvals, for items not included in the budget or for items included in the budge but without breakdown in expenses, the operating management authorized by the Board of Directors will decide on such items.

VIII. Chairman of The Board and the President

The roles and duties of the chairman of the Board of Directors and the president of the Bank are assumed by different persons.

Mr. Zhang Wei, an executive Director, is the chairman of the Board of Directors, and is responsible for the overall strategic planning and leadership of the Board of Directors to ensure the effective operation of the Board and conduct timely discussions on all significant matters. During the Reporting Period, Ms. Liu Hong, is the president and is responsible for business development and overall business operation and management of the Bank. On 2 August 2019, upon consideration and approval at the 18th meeting of the 5th session of the Board, Mr. Guo Wenfeng (郭文峰) was appointed as the president of the Bank. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau for his qualifications of serving as president of the Bank on 2 August 2019, his term of service commenced from 2 August 2019 until expiration of the term of the fifth session of the Board. The president shall be nominated by the chairman of the Board of Directors, appointed by the Board of Directors, report to the Board of Directors and perform his duties and responsibilities in accordance with the provisions of the Articles of Association and the authorization by the Board of Directors. The roles of the chairman of the Board and the president are established with inter-dependence and clear delineation of duties. The management is responsible for the daily operation and management.

IX. Securities Transactions by Directors And Supervisors

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors, all Directors and Supervisors have confirmed that they have complied with such code of conduct during the Reporting Period.

X. External Auditors and Remuneration of Auditors

Upon consideration and approval in the 2017 annual general meeting, the Bank appointed Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young（collectively "**EY**"）as the Bank' s domestic auditor and international auditor respectively. Their terms of office commenced from 29 May 2018. On 31 May 2019, the Board and its Audit Committee received from EY their resignations as the auditors of the Bank with immediate effect. On 31 May 2019, the Bank decided to appoint Crowe (HK) CPA Limited（"**Crowe**"）as the new auditors of the Bank to fill the casual vacancy following the resignation of EY and to hold the office until the conclusion of the 2018 annual general meeting of the Bank.

During the Reporting Period, the Bank has paid RMB1.10 million to EY for the review of financial statements and other non-audit services for the period ended 30 June 2018, and has paid RMB1.52 million to EY for the audit service of financial statements for the year ended 31 December 2018. The Bank has agreed to pay RMB5 million to Crowe for the audit services for the financial statements for the year ended 31 December 2018.

XI. Risk Management and Internal Control

Risk management and internal control involve and are jointly enforced by the Board of Directors, Board of Supervisors, senior management members and all employees of the Bank, through the formulation and implementation of systematic systems, flow processes and methods to realize the Bank's risk management and the control of the targets via the dynamic process and mechanism. The Bank has established an internal control system covering the elements of internal control environment, risk identification and assessment, control activities, internal supervision and information and communication according to laws and regulations including the Company Law of the People's Republic of China (《中華人民共和國公司法》), the Banking Supervision and Regulatory Law of the People's Republic of China (《中華人民共和國銀行業監督管理法》), Commercial Bank Law (《商業銀行法》) as well as rules including the Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》) and Basic Norms of Corporate Internal Control (《企業內部控制基本規範》).

(I) Procedures for identification, assessment and management of material risks

Based on the Regulation Governing Capital of Commercial Banks (Trail) (《商業銀行資本管理辦法(試行)》) and its schedules issued by the CBRC, risks and relevant terminology defined by the Basel Committee, practices of the domestic and overseas peers as well as its own situation, the Bank identifies, measures and controls various overall quantitative and non-quantitative risks which may arise from the interaction among business strategies, product portfolios, client demands and the macro-economic environment.

Taking into account the capital occupancy based on risk types, risks of banks determined by regulators and capital regulatory requirements together with results from identifying and assessing risk events, the Bank collects and publishes risk warnings, draws up risk event examples, identifies, collects and assesses risk events and then determines material risks for the purpose of identifying its material risks, which include credit risk, operational risk, market risk, liquidity risk, interest rate risk, exchange rate risk, etc. and subsequently making assessment and analysis on them with risk measurement approaches and techniques.

(II) Main features of risk management and internal control systems

The risk management and internal control of the Bank follows the principles of full coverage, balance of powers, prudence and matching to realize the following objectives: ensure the consistent implementation of the relevant laws, regulations and rules of the PRC and the various systems of the Bank; ensure the realization of the development strategies and operation targets of the Bank; ensure the effectiveness of risk management and internal control of the Bank; ensure the truth, accuracy, completeness and timeliness of the business records, accounting information, financial information and other management information of the Bank.

With reference to the practices of leading domestic banks, the Bank places importance to the implementation of the Basic Norms of Internal Control for Enterprises (《企業內部控制基本規範》) and its relevant guidelines and the Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》) in a consistent manner. By risk management efforts and continuous fine-tuning of the internal control structure, a risk management and internal control management system has been built up, which clarifies risk management and internal control management duties of the Board of Directors, the Board of Supervisors and senior management and other defense lines. A risk management and internal control system has been formulated to run smoothly:

(1) The Board of Directors is responsible for ensuring the establishment and implementation of a sufficiently effective risk management and internal control system by the Bank and continuous supervision on the Bank's risk management and internal control system;

(2) The Board of Supervisors is responsible for supervising the Board of Directors and the senior management members to improve the internal control system; responsible for supervising the Board of Directors, senior management members to perform internal control duties. The senior management members is responsible for executing decisions of the Board of Directors; responsible for establishing systematic systems, flow processes and methods in accordance with the acceptable risk levels determined by the Board of Directors, and taking the corresponding risk management and internal control measures; responsible for establishing and improving the internal organization structure to ensure the effective performance of various risk management and internal control duties; responsible for monitoring and evaluating the sufficiency and effectiveness of the risk management and internal control system;

(3) The Risk & Compliance Department of the Bank is the functional department for internal control management, which leads the coordination and planning, organization and implementation, inspection and evaluation of the risk management and internal control system;

(4) The Internal Audit Department of the Bank performs the supervision function of risk management and internal control, it is responsible for auditing the sufficiency and effectiveness of the risk management and internal control of the Bank, reporting timely on the problems discovered during auditing and supervising the implementation of rectifications; and

(5) The business departments of the Bank are responsible for participating in the formulation of the business systems and operation flow processes relevant to their own duties; responsible for strict implementation of the requirements of the relevant systems; responsible for organizing and commencing supervision and inspections; responsible for reporting deficiencies existing in risk management and internal control in accordance with the scheduled timelines and reporting channels and making arrangements for the implementation of rectification measures.

(III) Responsibility of the Board of Directors on risk management

In accordance with the laws and regulations including the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) and relevant requirements of the Hong Kong Stock Exchange, the Board of Directors of the Bank has formulated and run the risk management and internal control system. It is also responsible for the prudent operation of the Bank within the legal and policy framework and determination and establishment of acceptable risk levels. It also takes roles of ensuring our senior management members adopt necessary risk control measures as well as supervising the senior management members to monitor and assess the sufficiency and effectiveness of the risk management and internal control system.

(IV) Insider information management

The Bank places importance on insider information management. In order to strengthen relevant confidentiality and protect the legal interests of investors by maintaining fairness with regard to information disclosure, since its implementation of relevant efforts, the office of the Board of Directors has always complied with domestic and offshore regulatory requirements, kept strengthening system management and promptly and appropriately disclosed relevant information in accordance with domestic and offshore laws and regulations such as the Company Law of the People's Republic of China(《中華人民共和國公司法》), the Securities Law of the People's Republic of China(《中華人民共和國證券法》), Rules on Establishment of Insider Registration and Management Systems of Listed Companies(《關於上市公司建立內幕信息知情人登記管理制度的規定》), Measures on Commercial Bank Information Disclosure(《商業銀行信息披露辦法》) and the Listing Rules and other regulatory documents including laws and regulations and listing rules or other regulatory documents of places and stock exchanges where the securities of the Bank are listed.

(V) Evaluation of effectiveness of internal control system

The Bank formulated Internal Control System of Jinzhou Bank (《錦州銀行內部控制制度》) and Provisional Measures for Internal Control Appraisal of the Bank of Jinzhou (《錦州銀行內部控制評價辦法》) according to the laws and regulations including Commercial Banking Law of the PRC (《中華人民共和國商業銀行法》) and Guidelines on Internal Control of Commercial Banks (《商業銀行內部控制指引》), clarified the internal control goals and fundamental principles of the Bank, established sound internal control system, set out comprehensive, systematic and normative business system and management system in respect of various business activities and management activities, and adopt measures for internal control assessment and supervision.

At the end of 2018, the Board of Directors continues to supervise the risk management and internal control system and ensures to review the effectiveness of risk management and internal control systems of the Bank (《商業銀行內部控制指引》) and its subsidiaries according to the internal control appraisal requirements under the Guidelines on Internal Control of Commercial Banks issued by CBRC. The Board of Directors has completed the relevant review for the years of 2018. The risk management and internal control system of the Bank is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Bank supervise the truthfulness, legality and effectiveness of institutional assets, liabilities and profit or loss, effectiveness of internal control design and operation, compliance of operating management activities through carrying out comprehensive audit towards operation and management of branch institutions, economic accountability audit towards person in charge of the institution, specific audit towards high-risk business and areas regulators focus on, aiming to enhance risk-control awareness of all staff and create a sound compliance operation environment.

In addition, during the year ended 31 December 2018, the Board of Directors has also reviewed the effectiveness of the risk management and internal control systems of the Bank through the Risk Management Committee in accordance with code provisions C.2.1 and C.2.2 of the Corporate Governance Code, and discussed about issues on the Bank's comprehensive risk management strategy, organizational structure, system construction and implementation, compliance mechanism construction and performance through reviewing the comprehensive risk management special audit report, comprehensive risk management policy, annual risk identification and assessment report.

XII. Joint Company Secretaries

At the end of the Reporting Period, the joint company secretaries are Mr. Sun Jing, an executive Director, and Ms. Leung Wing Han Sharon from SWCS Corporate Services Group (Hong Kong) Limited. The key contact person between the Bank and Ms. Leung Wing Han Sharon is Mr. Sun Jing from the Bank. According to Rule 3.29 of the Listing Rules, Mr. Sun Jing and Ms. Leung Wing Han Sharon have attended professional training of not less than 15 hours during the Reporting Period.

XIII. Information Disclosure

(I) Effective Communication with Shareholders

The Bank regards communication with Shareholders as highly important, and has enhanced understanding and interflow with Shareholders through a range of channels such as general meetings, reception for visitors, paying on-site visits and telephone consultations.

(II) Revision of the Articles of Association

On 29 May 2018, the Bank held 2017 annual general meeting, approved the amendments to relevant articles of Articles of Association in respect of specific mandate for new H share issue and incorporation of the general requirements of the party construction and consumer rights protection in the Articles of Association. For details, please refer to the circular of the Bank dated 18 April 2018. As at the end of the Reporting Period, the Bank was approved by the CBIRC Liaoning Regulatory Bureau to include the contents related to party construction and consumer rights protection committee in the Articles of Association.

On 21 September 2018, the Bank held 2018 first extraordinary general meeting, and approved the amendments to relevant articles of the Articles of Association according to Interim Measures for the Equity Management of the Commercial Bank (《商業銀行股權管理暫行辦法》) in respect of the rights and obligations of the Shareholders. For details, please refer to the circular of the Bank dated 10 August 2018. As at the end of the Reporting Period, the Bank was approved by the CBIRC Liaoning Regulatory Bureau to include the contents related to rights and obligations of the Shareholders in the Articles of Association.

XIV. Rights of Shareholders

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

The Bank strictly adheres to the regulatory laws and regulations and the basic system of corporate governance to protect the rights of Shareholders in practice. Shareholders who wish to convene an extraordinary general meeting or a class meeting may follow the procedures as set out below:

Shareholders who individually or jointly hold more than 10% of the shares of the Bank may sign one or more copies of a written request with the same format and content for submission to the Board of Directors requesting for the convening of an extraordinary general meeting or a class meeting of Shareholders, with a description on the issues to be addressed. The Board of Directors shall provide a written reply on its consent or disagreement to the convening of such extraordinary general meeting or class meeting of Shareholders in response within 10 days upon receipt of the request in accordance with the requirements of the laws, administrative regulations and Articles of Association;

If the Board of Directors has agreed to convene such extraordinary general meeting or class meeting of Shareholders, it should issue a notice of general meeting or class meeting of Shareholders within 5 days after the decision has been made by the Board of Directors, any change made to the original request in the notice should obtain consent from the relevant Shareholders;

If the Board of Directors has disagreed to convene such extraordinary general meeting or class meeting of Shareholders, or has not issued a reply within 10 days after receipt of the request, then Shareholders who individually or jointly hold more than 10% of the shares of the Bank are entitled to make a proposal to the Board of Supervisors to request for convening an extraordinary general meeting, and the proposal made to the Board of Supervisors must be in writing;

If the Board of Supervisors has agreed to convene such extraordinary general meeting or class meeting of Shareholders, it should issue a notice of general meeting or class meeting of Shareholders within 5 days after receipt of the request, any change made to the original request in the notice should obtain consent from the relevant Shareholders;

If the Board of Supervisors has not issued a notice of general meeting or class meeting of Shareholders within the prescribed period, the Board of Supervisors is deemed not to convene and preside over such general meeting or class meeting of Shareholders, Shareholders who individually or jointly hold more than 10% of the shares of the Bank for 90 days consecutively may convene and preside over a general meeting or class meeting by themselves.

(II) Proposals for General Meetings

At general meetings of Shareholders convened by the Bank, the Board of Directors, Board of Supervisors and Shareholders who individually or jointly hold more than 3% of the Shares with voting rights are entitled to submit proposals to the Bank.

Shareholders who individually or jointly hold more than 3% of the Shares with voting rights may submit a provisional proposal in writing to the convener 10 days before the date for convening the general meeting. The convener shall issue a supplementary notice of general meeting within two days after receipt of such proposal and make an announcement on the content of the provisional proposal.

XV. Investor Relations

For enquiries made to the Board of Directors by Shareholders and investors, please contact to:
Office of the Board of Directors of Bank of Jinzhou Co., Ltd.
No. 68 Keji Road, Jinzhou City, Liaoning Province, PRC
Telephone: +86-416-3220002
Facsimile: +86-416-3220003
E-mail: webmaster@jinzhoubank.com

Principal place of business of the Bank in Hong Kong: 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong

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

XVI. Enquires from Shareholders

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

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, No.183 Queen's Road East, Wan Chai, Hong Kong
Telephone: +852 2862 8555
Facsimile: +852 2865 0990

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

Office of the Board of Directors of Bank of Jinzhou Co., Ltd.
No. 68 Keji Road, Jinzhou City, Liaoning Province, PRC
Telephone: +86-416-3220002
Facsimile: +86-416-3220003

Chapter 8 Directors' Report

The Board is pleased to present the Directors' report together with the audited financial statements of the Bank for the year ended 31 December 2018.

I. Principal Business Overview

The Bank is engaged in a range of banking services and related financial services. The information on business review of the Bank during the Reporting Period is set out in "Management Discussion and Analysis" of this annual report.

II. Profits and Dividend

(I) Profits distribution policies of the Bank

According to the Articles of Association, the profits distribution policies of the Bank are:

(1) Profits after income tax of the Bank shall be distributed in the following order:

- Make up losses for the previous years;
- Contribute 10% to the statutory reserve;
- Make general provisions;
- Contribute to discretionary reserve as per a resolution made at a general meeting;
- Distribute profits to Shareholders.

(2) The Bank can distribute dividend in following ways:

- Cash;
- Share certificate.

(3) The distribution of profits of the Bank values reasonable investment return to investors. Profits distribution policy of the Bank shall keep a certain extent of continuity and stability, and the Bank should distribute dividends in profit-earning years. Profits distributed in cash by the Bank annually shall not less than 10% of the distributable profits realised for the year.

(4) The Bank shall pay cash dividends and other payments to domestic Shareholders in RMB. The Bank shall provide cash dividends and other payments to H Shareholders denominated and announced in RMB, but paid in HK dollars.

The profit distribution plan of the Bank is formulated by the Board of Directors according to the Articles of Association and is considered and approved by the general meeting. In determining profits distribution plan, the Board of Directors considers the future sustainable development of the Bank and reasonable returns to investors.

(II) Profits distribution plan of the Ordinary Shares for the year

The Bank's revenue during the Reporting Period and the Bank's financial position as at the same date are set out in the financial report of this annual report.

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

The amounts of cash dividends and ratios of cash dividends to profit for the year for the last three years are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	2017	2016	2015
Cash dividend (tax inclusive)	1,085,059	1,017,242	780,518
As a percentage of profit for the year (%)	11.9	12.4	15.9

(III) Profit distribution plan of the Offshore Preference Shares for the year

Please refer to "Particulars of Offshore Preference Shares - Profit Distribution of Offshore Preference Shares" in this annual report for the profit distribution of the Offshore Preference Shares during the Reporting Period.

III. Changes in the Reserves

Details of our changes in the reserves and the distributable profit reserve during the Reporting Period are set out in "Consolidated Statements of Changes in Equity" of this annual report.

IV. Summary of Financial Information

The summary of the operating results and assets and liabilities of the Bank for the five years as of the Reporting Period is set out in "Financial Highlights" of this annual report.

V. Donations

The Bank made charity and other donation of RMB179.006 million in aggregate during the Reporting Period.

VI. Property and Equipment

Details of the changes in property and equipment of the Bank for the Reporting Period are set out in note 28 to the financial statements of this annual report.

VII. Retirement Benefits

Details of the retirement benefits provided by the Bank to employees are set out in note 36 to the financial statements in this annual report.

VIII. Substantial Shareholders

Particulars of the substantial Shareholders as at the end of the Reporting Period are set out in "Changes in Ordinary Shares and Particulars of Shareholders – Particulars of Shareholders of Ordinary Shares" of this annual report.

IX. Purchase, Sale and Redemption of Listed Securities of the Bank

During the Reporting Period, neither the Bank nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Bank.

X. Pre-emptive Rights

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders. The Articles of Association provides that the Bank may increase its capital according to the needs of operation and development and requirements on laws and regulations, upon the approval of resolution on the general meeting and relevant regulatory authorities, by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders, by way of capitalisation of capital reserve or by any other ways permitted by laws and administrative regulations and approved by the regulatory authorities.

XI. Major Customers

At the end of the Reporting Period, the five largest depositors and the five largest borrowers of the Bank accounted for less than 30% of total deposits and total loans and advances of the Bank.

XII. Use of Proceeds

On 26 March 2018, the Bank issued tier-two capital bonds with an amount of RMB4 billion, after deducting related fees and expenses, the proceeds were used to replenish tier-two capital according to applicable laws and approval from the regulatory authorities which is consistent with the plan for use of funds raised formulated at the time of issuance of the bond. On 21 December 2018, the Bank successfully placed and issued 1,000,000,000 H shares in aggregate at a placing price of HK$8.30 per share, total proceeds from the placing was approximately HK$8.3 billion in aggregate. After deducting related fees and expenses, they were all used to replenish the core tier-one capital of the Bank, which is consistent with the proceeds using plan as stipulated during placing.

XIII. Share Capital

On 21 December 2018, the Bank successfully placed and issued a total of 1,000,000,000 H Shares at the placing price of HK$8.30 per share. As a result of the completion of the placing, the total number of issued Ordinary Shares was 7,781,615,684 shares, including 4,264,295,684 Domestic Shares and 3,517,320,000 H Shares. The details of the issuance of the Offshore Preference Shares are set out in the chapter named "Particulars of Offshore Preference Shares" of this annual report.

Details of the changes in share capital of the Bank during the Reporting Period are set out in note 43 to the financial statements of this annual report.

XIV. Directors, Supervisors and Senior Management Members

Particulars of the Directors, Supervisors and senior management members of the Bank are set out in "Directors, Supervisors, Senior Management, Employees and Organizations" of this annual report.

XV. Confirmation of Independence by the Independent Non-executive Directors

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

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

As at the end of the Reporting Period, the interests or short positions of the Directors, the Supervisors and the chief executive of the Bank in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Bank under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules are as follows:

Name	Position in the Bank	Class of Shares	Nature of interest	Number of Shares(1)	Approximate percentage of Domestic Shares of the Bank(%) (1)	Approximate percentage of the total share capital of Ordinary Shares of the Bank(%) (1)
ZHANG Wei	Chairman, Executive Director	Domestic Shares	Beneficial owner	374,670 (L)	0.00879	0.00481
HUO Lingbo	Vice Chairman, Executive Director, Executive Vice President	Domestic Shares	Beneficial owner	282,635 (L)	0.00663	0.00363
		Domestic Shares	Interest of spouse(2)	86,472 (L)	0.00203	0.00111
LIU Hong(3)	Executive Director, President	Domestic Shares	Beneficial owner	91,541 (L)	0.00215	0.00118
WANG Jing	Executive Director, Vice President	Domestic Shares	Beneficial owner	81,679 (L)	0.00192	0.00105
SUN Jing	Executive Director, Secretary to the Board	Domestic Shares	Beneficial owner	10,000 (L)	0.00023	0.00013
		Domestic Shares	Interest of spouse(4)	10,000 (L)	0.00023	0.00013
WANG Xiaoyu(5)	Executive Director, Head of Finance	Domestic Shares	Beneficial owner	71,027 (L)	0.00167	0.00091
LI Dongjun	Non-executive Director	Domestic Shares	Interest of controlled corporation(6)	213,507,565 (L)	5.00687	2.74374
		Domestic Shares	Interest of controlled corporation(6)	33,179,021 (L)	0.77807	0.42638
CAI Hongguang	Chairman of Board of Supervisors, Employee Representative Supervisor	Domestic Shares	Beneficial owner	292,635 (L)	0.00686	0.00376
DAI Shujun	Vice chairman of Board of Supervisors, Employee Representative Supervisor	Domestic Shares	Beneficial owner	124,419 (L)	0.00292	0.00160
LI Wei	Employee Representative Supervisor	Domestic Shares	Beneficial owner	69,026 (L)	0.00162	0.00089
LI Xiu	Employee Representative Supervisor	Domestic Shares	Beneficial owner	55,958 (L)	0.00131	0.00072
HE Baosheng	Shareholder Representative Supervisor	Domestic Shares	Interest of controlled corporation(7)	10,000,000 (L)	0.23451	0.12851

Notes:

(1) As at the end of the Reporting Period, the Bank issued 7,781,615,684 Ordinary Shares, including 4,264,295,684 domestic Shares and 3,517,320,000 H Shares. "(L)" stands for long position.

(2) Pursuant to the SFO, Mr. Huo Lingbo was deemed to be interested in the entire equity held by his spouse.

(3) Ms. Liu Hong started to act as a non-executive Director since 2 August 2019.

(4) Pursuant to the SFO, Mr. Sun Jing was deemed to be interested in the entire equity held by his spouse.

(5) Ms. Wang Xiaoyu resigned as the Bank's head of finance on 2 August 2019.

(6) Those Shares are held by Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司, "**Jincheng Logistics**") and Dalian Changxing Island Green-city Development Co., Ltd. (大連長興島綠城發展有限公司, "**Changxing Island Green-city**") for 213,507,565 domestic Shares and 33,179,021 domestic Shares, respectively. Jincheng Logistics' equity interests are held by Jinlian Holding Group Co., Ltd. (錦聯控股集團有限公司, "**Jinlian Holding Group**") as to 99.82% and Li Dongjun hold 90% equity interests in Jinlian Holding Group; Changxing Island Green-city is wholly-owned by Jinlian Assets Management Co., Ltd. (錦聯資產管理有限公司, "**Jinlian Assets**"), and Jinlian Assets is wholly-owned by Jinlian Holding Group, Li Dongjun holds 90% equity interests in Jinlian Holding Group. According to SFO, Li Dongjun is deemed to be interested in all the Shares held by Jincheng Logistics and Changxing Island Green-city.

(7) Such Shares are held by Jinzhou Jinhua Co., Ltd. (錦州錦華股份有限公司), which is in turn held by Mr. He Baosheng as to 46.77%. Under the SFO, Mr. He Baosheng is deemed to be interested in all the Shares held by Jinzhou Jinhua Co., Ltd.

Save as disclosed above, none of the Directors, the Supervisors and the chief executive of the Bank held any interests or short positions in the Shares, underlying Shares and debentures of the Bank or its associated corporations at the end of the Reporting Period.

XVII. Relationships between Directors, Supervisors and Senior Management Members

There are no relationships between each of the Directors, Supervisors and senior management members of the Bank, including financial, business, family or other material relationships.

XVIII. Arrangements to Purchase Shares or Debentures

At no time during the Reporting Period was the Bank, its holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors of the Bank or their respective spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

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

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

XX. Management Contract

During the Reporting Period, there was no any contract in relation to the management or administration of the whole or any substantial part of business of the Bank or its subsidiaries.

XXI. Interests of Directors and Supervisors in Competing Businesses

During the Reporting Period, none of the Directors and Supervisors has any interest in a business that competes, or is likely to compete, directly or indirectly, with the business of the Bank.

XXII. Corporate Governance

Details of the Bank's corporate governance are set out in the "corporate governance report" of this annual report.

XXIII. Connected Transactions

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) and certain third parties specified under the Listing Rules constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, as such connected transactions were entered into in the ordinary and usual course of business and on normal commercial terms or better, they can be fully exempted from Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules. The Bank has reviewed all of its connected transactions and confirmed that it had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24 "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in note 52 to the financial statements also constitute fully exempt connected transactions or continuing connected transactions as defined under the Listing Rules, but do not constitute any discloseable connected transaction as defined under the Listing Rules.

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

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

The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying their responsibilities, authorities and benefits, combining incentives with restraints and focusing on both short-term and mid-to-long term incentives. The Bank insists on conducting remuneration system reform complementary with the relevant reform and promoting the marketization, monetization and standardization of the income allocation of the Bank's senior management. The Bank implements the remuneration system with the remuneration comprising basic salary, performance bonus, mid-to-long term incentives and allowances.

XXV. Public Float

Based on the public information available to the Bank and to the knowledge of the Directors, as at the date of this annual report, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange.

XXVI. Tax Relief (H Shareholders)

Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348), the Bank shall withhold and pay the individual income tax for non-resident individual Shareholders.

For those non-resident individual Shareholders who reside in Hong Kong, the Macau Special Administrative Region of the PRC and other countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of 10% (applicable to cash dividends paid to residents) the Bank shall withhold and pay the individual income tax at the rate of 10% for such Shareholders.

For those non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of less than 10% (applicable to cash dividends paid to residents), the Bank shall withhold and pay the individual income tax at the rate of 10% for such Shareholders. Should such Shareholders demand that amount in excess of the individual income tax payable under the taxation treaty be refunded, the Bank shall apply for the refund from the relevant inland revenue departments, provided however that such Shareholders have submitted relevant documents in accordance with the requirements of the Administrative Measures on Enjoying Treatment under Taxation Treaties by Non-residents (Trial) (《非居民享受稅收協議待遇管理辦法 (試行)》) (Guo Shui Fa [2009] No. 124) within a stipulated time frame.

For non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of more than 10% but less than 20% (applicable to cash dividends paid to residents), the Bank shall withhold and pay the individual income tax for such Shareholders at the applicable rate as stipulated in the said taxation treaty.

For non-resident individual Shareholders who reside in countries or regions that have entered into a taxation treaty with the PRC stipulating a tax rate of 20% (applicable to cash dividends distributed to resident shareholders) or that have not entered into any taxation treaty with the PRC and otherwise, the Bank shall withhold and pay the individual income tax at a rate of 20% for such Shareholders.

XXVII. Auditors and Review of Annual Results

The Bank considered and approved at the 2017 annual general meeting to appoint Ernst & Young Hua Ming LLP and Ernst & Young as domestic and international auditors of the Bank for 2018. The term starts from 29 May 2018. On 31 May 2019, the Board and its Audit Committee received from EY their resignations as the auditors of the Bank with immediate effect. On 31 May 2019, the Bank decided to appoint Crowe as the new auditors of the Bank to fill the casual vacancy following the resignation of EY and to hold the office until the conclusion of the 2018 annual general meeting of the Bank.

KPMG Huazhen LLP and KPMG (collectively "**KPMG**") were previous domestic and international auditors of the Bank, respectively. According to Administrative Measures for the Appointment of Accounting Firms by Financial Enterprises, the service term of the same accounting firm (including its affiliated member entities) continuously engaged by a financial enterprise shall not be longer than 5 years in principle. As such, KPMG retired from the positions of domestic and international auditors of the Bank at the 2017 annual general meeting convened on 29 May 2018 with effect from 29 May 2018.

XXVIII. Permitted Indemnity Provision

There was or is no permitted indemnity provision being in effect which benefit for the Directors of the Bank (whether entered into by the Bank or not) or its associates (entered into by the Bank) at any time during the Reporting Period and up to the date of this annual report.

XXIX. Major Risks and Uncertainties

Major risks and uncertainties faced by the Bank include credit risk, operational risk, market risk, liquidity risk, information technology risk and reputation risk. By promoting comprehensive risk management, continuously refining the systems, enriching working and operating means and improving technologies, the Bank has gradually enhanced its risk management capability. For details, see "Management Discussion and Analysis-Risk Management" of this annual report.

XXX. Future Development of Business

Please refer to "Management Discussion and Analysis-Environment and Outlook" and "Management Discussion and Analysis-Development Strategies" of this annual report for further details.

XXXI. Key Financial Performance Indicators and Analysis

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 nonperforming loan ratio was 4.99%; the balance of deposits from customers of the Bank amounted to RMB445.576 billion, representing a year-on-year increase of 30.2%. During the Reporting Period, operating income of the Bank amounted to RMB 21.283 billion, representing a year-on-year increase of 13.2%; and the net loss amounted to RMB4.538 billion.

XXXII. Environmental Protection Policy and Implementation

The Bank places great emphasis on its own environmental and social performance by integrating the banking operation and management with social responsibilities dynamicly, increasing its support on green economy, low-carbon economy and recycling economy. In addition, the Bank implements initiatives including green office, energy-saving building, green procurement and water and electricity saving, adheres to the philosophy of "Thrift business operation (勤儉辦行)", promotes energy saving and emission reduction and practices economically to enhance the level of intensive management.

XXXIII. Compliance with Laws and Regulations

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. The Bank has engaged domestic and overseas legal counsels to ensure that transactions and business of the Bank are carried out under applicable laws that have significant impact on the Bank. Relevant employees and operation units will update the Bank's rules on a timely basis upon changes in laws and policies. To the knowledge and belief of the Board of Directors, during the Reporting Period, the Bank has complied with relevant applicable laws and regulations in all material aspects.

XXXIV. Relationship with Significant Individuals

The Bank places utmost emphasis on the enterprise cultural construction, employee management and training and endeavors to build stable and harmonious employment relations. The Bank always treasures employees as one of its most important and valuable assets and cherishes employees' contribution and support. The Bank endeavors to create a harmonious and comfortable working environment, provide sound welfare and compensation system and reasonable career promotion channel for its employees. By means of appropriate trainings and opportunity offering, the Bank helps employees in career development and promotion.

The Bank actively provides deposit customers, loan customers and interbank fund customers with diversified financial services and enhances product and service innovation in order to improve the level of customer satisfaction and win customers' understanding, trust and support, thus maintaining sound relationship with customers. For loan customers, especially those related customers, the Bank insists on the market principle and will not provide credit support to them on a priority basis.

XXXV. Bonds

Bonds Issued

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.

Interbank Certificates of Deposit Issued

As at the end of the Reporting Period, the Bank issued 212 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate amount of RMB81.400 billion.

Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2015 annual general meeting of the Bank held on 29 June 2016 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue the following debt securities:

Financial bonds for small and miniature enterprises in an aggregate principal amount of up to RMB10 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than five years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used for loans to small and miniature enterprises. Upon consideration and approval at 2018 first extraordinary general meeting of the Bank held on 21 September 2018, the Bank extends term of validity of the bonds specialized for small and miniature enterprises and the relevant authorization matters for 24 months, i.e. from 29 June 2018 to 28 June 2020. Other than the extension of the term of validity of financial bonds specialized for small and miniature enterprises and the relevant authorization matters, the other details on bonds specialized for small and miniature enterprises disclosed in the circular of the Bank dated 13 May 2016 remain unchanged and will continue to be effective.

The Board has resolved, and the Shareholders have approved at the 2016 annual general meeting of the Bank held on 25 May 2017 that, subject to obtaining necessary approvals from regulatory authorities, the Bank will issue the following debt securities:

The total amount of the principal of not more than RMB2 billion of green financial bonds will be distributed to members of the inter-bank bond market in the PRC in one or more times for a term of 3 years or 5 years. Interest rate is recommended to be determined as the fixed rate through the existing bookkeeping or the result of open auction. Funds shall be used for the green industry projects required by Directory of Projects Supported by Green Bonds issued by the Green Finance Professional Committee of the Financial Society in China. Upon consideration and approval at 2018 first extraordinary general meeting of the Bank held on 21 September 2018, the Bank extends term of validity of green financial bonds and the relevant authorization matters for 12 months, i.e. from 25 May 2018 to 24 May 2019. Other than the extension of the term of validity of green financial bonds and the relevant authorization matters, the other details on the green financial bonds disclosed in the circular of the Bank dated 18 April 2017 remain unchanged and will continue to be effective.

The Board has resolved, and the Shareholders have approved at the 2017 annual general meeting of the Bank held on 29 May 2018 that, subject to obtaining necessary approvals from regulatory authorities, the Bank will issue the following debt securities:

The tier-two capital bonds with the total principal amount of not more than RMB6 billion (inclusive) will be issued to members of the inter-bank bond market for a term of no longer than 10 years (inclusive). Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's tier-two capital.

The capital bonds without a fixed term with the total principal amounting to not more than RMB4 billion will be issued to members of the inter-bank bond market through allotment or to members of the bond issuance system of the PBOC through bidding. Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's additional tier-one capital.

XXXVI. Equity-linked Agreement

During the Reporting Period, except for the Offshore Preference Shares issued by the Bank on 27 October 2017, the Bank did not enter into or have any equity-linked agreement subsisting.

With the approval of regulatory authorities at home and abroad, in 2017, the Bank issued Offshore Preference Shares of US$1.496 billion to supplement other tier-one capital of the Bank. In accordance with the provisions of the "Administrative Measures for the Capital Management of Commercial Banks (Trial)" (《商業銀行資本管理辦法 (試行)》) and the "Administrative Measures for Pilot Banks of Preferred Shares" (《優先股試點管理辦法》), the Bank may formulate terms governing the mandatory conversion of the Offshore Preference Shares into Ordinary Shares, namely, upon the occurrence of certain trigger events, the Bank shall convert the Offshore Preference Shares into Ordinary Shares in accordance with the provisions of the contract. The triggering events include when the core tier-one capital adequacy ratio falls to 5.125% (or below), and the China Banking Regulatory Commission determines that if it does not convert or write down, or if the relevant department determines that should contribution by the public sector or equivalent support not be provided, the Bank will not survive. In accordance with the relevant regulations, the Bank set up the triggering event clauses for the mandatory conversion of Offshore Preference Shares into H Shares for this Offshore Preference Shares. Assuming such trigger events occurred, the Bank is required to convert all Offshore Preference Shares into H Shares at the initial conversion price, the number of Offshore Preference Shares to be converted into H Shares would not exceed 1,278,084,312 H Shares. As of the date of this annual report, there is no trigger event occurred that the Offshore Preference Shares is required to be mandatorily converted into H Shares.

XXXVII. Subsequent Events

Please refer to note 61 to the financial statement included in this annual report for details of the subsequent events.

Chapter 9 Supervisors' Report

I. Report on Major Work

Convening of the Meetings: During the Reporting Period, the Bank convened 9 Board of Supervisors meetings, at which 88 resolutions were reviewed and considered, including the work report of the Board of Supervisors, report on the mutual evaluation of external supervisors, revision of Articles of Association, internal audit work report, financial budget and final accounts report, profit distribution plan as well as the appraisal report on the performance of Directors and Supervisors; 9 meetings of the supervising committee and the nomination committee under the Board of Supervisors were called in total to consider 49 resolutions, including diligent duty performance, financial management, profit distribution, risk management, internal control and other business matters, to perform duties of supervision. In addition, Supervisors also attended the Shareholders' general meetings and the meetings of the Board of Directors, received the resolutions of the Shareholders' general meetings and supervised the matters to be considered and approved at the Board of Directors meetings and the relevant procedures.

Supervision on Performance of Duties: During the Reporting Period, the Board of Supervisors performed its duties in accordance with the Company Law and the Articles of Association. In the principle of maintaining the interests of the Bank and its Shareholders, the Board of Supervisors carried out supervision works and diligently attended all previous Shareholders' general meetings and observed the meetings of the Board and the senior management to strengthen the supervision on the performance of Directors and the senior management. The Board of Supervisors supervised the decision-making process, operation and management, internal control, risk management and other matters of the Bank by means of retrieval of information, department interviews and communication with the external auditors.

Daily Supervision: In order to give play to its supervision functional role, the Board of Supervisors enhanced duties performance supervision functions and levels by acquiring various kinds of information. Firstly, the Board of Supervisors participated in the Board of Directors, the party committee, the president's office meeting, and the bank-wide work conference to follow up and supervise major operation and management decisions, and carried out communication of major issues and key work information in the bank. Secondly, the Board of Supervisors leveraged on the joint conference system with the offices of the Board of Directors, the Board of Supervisors, and the president to conduct information transmission, tracked and urged the implementation of relevant decisions, and regularly communicated the progress of key work to the leadership of the Board of Directors and senior management, and reported to relevant departments and branches. Thirdly, the Board of Supervisors collected, collated and analyzed information on operations management, supervision and inspection, special reports, etc., which captured the dynamics of the Bank's business development, and brought relevant issues to the Board of Directors and senior management.

Self-reinforcement of the Board of Supervisors: According to the duties of the Board of Supervisors and the requirements for performance of duties of the listing, the Board of Supervisors put more efforts into study and research in respect of regulatory requirements, risk management policies and internal control management system, and there have been gradual improvements in the standardization of company operations, management quality, and business philosophy.

II. Independent Opinions on Relevant Matters

(I) Performance of Duties by the Board of Directors and the Senior Management

During the Reporting Period, the Board of Directors and the senior management performed their duties according to the Guidelines on Corporate Governance of Commercial Banks and the Articles of Association. The Board of Directors is continuously improving the internal governance system of the Bank and resolutions of Shareholders' meetings were implemented. The senior management implemented the resolutions and related requirements of the Board of Directors, which carefully formulated and implementd various measures, and reported to the Board of Directors and the Board of Supervisors on the operation and management in a timely manner. No member of the board of Directors or senior management was found to have violated laws, regulations, the articles of association of the Bank and deliberately undermined the interests of the Bank and Shareholders when performing their duties.

(II) Operations in Compliance with Laws and Regulations

During the Reporting Period, the Bank carried out business activities according to law. The business decision-making process complied with laws, regulations and the relevant provisions of Articles of Association. No violations of laws, regulations, Articles of Association or acts that may infringe the interests of the Company and Shareholders were found.

(III) True Status of Financial Reporting

The 2018 annual financial report prepared by the Bank in accordance with International Financial Reporting Standards has been audited by Crowe and a standard unqualified audit report has been issued, which truly and fairly reflected the financial position of the Bank during the Reporting Period and the operating results and cash flow for the year of 2018.

(IV) Use of Proceeds

During the Reporting Period, the Bank placed 1 billion H Shares at a placing price of HK$8.30 per share with total proceeds amount of approximately HK$8.3 billion, and proceeds will be used to supplement core tier-one capital after deduction of related fees and expenses. The Bank issued tier-two capital bonds with an amount of RMB4 billion, which was used to supplement tier-two capital after deduction of related fees and expenses according to applicable laws and approval from regulatory authorities. Use of proceeds is consistent with the purpose undertaken in the prospectus of the Bank.

(V) Connected Transactions

During the Reporting Period, the pricing of the Bank's connected transactions were fair and reasonable, not detrimental to the interests of Shareholders or the benefits of the Bank.

(VI) Internal Control

During the Reporting Period, the Bank continued to improve its internal control. The comprehensiveness and effectiveness of the Bank's internal control were gradually improved.

(VII) Implementation of the Resolutions of General Meetings

During the Reporting Period, the Board of Supervisors had no objection to all such reports and resolutions submitted by the Board of Directors to the general meeting for consideration and approval during 2018. The Board of Supervisors supervised the implementation of the resolutions of the general meetings and considered that the Board of Directors had implemented the resolutions of the general meetings.

Chapter 10 Social Responsibility Report

The Bank has always taken "serving the community and benefiting the hometown" as its mission, insisting on serving the local economy, serving small and micro enterprises, and serving the market positioning of urban and rural residents. The Bank integrated its own operation and development with serving the real economy, performed social responsibility as financial enterprise, and continuously enhanced its value creation, service quality, and general support capabilities, which created a financial poverty alleviation model with its own characteristics. In the course of sustainable development, the Bank took the initiative to take courageous responsibility, which actively served the society, contributed to society, and gave back to society. The Bank publishes social responsibility report annually and publicly discloses to the society.

Responsibilities towards the State

The Bank focused on the deployment of national development strategies and continued to focus on promoting supply-side structural reforms, enhance quality and efficiency of serving the real economy. We supported the development of strategic emerging industries, and revitalized the old industrial base in Northeast China. The Bank promoted green credit, supported energy-saving emission reduction, technological improvement, and technological innovation. Credit products were launched to support agriculture and farming, and support the supply side reform in the agricultural industry. The Bank implemented the concept of inclusive finance, and return to our original source of serving the real economy. The Bank supported the development of private enterprises, and actively supported the development of small and micro enterprises and agriculture, and effectively implemented inclusive finance.

Responsibilities towards the Shareholders

The Bank attaches importance to protecting Shareholders' legal interests by improving the corporate governance structure and risk management system gradually, regulating the internal control management system, focusing on financial security; facilitating the establishment of the information disclosure system, continuing to strengthen communication and exchange with investors, enhancing economic efficacy steadily, striving for compliance, integrity and stable operations.

Responsibilities towards the Customers

The Bank relies on the diversified financial industry platform to provide high quality, efficient, integrated and comprehensive financial services to customers through innovations in business types and expansion of service channels. Taking the characteristic financial service scenario as the starting point, we implemented financial technology strategy, diversified products and innovated services. We promoted scenarized payment system, widened customer service channels, and improved functions of providing handy service for the public. The Bank continuously carried out the protection of consumer rights, promoted financial knowledge, and actively safeguarded the interest of customers and protected the security of customers' information.

Responsibilities towards the Employees

The Bank always adheres to the theory that business will thrive on talents, and improves the management of human resources continuously, safeguards and protects the legitimate interests of employees. The Bank improves the construction of cadres team, strengthens the building of talents team, promotes talents cultivation and development. The Bank cares for the healthy growth of staff, provided employees with multi career paths. The Bank holds various cultural and sports activities, creates enterprise atmosphere of solidarity and friendliness, increases the sense of happiness and belonging of staff's after-work life, endeavors to provide a safe and steady working environment for staff and creates room for good development, and creates a harmonious bank that grows together with employees.

Responsibilities towards the Environment

The Bank always adheres to the concept of environmental protection, actively implements the China's development strategy of green credit and dedicates efforts to develop low-carbon finance. We carried out various environmental protection charity activities and implemented relevant national policy requirements for energy conservation and environmental protection. By enhancing energy utilization rate, reducing consumption of energy and resources, daily energy conservation and environmental protection were facilitated. The Bank integrated the green finance concept into financial services and operation and management through the implementation of green office. The Bank raised environmental awareness and achieved its sustainable development.

Responsibilities towards the Community

The Bank focused on the linkages between grass-roots branches and grass-roots party organizations and actively adopted the "Dual-base Linkage" model to transmit positive energy in popularization of financial knowledge, serving urban and rural residents, and fulfillment of social responsibilities, and undertook the social responsibility. We gradually enhanced service quality of inclusive finance and improved efficiency in finance targeted poverty alleviation to support financing needs of small and micro businesses and "agriculture, rural areas and farmers". We supported our employees to contribute their love to the society through help and rescue activities and various types of voluntary service activities, to strengthen employees' awareness of society, responsibility, and dedication. A good social image of the Bank was established that it sincerely gave back to society, and performed the Bank's social responsibility.

Chapter 11 Internal Control And Internal Audit

I. Internal Control System and Control Activities

(I) Internal Control Organization System

The Bank has established an independent internal control organization structure. Pursuant to the relevant laws and regulations of PRC and the Articles of Association, a corporate governance structure and the rules of procedures have been established to delineate the duties and permitted authorities in the areas of decision-making, implementation and supervision, and a management system more applicable to us was formed.

On the establishment and implementation of internal control, the Board of Directors shall be responsible for establishing sound and effective measures: it is responsible to ensure the establishment and implementation of a sufficient and effective internal control system; and is responsible for supervising the senior management to conduct supervision and evaluation on the effectiveness of internal control to ensure that continuous and effective improvements will be made to the system. The senior management is responsible for organizing and leading the daily operation of internal control in the Bank: it is responsible for executing the relevant decisions of the Board of Directors on internal control, conducting supervision and evaluation on the effectiveness of internal control; responsible for establishing and improving the internal organization structure to ensure the effective performance of the various functions of internal control. The Risk & Compliance Department, being a functional department for internal control management, will lead the coordination and planning, organization and implementation, and inspection and evaluation of the internal control system. All business departments are responsible for participating in the formulation of the business systems and operation flow processes relevant to their own duties; responsible for strict implementation of the requirements of the relevant systems; responsible for organizing and commencing supervisory inspections; responsible for reporting deficiencies existing in internal control in accordance with the scheduled timelines and reporting routes and making arrangements for the implementation of rectification measures. Branches and sub-branches are responsible to implement the overall requirements of internal control according to the instructions of their superior institution, as well as to carry out the daily work of establishment and implementation of internal control within its own organization.

On supervision and evaluation of internal control, the Board of Supervisors will be responsible for overseeing the Board of Directors in the establishment and implementation of internal control, supervising the Directors and members of the senior management to perform their duties in accordance with the laws and rectifying any acts which are harmful to the interest of the Bank. The Audit Committee under the Board of Directors is responsible for supervising the effective implementation of internal control and the evaluation of internal control, and coordinating internal control audits and other related matters. The Internal Audit Department, the functional department for internal control management and the business departments are responsible for performing supervision and inspection on internal control, and establishing a supervision and inspection system covering branches of all levels, all products and all business flow processes according to division of work with coordination and cooperation. A rectification mechanism for problems of internal control will be established by the Bank to determine the departments responsible for rectification, to regulate the rectification work flow process, and to ensure that rectification measures are duly implemented. For any material deficiency discovered in the course of supervision and inspection, the Internal Audit Department is entitled to report directly to the Board of Directors and its Audit Committee and the Board of Supervisors; regular evaluation on the effectiveness of internal control will be carried out, and an internal control evaluation report will be issued according to the evaluation result.

(II) The Internal Control System

The Bank attaches importance to system establishment, a uniform amendment to the codification of the overall system on bank-wide basis will be carried out every year led by the Risk & Compliance Department. The headquarters has established a mail box for submitting system proposals by anyone in the Bank and collecting proposals for all line systems. The Risk & Compliance is responsible for collecting proposals and communicating with the relevant departments, and performs follow-up work on the proposed system improvement measures to provide timely feedback to the proposing entity, forming a smooth communication mechanism between the headquarters and the branches on system establishment. On the other hand, problems discovered in the auditing process by the Internal Audit Department, such as system deficiencies, defects or obsoleteness, will be reflected in the audit report, and rectifications will be implemented under the supervision of the Risk & Compliance Department. Through the relevant implementation of management measures and methods, the system management mechanism of the Bank was formed. In 2018, the Bank carried out a new round of system revision to further improve our system, which improved standard of work and enhanced awareness of compliance, and in turn established a unified standard and regulation for our works from now on. The Risk & Compliance Department led the typesetting and proofreading on all systems for all the departments of the head office, altogether compiled systems of 26 departments of headquarters in 33 copies, covering entire business processes and key parts of every business activity, and the number of words reached 4.20 million.

(III) The Establishment of Internal Control

During the Reporting Period, the Bank adhered to the principles of "priority for internal control" and "prudent operation", amendments and improvements were made to the overall system of the Bank continuously according to regulatory requirements, operation and management needs, risk management needs and the requirements under the Measures for the Management of the System of Rules and Regulations of the Bank of Jinzhou (《錦州銀行規章制度管理辦法》). The amended system covers all business lines, all operation positions and each employee, and the improved rules and regulations are announced timely on the internet, and published in booklets for distribution to all branches and sub-branches to ensure the appropriate execution of the rules and regulations by employees. The Bank has established a training system with multiple channels for three levels, namely headquarters, branches and sub-branches, as well as an online platform. All employees may participate in the learning programs in a systematic manner. Publicity through newsletters and journals of the Bank and OA systems has been generated to promote sufficient awareness among employees on the importance of internal control and their participation in control activities. Our rectification tracking mechanism linked to the relevant departments has been operating to tackle various types of problems discovered in inspections, such as the President's Office is responsible for supervision and control of the operating effect of rectification tracking and the penalty mechanism, the Internal Audit Department is responsible for the initiation of rectification tracking and initial determination of the responsible person for non-compliance acts, the Risk & Compliance Department is responsible for organizing and coordinating rectification tracking, the Human Resources Department is responsible for the execution of penalties and compliance performance appraisal, and the departments in charge of all business lines are responsible for confirming the rectification for problems discovered in internal auditing, realizing the sharing of information among departments at the headquarters and acknowledge the existing condition of business operations, deficiencies in the system and inadequacy in implementation and other issues of the Bank. For non-compliance acts, the Bank will impose liability according to the Measures of Punishment on Financial Non-compliance Acts by Employees of the Bank of Jinzhou(《錦州銀行員工金融違規行為處罰辦法》) and the Detailed Rules of Compliance Appraisal of the Bank of Jinzhou (《錦州銀行合規考核細則》). During the Reporting Period, compliance appraisal will continue to be regarded as an important integral part of the performance appraisal on branches, leading to the emphasis on compliance and risk management within the organization. Risk prevention and legal compliance will be placed in the top priority position in the course of development so as to eliminate imprudent operating behavior encouraged by or arising from improper performance appraisal policy at its source.

(IV) Supervision and Appraisal of Internal Control

During the Reporting Period, the Internal Audit Department of the Bank has conducted an independent review on the soundness and effectiveness of the internal control system according to the requirements of the Basic Norms of Corporate Internal Control (《企業內部控制基本規範》), Trial Measures for Internal Control Appraisal of Commercial Banks (《商業銀行內部控制評價試行辦法》) and Provisional Measures for Internal Control Appraisal of the Bank of Jinzhou(《錦州銀行內部控制評價辦法》) on the basis of self-evaluation in all business departments, branches and sub-branches, no material deficiency has been discovered in the establishment and implementation of internal control in the Bank, and the internal control system of the Bank is regarded as complete, reasonable and effective. Pursuant to the Measures for Inspection and Punishment for the Implementation of the System of Rules and Regulations of the Bank of Jinzhou (《錦州銀行制度執行情況檢查和處罰辦法》), the Bank has implemented a regular inspection mechanism on the effective operation and implementation of the system at the levels of headquarters, branches and sub-branches, monthly self-inspections have been conducted by sub-branches, quarterly inspections have been conducted on business lines of branches, and half-yearly inspections have been conducted on business lines at the headquarters, together with risk-oriented inspections conducted by the internal audit and compliance departments on annual basis thus effective implementation of the regulatory requirements and the various rules and regulations of the Bank has been ensured, problems and potential hazards existing in the respective organs have been discovered, followed by rectification tracking. Through self-inspection and rectification, the compliance capability and internal control standards of the Bank have been enhanced gradually.

(V) Building an Internal Control Culture

Through the promotions of a series of campaigns, such as the "Year of Risk Management", the "Year of Compliance Establishment", "Year of System Implementation" and the "Regulating both business and management", the compliance awareness throughout the Bank has been gradually enhanced over the years. The concepts of compliance have been repeatedly emphasized, such as "Compliance is the cornerstone of development", "Compliance is the duty of everyone", "Compliance creates value", "Compliance starts from senior management" and "Be proactive in compliance", such concepts are deeply rooted in the hearts of everyone, and the atmosphere of compliance of "Glory for compliance and shame on non-compliance"has been formed. All employees of the Bank have established good working practice, they respect their jobs and industry, they are willing to contribute, work diligently and live a simple life, a culture of compliance in "learning regulations, knowing regulations, conforming to regulations and applying regulations" has been formed gradually, which has played a key and positive role in maintaining a zero record of non-compliance case by the Bank persistently over many years.

II. Internal Audit

The Bank has established an internal audit management structure. The Audit Committee is formed under the Board of Directors to conduct audit and supervision on the progress of internal audit work. The Internal Audit Department is accountable to the Board of Directors and the Audit Committee, and has laid the foundation for carrying out independent and objective internal audit work. The Internal Audit Department of the Bank is authorized by the Board of Directors to conduct internal audits independently, without interference from other departments and individuals, and it will not participate in the operating activities within the scope of duties of other departments. The Bank has established a internal audit system by adapting to its own current development conditions and adhering to risk-oriented audit vision. The concept of "circular auditing" has been implemented consistently and management effectiveness considerations were explored. Audit projects are conducted according to the audit manual, the scope of audit covers all business lines and branches and sub-branches of the Bank, and the audits are carried out according to the auditing process and reporting system. Opinions and proposals will be provided to tackle deficiencies in internal control discovered in the course of auditing, tracking on the implementation of rectifications will continue to facilitate the transformation of audit result.

During the Reporting Period, the Internal Audit Department of the Bank continued to further establish the internal audit management system. With enhancing risk management and elevating the standard of internal control as major working objectives, regulatory developments and actual developments of the Bank as the guiding directions, the scope and meticulousness of audit had been increasing. Combined with the actual development of the department in continuously standardizing the basic work flow of auditing and optimizing the management model audit project on key areas in risk business lines and regulatory departments, a strong guarantee for the development of the audit work was provided. While completing regular audit projects, the Internal Audit Department of the Bank also emphasized on the implementation of special audit projects by conducting regular audit projects. Auditing means were innovated and audit methods were optimized. We made use of the auditing system platform to increase off-site analysis, and provided data support for the development of audit work.

CHAPTER 12 IMPORTANT EVENTS

I. Placing of New H Shares

Upon consideration and approval in the 2017 annual general meeting, the 2018 first domestic Shareholders' class meeting and the 2018 first H Shareholders' class meeting of the Bank held on 29 May 2018, the Bank successfully placed and issued a total of 1,000,000,000 H Shares to not less than six placees at the placing price of HK$8.30 per Share on 21 December 2018, representing approximately 28.43% and 12.85%, respectively, of the total enlarged issued H Shares and the total enlarged issued Shares of the Bank immediately after the issue of the placing Shares. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, all placees and their respective ultimate beneficial owners are third parties independent of the Bank and its connected persons (as defined in the Listing Rules), and will not become a substantial Shareholder (as defined in the Listing Rules) of the Bank immediately after the completion of the placing.

The gross proceeds from the placing amounted to approximately HK$8.30 billion. After deducting related costs and expenses, all of which were used to replenish the core tier-one capital of the Bank.

II. Issuance of Debt Securities

(I) Debt Securities Issued

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.

(II) Interbank Certificates of Deposit Issued

As at the end of the Reporting Period, the Bank issued 212 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate amount of RMB81.400 billion.

(III) Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2015 annual general meeting of the Bank held on 29 June 2016 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue the following debt securities:

Financial bonds for small and miniature enterprises in an aggregate principal amount of up to RMB10 billion (inclusive) will be issued to members of the inter-bank bond market in China, for a term of maturity of less than five years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used for loans to small and miniature enterprises. Upon consideration and approval at 2018 first extraordinary general meeting of the Bank held on 21 September 2018, the Bank extends term of validity of the bonds specialized for small and miniature enterprises and the relevant authorization matters for 24 months, i.e. from 29 June 2018 to 28 June 2020. Other than the extension of the term of validity of financial bonds specialized for small and miniature enterprises and the relevant authorization matters, the other details on bonds specialized for small and miniature enterprises disclosed in the circular of the Bank dated 13 May 2016 remain unchanged and will continue to be effective.

The Board has resolved, and the Shareholders have approved at the 2016 annual general meeting of the Bank held on 25 May 2017 that, subject to obtaining necessary approvals from regulatory authorities, the Bank will issue the following debt securities:

The total amount of the principal distributed to members of the inter-bank bond market in the PRC in one or more times amounts to not more than RMB2 billion of green financial bonds for a term of 3 years or 5 years. Interest rate is recommended to be determined as the fixed rate through the existing bookkeeping or the result of open auction. Funds shall be used for the green industry projects required by Directory of Projects Supported by Green Bonds issued by the Green Finance Professional Committee of the Financial Society in China. Upon consideration and approval at 2018 first extraordinary general meeting of the Bank held on 21 September 2018, the Bank extends term of validity of green financial bonds and the relevant authorization matters for 12 months, i.e. from 25 May 2018 to 24 May 2019. Other than the extension of the term of validity of green financial bonds and the relevant authorization matters, the other details on the green financial bonds disclosed in the circular of the Bank dated 18 April 2017 remain unchanged and will continue to be effective.

The Board has resolved, and the Shareholders have approved at the 2017 annual general meeting of the Bank held on 29 May 2018 that, subject to obtaining necessary approvals from regulatory authorities, the Bank will issue the following debt securities:

The tier-two capital bonds with the total principal amounting to not more than RMB6 billion (inclusive) will be issued to members of the inter-bank bond market for a term of no longer than 10 years (inclusive). Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's tier-two capital.

The capital bonds with the total principal amounting to not more than RMB4 billion (inclusive) will be issued to members of the inter-bank bond market through allotment or to members of the bond issuance system of the PBOC through bidding. Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's additional tier-one capital.

III. Related-party Transactions

No material related-party transactions that had an adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

IV. Material Litigation and Arbitration

As at the end of the Reporting Period, there is one pending material litigation to which the Bank was a defendant, which involved RMB121,345,375. As of the date of this annual report, the Bank has obtained the final judgment of the Supreme People's Court for the aforesaid case and rejected all the plaintiff's claims. During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

V. Penalties Imposed on the Bank and its Directors, Supervisors and Senior Management Members

During the Reporting Period, none of the Bank, or its all Directors, Supervisors and senior management members had been subject to inspections, administrative penalties and circulating criticisms by CSRC or public censures by the Hong Kong Stock Exchange, or penalties by relevant regulatory bodies that caused a significant impact on the Bank's operation.

VI. Amendments to the Articles of Association

On 29 May 2018, the Bank convened the 2017 annual general meeting, issued new H Shares under specific mandate, included the general requirements of the party construction and consumer rights protection in the Articles of Association, and approved the amendments to the relevant articles of the Articles of Association. For details, please refer to the circular of the Bank dated 18 April 2018. As at the end of the Reporting Period, the inclusion of contents relating to the party construction and consumer rights protection in the Articles of Association was approved by the CBIRC Liaoning Regulatory Bureau.

On 21 September 2018, the Bank convened the 2018 first extraordinary general meeting, and approved the amendments to the relevant articles of the Articles of Association with respect to, among other things, the rights and obligations of the Shareholders in accordance with the Interim Measures for the Equity Management of the Commercial Bank (商業銀行股權管理暫行辦法). For details, please refer to the circular of the Bank dated 10 August 2018. As at the end of the Reporting Period, the inclusion of contents relating to the rights and obligations of the Shareholders in the Articles of Association was approved by the CBIRC Liaoning Regulatory Bureau.

VII. Material Contracts and Their Performance

During the Reporting Period, the Bank had no material contracts or performance of obligations.

VIII. Material Acquisition and Disposal of Subsidiaries, Associates, Assets and Merger of Business/Enterprises

During the Reporting Period, the Bank had no material acquisition and disposal of subsidiaries, associates, assets and merger of business/enterprises.

IX. Implementation of New Accounting Standards

The Bank has adopted relevant new accounting standards since 1 January 2018. For details of changes in relevant accounting policies, please refer to note 2 to the annual financial statements included in this annual report.

X. Engagement and Dismissal of Auditors

KPMG were the former domestic and international auditors of the Bank. In accordance with the relevant regulations of the Administrative Measures for the Election and Appointment of Accounting Firms by Financial Enterprises, the same accounting firm successively hired by the financial enterprises, in principles, should not exceed 5 years of appointment, including the related member units of such accounting firm. Therefore, KPMG retired from the positions as the Bank's domestic and international auditors on the 2017 annual general meeting held on 29 May 2018 with effect from 29 May 2018.

Upon consideration and approval in the 2017 annual general meeting, the Bank appointed Ernst & Young Hua Ming LLP (Special General Partnership) as the Bank's domestic auditor and Ernst & Young as the Bank's international auditor in 2018, respectively. Their terms of office commenced from 29 May 2018. On 31 May 2019, the Board and its Audit Committee received from EY their resignations (the "**Resignation Letter**") as the auditors of the Bank with immediate effect. On 31 May 2019, the Bank decided to appoint Crowe as the new auditors of the Bank to fill the casual vacancy following the resignation of EY and to hold the office until the conclusion of the 2018 annual general meeting of the Bank.

In the Resignation Letter, EY stated that during the performance of the audit of the Bank's consolidated financial statements for the year ended 31 December 2018, EY noted there are indications that the actual usage of proceeds of certain loans (the "**Loans**") granted by the Bank to its institutional customers were not consistent with the purpose stated in their loan documents. In view of this, EY requested for additional supporting documents to evidence the customers' ability to service the loans, particularly the collateral that could be enforced, and the actual usage of such loans in order to assess the recoverability of such loans (the "**Outstanding Matters**"). For details, please refer to the Bank's announcement dated 31 May 2019.

The Bank has taken the following measures in respect of the above-mentioned Outstanding Matters:(1) to improve the proof documents of the solvency of the institutional clients in the loan; (2) according to the repayment system of the Bank, if the actual use of the loan is found to be inconsistent with the purpose stated in the loan document, the Bank has the opportunity to propose the advance repayment to the customer, and the Bank has advanced the repayment to some institutional customers of the loan and has completed the repayment; (3) sufficient collateral or security has been secured to cover the risks of the remaining amount of the loan; (4) to review all loans to ensure that none of the above problems exist; (5) engage SHINEWING Risk Services Limited to make an evaluation and recommendation on internal loan control, and the Bank will improve the internal loan control based on the evaluation and recommendation.

In connection with the above measures, the Bank believes that the Outstanding Matters have been properly addressed and have not had a material impact on the Bank's business.

XI. Appropriation of Profits During the Reporting Period

Upon consideration and approval in the 2017 annual general meeting of the Bank held on 29 May 2018, the profit distribution plan of the Bank for the year ended 31 December 2017 was as follows:

– Appropriation of statutory surplus reserve amounted to RMB894 million, based on 10% of the profit after tax.

– Appropriation of general reserve amounted to RMB2,593 million.

– Declaration of cash dividend of RMB0.16 (including tax) per share to all Shareholders, amounted to RMB1,085 million in total.

Upon consideration and approval in the Board of Directors meeting of the Bank held on 28 August 2018, the distribution plan for holder of Offshare Preference Shares of the Bank on 27 October 2018 was as follows:

– Declaration of preference stock dividend to holders of Offshare Preference Shares of US$91.42 million, or approximately RMB633 million.

XII. Publication of Annual Report

This annual report is prepared in both English and Chinese versions, in the event of any discrepancies in interpretation between the English version and Chinese version, the Chinese version shall prevail.

國富浩華（香港）會計師事務所有限公司
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Independent auditor's report to the shareholders of Bank of Jinzhou Co., Ltd.

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

Opinion

We have audited the consolidated financial statements of Bank of Jinzhou Co., Ltd. ("the Bank") and its subsidiaries ("the Group") set out on pages 162 to 313, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loss allowances of loans and financial assets measured at amortised cost

Refer to note 19 and note 22 to the consolidated financial statements and the accounting policies stated in note 2(f).

The Key Audit Matter	How the matter was addressed in our audit
The Group has adopted IFRS 9 Financial Instruments ("IFRS 9") since 1 January 2018 and developed a new impairment model for financial assets. The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.	Our audit procedures to assess the impairment of loans and financial assets measured at amortised cost included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and financial assets measured at amortised cost, the credit grading process and the measurement of loss allowances. For the key underlying systems used for the processing of transactions in above processes, we assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management; • assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;

Key audit matters *(continued)*

Loss allowances of loans and financial assets measured at amortised cost *(continued)*

Refer to note 19 and note 22 to the consolidated financial statements and the accounting policies stated in note 2(f).

The Key Audit Matter

In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial assets are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third-party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held as collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the Reporting Period.

We identified the impairment of loans and advances to customers and financial assets measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial assets list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and assets information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and assets list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;

- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged the Group's revisions to estimates and input parameters, compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;

- for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis;

Key audit matters *(continued)*

Loss allowances of loans and financial investments measured at amortised cost *(continued)*

Refer to note 19 and note 22 to the consolidated financial statements and the accounting policies stated in note 2(f).

The Key Audit Matter	How the matter was addressed in our audit
	• evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting risk-based samples. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses; • for selected samples of loans and financial assets measured at amortised cost that are credit—impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans, and evaluated other credit enhancements that are integral to the contract terms; • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and assets where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively; and • evaluating whether the disclosures on impairment of loans and financial assets measured at amortised cost meet the disclosure requirements in the prevailing accounting standards.

Key audit matters *(continued)*

Outstanding matters raised by predecessor auditor

Refer to note 19 and note 22 to the consolidated financial statements and the accounting policies stated in note 2(f).

The Key Audit Matter

On 31 May 2019, the board of the Bank and its audit committee received a letter (the "Resignation Letter") from Ernst & Young Hua Ming LLP and Ernst & Young (collectively, "EY") tendering their resignations as the auditors of the Group (the "Resignation") with immediate effect.

In the Resignation Letter, EY stated that during the performance of the audit of the Group's consolidated financial statements for the year ended 31 December 2018, EY noted there were indications that the actual usage of proceeds of certain loans (the "Loans") granted by the Group to its institutional customers were not consistent with the purpose stated in their loan documents and requested for additional supporting documents to evidence the customers' ability to service the loans, particularly the collateral that could be enforced, and the actual usage of those loans in order to assess their recoverability of such loans (the "Outstanding Matters").

We focused on this area due to the significance of the balance and significant judgement applied by management in the assessment of the recoverability of those loans.

How the matter was addressed in our audit

Our audit procedures on the Outstanding Matters included the following:

- reviewing and discussing the Outstanding Matters with the management of the Bank;
- enquiring management's judgments and assessments on the Outstanding Matters;
- identifying the actual usage of the Loans related to the Outstanding Matters and assessing the financial impact of such changes;
- checking the subsequent settlements made by the customers, and if applicable, obtaining the agreed settlement plans with customers and comparing the actual receipts against the settlement plans up to the report date;
- assessing the processes and controls over loans;
- assessing the loss allowances via performing audit procedures as stipulated above in "Loss allowances of loans and financial assets measured at amortised cost".

Key audit matters *(continued)*

Transition adjustments and disclosures in relation to the change of financial instruments standards

Refer to note 2(b) to the consolidated financial statements.

The Key Audit Matter

The new financial instruments standards have amended the previous classification and measurement framework of financial instruments and introduced a more complex expected credit loss model to assess impairment. The Group is required to retrospectively apply the classification and measurement (including impairment) requirements and recognise any difference between the original carrying amount and new carrying amount at the date of initial application (i.e. 1 January 2018) in the opening retained earnings or other comprehensive income.

We identified the transition adjustments and disclosures in relation to the change of financial instruments standards as a key audit matter, because of the complexity of the transition process which involved changes in internal controls of the financial reporting process, accounting treatment, application of new data and management judgment.

How the matter was addressed in our audit

Our audit procedures to assess the transition adjustments and disclosures in relation to the change of financial instruments standards included the following:

- understanding and assessing the key internal controls of the financial reporting process related to the change of financial instrument standards;
- evaluating the accuracy of the classification of financial instruments. We obtained information on how management applied the classification requirements of the new financial instruments standards and the classification results. On a sample basis we assessed the contractual cash flow characteristics of the financial assets and relevant documents in relation to the business model;
- for financial assets that are measured at fair value due to changes in classification, we obtained information on the valuation method and key parameters used, selected samples to evaluate the validity of the valuation method and key parameters and in light of industry practice;
- assessing the reliability of the expected credit loss model used by management in determining loss allowances on transition and assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model;

Key audit matters *(continued)*

Transition adjustments and disclosures in relation to the change of financial instruments standards *(continued)*

Refer to note 2(b) to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
	• obtaining journal entries relating to adjustments made on transition to the new financial instruments standards and comparing the list of classification of financial instruments, the original carrying amounts, the list of journal entries and new carrying amounts of the financial instruments to assess if the journal entries have been entirely put through the system accurately. We selected samples to assess if the accounting treatment is in accordance with IFRS 9; • selecting samples to recalculate the new carrying amount of the financial instruments and assessing the accuracy of the opening balance at the date of initial application (i.e. 1 January 2018); • assessing whether the relevant disclosures in relation to the change in financial instruments standards are in compliance with the prevailing accounting standards.

Key audit matters *(continued)*

Consolidation of structured entities

Refer to note 49 to the consolidated financial statements.

The Key Audit Matter

Structured entities are generally created to achieve a narrow and well-defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;
- selecting significant structured entities of each key product type and performing the following procedures for each entity selected:
  - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;

Key audit matters *(continued)*

Consolidation of structured entities *(continued)*

Refer to note 49 to the consolidated financial statements.

The Key Audit Matter

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.

How the matter was addressed in our audit

- – reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;
- – reviewing management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;
- – assessing management's judgement over whether the structured entity should be consolidated or not; and

- considering the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

Key audit matters *(continued)*

Valuation of financial instruments

Refer to note 55 to the consolidated financial statements.

The Key Audit Matter

At 31 December 2018 the fair value of the Group's financial assets was RMB114,767 million of which RMB1,604 million, RMB 54,484 million and RMB58,679 million were classified under the fair value hierarchy as level 1, 2 and 3 financial instruments respectively.

At 31 December 2018 the fair value of the Group's financial liabilities was RMB16,667 million of which RMB0 million, RMB154 million and RMB16,513 million was classified under the fair value hierarchy as level 1, 2 and 3 financial instruments respectively.

The valuation of the Group's financial instruments is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, as in the case of level 3 financial instruments, estimates need to be developed which can involve significant management judgement. The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involves significant management judgement.

We have identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- assessing the design, implementation and operating effectiveness of management's key internal controls over the valuation, independent price verification, front office/back office reconciliations and valuation model approval for financial instruments;
- evaluating the valuation models used by the Group to value certain level 2 and level 3 financial instruments and to perform, on a sample basis, independent valuations of level 2 and level 3 financial instruments and compare these valuations with the Group's valuations. This included comparing the Group's valuation models with our knowledge of current and emerging practice, testing inputs to the fair value calculations and establishing our own valuation models to perform revaluations; and
- assessing whether the consolidated financial statement disclosures appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2018.

Information other than the consolidated financial statements and auditor's report thereon

The directors of the Bank are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Bank are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Wai Dune, Charles.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong

30 August 2019

Chan Wai Dune, Charles
Practising Certificate Number P00712

(Expressed in thousands of Renminbi, unless otherwise stated)

Consolidated income statement

For the year ended 31 December 2018

	Note	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	3	**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	4	**757,528**	736,674
Net trading gains/(losses)	5	**1,491,100**	(278,264)
Dividend income		**880**	640
Net gains arising from investment securities	6	**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	7	**(3,586,646)**	(3,308,138)
Operating profit before impairment		**17,696,553**	15,497,854
Impairment losses on assets	10	**(23,683,718)**	(3,444,523)
(Loss)/profit before tax		**(5,987,165)**	12,053,331
Income tax credit/(expense)	11	**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)	12	**(0.77)**	1.32

The notes on pages 169 to 313 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	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 will be reclassified subsequently to profit or loss:			
– Available-for-sale financial assets:			
– Change in fair value		**–**	(840,826)
– Reclassified to profit or loss upon disposal		**–**	(39,022)
– Related income tax effect	29(b)	**–**	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 profit or loss upon disposal		**(64,666)**	–
– Related income tax effect	29(b)	**(286,155)**	–
Items that will not be reclassified to profit or loss:			
– Remeasurement of defined benefit obligation	36(b)	**(6,721)**	(2,100)
– Equity instruments at fair value through other comprehensive income:			
– Change in fair value		**22,110**	–
Other comprehensive income/(loss) for the year		**851,744**	(661,986)
Total comprehensive (loss)/income for the year		**(3,686,367)**	8,428,072
Attributable to:			
Equity shareholders of the Bank		**(3,741,703)**	8,315,004
Non-controlling interests		**55,336**	113,068
Total comprehensive (loss)/income for the year		**(3,686,367)**	8,428,072

The notes on pages 169 to 313 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

Consolidated statement of financial position

At 31 December 2018

	Note	At 31 December 2018	2017
Assets			
Cash and deposits with the central bank	13	**64,618,759**	52,117,510
Deposits with banks and other financial institutions	14	**16,231,627**	9,617,694
Placements with banks and other financial institutions	15	**48,454**	2,500,000
Positive fair value of derivatives	16	**305,361**	1,409
Financial assets held under resale agreements	17	**100,073**	3,572,794
Interests receivable	18	**–**	4,228,920
Loans and advances to customers	19	**349,110,123**	209,084,947
Financial assets at fair value through profit or loss	20	**66,062,880**	23,526,808
Financial assets at fair value through other comprehensive income	21	**42,857,583**	–
Financial assets measured at amortised cost	22	**283,136,375**	–
Available-for-sale financial assets	23	**–**	50,697,199
Held-to-maturity investments	24	**–**	7,778,664
Debt securities classified as receivables	25	**–**	343,369,567
Finance lease receivables	26	**7,484,842**	6,840,341
Property and equipment	28	**6,601,413**	6,452,324
Deferred tax assets	29	**7,473,418**	2,379,845
Other assets	30	**1,891,840**	1,249,628
Total assets		**845,922,748**	723,417,650
Liabilities and equity			
Liabilities			
Borrowing from the central bank		**108,369**	307,848
Deposits from banks and other financial institutions	32	**164,629,085**	134,537,429
Placements from banks and other financial institutions	33	**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	16	**153,950**	722,982
Financial assets sold under repurchase agreements	34	**43,445,203**	39,064,430
Deposits from customers	35	**445,576,089**	342,264,228
Accrued staff costs	36	**302,747**	259,517
Taxes payable	37	**965,769**	1,148,908
Interests payable	38	**–**	12,462,400
Debt securities issued	39	**89,668,782**	89,564,751
Provisions	40	**1,728,410**	–
Other liabilities	41	**1,308,107**	7,014,526
Total liabilities		**785,159,604**	663,252,922

The notes on pages 169 to 313 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

Consolidated statement of financial position

(continued)

At 31 December 2018

	Note	At 31 December 2018	2017
Equity			
Share capital	43	**7,781,616**	6,781,616
Other equity instruments including:			
Preference shares	44	**9,897,363**	9,897,363
Capital reserve	45	**20,730,770**	13,578,809
Surplus reserve	46	**2,994,679**	2,994,679
General reserve	46	**11,802,132**	9,818,070
Retained earnings	47	**3,570,852**	13,160,018
Total equity attributable to equity shareholders of the Bank		**56,777,412**	56,230,555
Non-controlling interests		**3,985,732**	3,934,173
Total equity		**60,763,144**	60,164,728
Total liabilities and equity		**845,922,748**	723,417,650

Approved and authorised for issue by the board of directors on 30 August 2019.

Zhang Wei	**Wang Xiaoyu**	**Yu Jun**	**Company chop**
Chairman	*Executive Director*	*Chief Financial Officer*	

The notes on pages 169 to 313 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

Consolidated statement of changes in equity

For the year ended 31 December 2018

		Attributable to shareholders of the Bank								
	Note	Share Capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
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:										
Loss for the year		–	–	–	–	–	(4,593,447)	(4,593,447)	55,336	(4,538,111)
Other comprehensive income	45	–	–	851,744	–	–	–	851,744	–	851,744
Total comprehensive (loss)/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	47									
– 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 loss	45	–	–	(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	47									
– 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

The notes on pages 169 to 313 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	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 secuirties		**(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
Subtotal		**20,224,490**	19,581,667
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)
Subtotal		**(162,730,963)**	(107,285,872)
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
Subtotal		**121,903,155**	101,739,286
Net cash flows (used in)/generated from operating activities		**(20,603,318)**	14,035,081

The notes on pages 169 to 313 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

Consolidated cash flow statement *(continued)*

For the year ended 31 December 2018

	Note	For the year ended 31 December 2018	2017
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		**(820,237)**	(705,690)
Net cash flows generated from/(used in) investing activities		**26,265,688**	(78,548,614)
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		**(1,568,258)**	(892,846)
Net cash flows generated from financing activities		**1,718,158**	65,031,188
Effect of foreign exchange rate changes on cash and cash equivalents		**36,154**	(277,376)
Net increase in cash and cash equivalents	51(a)	**7,416,682**	240,279
Cash and cash equivalents as at 1 January		**12,469,950**	12,229,671
Cash and cash equivalents as at 31 December	51(b)	**19,886,632**	12,469,950
Interest received		**47,377,546**	39,236,370
Interest paid (excluding interest expense on debts securities issued)		**(20,661,534)**	(12,874,831)

The notes on pages 169 to 313 form an integral part of these financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2018

1. Background information

Bank of Jinzhou Co., Ltd. (the "Bank") was established on 22 January 1997 with approval of 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 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

a) 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(b) 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 for the year ended 31 December 2018 comprise the Bank and its subsidiaries.

2. Significant accounting policies *(continued)*

a) Statement of compliance and basis of preparation *(continued)*

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 59.

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, as stated in Note 2(f).

The consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

b) 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.

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

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 (the "IAS") 39, Financial Instruments: Recognition and Measurement, 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).

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

IFRS 9, Financial instruments *(continued)*

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.

The following table provides the amount of Group's financial instruments listed on 1 January 2018, according to the original classification and measurement categories of IAS 39 and the new classification and measurement categories of IFRS 9 respectively.

(Expressed in thousands of Renminbi, unless otherwise stated)

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

IFRS 9, Financial instruments *(continued)*

i) Transition disclosures of the balance in financial statements from IAS 39 to IFRS 9

A reconciliation between the carrying amounts under IAS 39 to the balances reported under IFRS 9 as of 1 January 2018 is as follows:

		IAS 39 measurement		Reclassification	Re-measurement		IFRS 9 measurement	
	Notes	Category	Amount		ECL	Other	Amount	Category
Financial assets								
Cash and deposits with the central bank		L&R	52,117,510	–	–	–	52,117,510	AC
Deposits with banks and other financial institutions		L&R	9,617,694	–	(3,086)	–	9,614,608	AC
Placements with banks and other financial institutions		L&R	2,500,000	–	–	–	2,500,000	AC
Financial assets at FVPL		FVPL	1,019,102	20,377,475	–	(140,241)	21,256,336	FVPL
From: HTM	A		–	2,226,075	–	(89,840)	–	
From: AFS	B		–	9,629,561	–	(6,209)	–	
From: L&R	C		–	8,521,839	–	(44,192)	–	
Financial assets designated at FVPL		FVPL	22,507,706	–	–	–	22,507,706	FVPL
Financial assets held under resale agreements		L&R	3,572,794	–	(47)	–	3,572,747	AC
Loans and advances to customers		L&R	209,084,947	–	31,555	26,515	209,143,017	AC+ FVOCI
To: Loans and advances to customers at FVOCI	D	L&R	–	(2,472,719)	–	–	–	AC
From: Loans and advances to customers at AC	D	L&R	–	2,472,719	–	–	–	FVOCI
Positive fair value of derivatives		FVPL	1,409	–	–	–	1,409	FVPL
L&R		L&R	343,369,567	(343,369,567)			N/A	
To: Financial assets measured at AC	E		–	(334,847,728)	–	–	–	
To: Financial assets at FVPL	C		–	(8,521,839)	–	–	–	

(Expressed in thousands of Renminbi, unless otherwise stated)

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

IFRS 9, Financial instruments *(continued)*

i) Transition disclosures of the balance in financial statements from IAS 39 to IFRS 9 (continued)

		IAS 39 measurement		Reclassification	Re-measurement		IFRS 9 measurement	
	Notes	Category	Amount		ECL	Other	Amount	Category
HTM		HTM	7,778,664	(7,778,664)	–	–	N/A	
To: Financial assets measured at AC	E		–	(5,552,589)	–	–	–	
To: Financial assets at FVPL	A		–	(2,226,075)	–	–	–	
AFS		AFS	50,697,199	(50,697,199)	–	–	N/A	
To: Debt instruments at FVOCI	G		–	(41,009,388)	–	–	–	
To: Equity instruments at FVOCI	F		–	(58,250)	–	–	–	
To: Financial assets at FVPL	B		–	(9,629,561)	–	–	–	
Financial assets measured at AC			N/A	340,400,317	(1,041,079)	–	339,359,238	AC
From: HTM	E		–	5,552,589	(33)	–	–	
From: L&R	E		–	334,847,728	(1,041,046)	–	–	
Debt instruments at FVOCI			N/A	41,009,388	–	–	41,009,388	FVOCI
From: AFS (Debt instruments)	G		–	41,009,388	–	–	41,009,388	
Equity instruments at FVOCI			N/A	58,250	–	34,556	92,806	FVOCI
From: AFS (Equity instruments)	F		–	58,250	–	34,556	92,806	
Finance lease receivables		L&R	6,840,341	–	–	–	6,840,341	AC
Other financial assets		L&R	4,319,866	–	–	–	4,319,866	AC

(Expressed in thousands of Renminbi, unless otherwise stated)

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

IFRS 9, Financial instruments *(continued)*

i) Transition disclosures of the balance in financial statements from IAS 39 to IFRS 9 (continued)

	Notes	IAS 39 measurement Category	IAS 39 measurement Amount	Reclassification	Re-measurement ECL	Re-measurement Other	IFRS 9 measurement Amount	IFRS 9 measurement Category
Non-financial assets		N/A	9,990,851	–	388,857	19,793	10,399,501	N/A
Include: Deferred tax assets			2,379,845	–	388,857	19,793	2,788,495	
Total assets			723,417,650	–	(623,800)	(59,377)	722,734,473	
Financial liabilities								
Borrowing from the central bank		AC	307,848	–	–	–	307,848	AC
Deposits from banks and other financial institutions		AC	134,537,429	–	–	–	134,537,429	AC
Placements from banks and other financial institutions		AC	13,466,127	–	–	–	13,466,127	AC
Financial liabilities at fair value through profit or loss		FVPL	22,439,776	–	–	–	22,439,776	FVPL
Negative fair value of derivatives		FVPL	722,982	–	–	–	722,982	FVPL
Financial assets sold under repurchase agreements		AC	39,064,430	–	–	–	39,064,430	AC
Deposits from customers		AC	342,264,228	–	–	–	342,264,228	AC
Debt securities issued		AC	89,564,751	–	–	–	89,564,751	AC
Other financial liabilities		AC	15,703,600	–	–	–	15,703,600	AC
Non-financial liabilities		N/A	5,181,751	–	542,774	–	5,724,525	N/A
Include: Expected credit loss	H	N/A	–	–	542,774	–	542,774	N/A
Total liabilities			663,252,922	–	542,774	–	663,795,696	

Note:

L&R	Debt instruments classified as receivables
AFS	Available-for-sale financial assets
HTM	Held-to-maturity investments
AC	Amortised cost
FVPL	Fair value through profit or loss
FVOCI	Fair value through other comprehensive income
ECL	Expected credit loss

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

IFRS 9, Financial instruments *(continued)*

i) Transition disclosures of the balance in financial statements from IAS 39 to IFRS 9 (continued)

Note: *(Continued)*

A. As of 1 January 2018, the Group has reclassified a portion of its HTM investments as financial assets measured at FVPL as the contractual cash flows did not meet the Solely Payments of Principal and Interest ("SPPI") criterion.

B. As of 1 January 2018, the Group has reclassified a portion of its AFS financial assets as financial assets measured at FVPL as the payments did not meet the SPPI criterion.

C. As of 1 January 2018, the Group has reclassified a portion of its L&R as financial assets measured at FVPL as the payments did not meet the SPPI criterion.

D. As of 1 January 2018, the Group has reclassified its discounted bills from loans and advances to customers measured at AC to loans and advances to customers measured at FVOCI. The Group concluded that these discounted bills are managed with a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Group has classified these discounted bills as loans and advances to customers measured at FVOCI.

E. As of 1 January 2018, the Group has reclassified its HTM investments and L&R which met the SPPI criterion, were not actively traded and were held with the intention to collect cash flows and without the intention to sell, as debt instruments at AC.

F. As of 1 January 2018, the Group has elected the option to irrevocably designate some of its previous AFS equity instruments as equity instruments at FVOCI.

G. As of 1 January 2018, the Group has assessed its liquidity portfolio which had previously been classified as AFS debt instruments. The Group concluded that, apart from a small portion, as described in Section B above, these debt instruments are managed with a business model of collecting contractual cash flows and selling the financial assets. Accordingly, the Group has classified these investments as debt instruments measured at FVOCI.

H. The Group presents the impairment provision for credit commitments in "provisions". The cumulative effect of the re-measurement of impairment losses related to credit commitment is included in the undistributed profit at the beginning of the period.

(Expressed in thousands of Renminbi, unless otherwise stated)

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

IFRS 9, Financial instruments *(continued)*

ii) The impact of transition from IAS 39 to IFRS 9 on equity is as follows:

Other comprehensive income	
Closing balance under IAS 39 at 31 December 2017	(681,417)
Reclassification of investment securities from AFS to FVOCI	26,157
Reclassification of discounted bills from loans and advances to customers measured at AC to loans and advances to customers measured at FVOCI	26,515
Recognition of ECLs under IFRS 9 for debt instruments at FVOCI	753
Recognition of ECLs under IFRS 9 for loans and advances at FVOCI	36,811
Deferred tax in relation to the above	(22,559)
Opening balance under IFRS 9 at 1 January 2018	(613,740)
Retained earnings	
Closing balance under IAS 39 at 31 December 2017	13,160,018
Reclassification of investment securities from AFS to FVPL	2,190
Reclassification of investment securities from HTM and L&R to FVPL	(134,032)
Recognition of IFRS 9 ECLs	(1,592,995)
Deferred tax in relation to the above	431,209
Opening balance under IFRS 9 at 1 January 2018	11,866,390
Non-controlling interests	
Closing balance under IAS 39 at 31 December 2017	3,934,173
Opening balance under IFRS 9 at 1 January 2018	3,934,173
Total change in equity due to adopting IFRS 9	(1,225,951)

(Expressed in thousands of Renminbi, unless otherwise stated)

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

IFRS 9, Financial instruments *(continued)*

iii) The impact of transition to IFRS 9 on provision allowances is as follows:

The following table reconciles the aggregate opening loan loss provision allowances under IAS 39 at 31 December 2017 to the ECL allowances under IFRS 9 at 1 January 2018:

	Loan loss provision under IAS 39/IAS 37 at 31 December 2017	Re-classification	Re-measurement	**ECLs under IFRS 9 at 1 January 2018**
L&R per IAS 39/financial assets measured at AC under IFRS 9				
Deposits with banks and other financial institutions	–	–	3,086	**3,086**
Financial assets held under resale agreements	–	–	47	**47**
Finance lease receivables	179,902	–	–	**179,902**
Loans and advances to customers, net (Note 19(f(i)))	6,036,227	–	(31,555)	**6,004,672**
Debt securities as receivables (Note 22)	3,503,866	–	1,041,046	**4,544,912**
L&R per IAS 39/financial assets at FVOCI under IFRS 9				
Loans and advances to customers, net (Note 19(f(ii)))	–	–	36,811	**36,811**
HTM investment securities per IAS 39/debt instruments at AC under IFRS 9				
HTM investments (Note 22)	–	–	33	**33**
AFS investment securities per IAS 39/financial assets at FVOCI under IFRS 9				
AFS investments (Note 21)	–	–	753	**753**
Credit commitments	–	–	542,774	**542,774**
Total	9,719,995	–	1,592,995	**11,312,990**

2. Significant accounting policies *(continued)*

c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, investment in subsidiaries are stated at cost less impairment losses (Note 2(o)), unless the investment is classified as held for sale.

2. Significant accounting policies *(continued)*

d) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of each of the Reporting Period. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary available-for-sale financial assets which are recognised in capital reserve.

e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

2. Significant accounting policies *(continued)*

f) Financial instruments

(i) Recognition and initial measurement of financial assets and liabilities

A financial asset or financial liability is recognised in the statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) Classification and subsequent measurement of financial assets

Classification of financial assets

The Group classifies financial assets into different categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets:

– Financial assets measured at amortised cost, including loans and advances to customers and financial investments measured at amortised cost;

– Financial assets at fair value through other comprehensive income ("FVOCI"), including loans and advances to customers at FVOCI and financial investments at FVOCI; and

– Financial assets at fair value through profit or loss ("FVPL").

Financial assets may not be reclassified after initial recognition unless the Group changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first Reporting Period after the business model changes.

Financial assets not designated as FVPL that meet the following conditions are classified as financial assets measured at amortised cost:

– The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;

– The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

2. Significant accounting policies *(continued)*

f) Financial instruments *(continued)*

(ii) Classification and subsequent measurement of financial assets *(continued)*

Classification of financial assets (continued)

The Group classifies financial assets not designated as FVPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets that are measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

2. Significant accounting policies *(continued)*

f) Financial instruments *(continued)*

(ii) Classification and subsequent measurement of financial assets *(continued)*

Subsequent measurement of financial assets

– Financial assets at FVPL

Subsequent to initial recognition, the financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is part of a hedging relationship.

– Financial assets measured at amortised cost

Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and amortisation using the effective interest method or recognition of impairment.

– Financial assets at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

– Equity investments at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

2. Significant accounting policies *(continued)*

f) Financial instruments *(continued)*

(iii) Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities into financial liabilities at FVPL, financial guarantee contract liabilities, and financial liabilities carried at amortised cost.

– Financial liabilities at FVPL

The financial liabilities include trading financial liabilities and financial liabilities designated at FVPL. Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Subsequent to initial recognition, the financial liabilities are measured at fair value. Any resulting gains or losses (including interest expenses), unless related to hedge accounting, are recognised in profit or loss.

– Financial guarantee contract liabilities

Financial guarantee contracts refer to contracts that require the Group to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or revised terms of a debt instrument.

The financial guarantee contract liabilities are subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognised less accumulated amortisation.

– Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

(iv) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

2. Significant accounting policies *(continued)*

f) Financial instruments *(continued)*

(v) Impairment

The Group recognises provision for expected credit loss on:

- Financial assets measured at amortised cost;
- Debt instruments at FVOCI; and
- Credit commitments.

Other financial assets measured at fair value, including financial assets at FVPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the expected credit loss assessment.

Measurement of ECLs

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the Reporting Period (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the end of the Reporting Period.

The Group's measurement of expected credit losses is described in Note 54(a).

Presentation of provision for ECLs

ECLs are remeasured at the end of each Reporting Period to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the statement of financial position. The Group recognises provision for debt instruments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

2. Significant accounting policies *(continued)*

f) Financial instruments *(continued)*

(v) Impairment *(continued)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vi) Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the following conditions are met:

– The Group's contractual rights to the cash flows from the financial asset expire;

– The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;

– The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

– The carrying amount of the financial asset transferred measured at the date of derecognition;

– The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged.

2. Significant accounting policies *(continued)*

f) Financial instruments *(continued)*

(vii) Offsetting

Financial assets and financial liabilities are presented separately in the statement of financial position and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the statement of financial position when both of the following conditions are satisfied:

– The Group currently has a legally enforceable right to set off the recognised amounts;

– The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(viii) For accounting policies of financial instruments applicable to the year ended 31 December 2017, refer to 2017 annual financial statements.

g) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statement of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

h) Fair value measurement

Unless otherwise stated, the Group measure the fair value based on below principles:

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Three valuation techniques mainly include the market approach, the income approach and the cost approach.

2. Significant accounting policies *(continued)*

i) Preference shares

Such preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy as accounting for the convertible bonds only with liability component.

For the issued preference shares that should be classified as equity instruments, they will be recognised as equity in actual amount received. Dividend payables are recognised as distribution of profits. When the preference shares are redeemed according to the contractual terms, the redemption price is charged to equity.

j) Precious metals

Precious metals comprise gold, silver and other precious metals. Precious metals that are not related to the Group's precious metals trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals acquired by the Group for trading purposes are initially measured at fair value and subsequent changes in fair value are recorded in profit or loss.

The Group records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. The precious metals deposited in the Group are measured at fair value both on initial recognition and in subsequent measurement.

2. Significant accounting policies *(continued)*

k) Property and equipment and construction in progress

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment loss (Note 2(o)). Construction in progress is stated in the statement of financial position at cost less impairment loss (Note 2(o)).

The cost of a purchased property and equipment comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to property and equipment when the item being constructed is ready for its intended use. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate property and equipment.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

Asset category	Estimated useful life	Estimated rate of residual value	Depreciation rate
Premises	40 years	4%	2.4%
Motor vehicles	5 years	5%	19.0%
Others	5-10 years	0%-5%	9.5%-20.0%

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

2. Significant accounting policies *(continued)*

l) Leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(i) Operating lease charges

Lease payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent lease payments are recognised as expenses in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(ii) Assets leased out under finance leases

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the 'net lease investment') is recorded in the consolidated statement of financial position as 'Loans and advances to customers'. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, amortising over the term of the lease using the effective interest method and recognised in profit or loss. Impairment losses on lease receivables are accounted for in accordance with the accounting policies as financial instruments impairment.

m) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment loss (Note 2(o)). The cost of intangible assets less residual value and impairment loss is amortised on the straight-line method over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Computer software	10 years

n) Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

2. Significant accounting policies *(continued)*

o) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the Reporting Period based on the internal and external sources of information to determine whether there is any indication of impairment:

– property and equipment

– construction in progress

– intangible assets

– investment in subsidiaries

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called "asset") is the greater of its fair value less costs of disposal and value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset's fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly.

If, in a subsequent period, the amount of impairment loss of the non-financial asset decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through the profit or loss. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

2. Significant accounting policies *(continued)*

p) Employee benefits

Employee benefits are all forms of considerations given and other relevant expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or the expenses in profit or loss.

(i) Retirement benefits

Defined contribution plans - social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

Supplementary retirement benefits

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurement are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

(ii) Housing fund and other social insurances

In addition to the retirement benefits, the Group has joined defined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the amounts stipulated by the relevant government organizations. The contributions are charge to profit or loss on an accrual basis.

2. Significant accounting policies *(continued)*

q) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the period, and any adjustment to tax payable in respect of previous periods.

At the end of the Reporting Period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss).

At the end of the Reporting Period, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of the Reporting Period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the end of the Reporting Period, deferred tax assets and liabilities are offset if all the following conditions are met:

– the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

– they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which either intend to settle the current tax liabilities and assets on a net basis, or to simultaneously realise the assets and settle the liabilities in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. Significant accounting policies *(continued)*

r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group used the expected credit loss model to measure losses incurred because a specified debtor fails to make payment when due, and included them in provisions. Refer to Note 2(f)(v) for details of the expected credit loss model.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

s) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

2. Significant accounting policies *(continued)*

t) Income recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

When one of the following conditions are met, the Group perform its performance obligations over time, and otherwise, at a point in time:

– The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

– The Group's performance creates and enhances an asset that the customer controls as the Group performs; or

– The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations performed over time, the Group recognises revenue over time according to the performance progress. When the performance progress cannot be determined, the Group is expected to be reimbursed for the costs already incurred, and recognises the revenue based on the costs already incurred until the performance progress can be reasonably determined.

For performance obligations performed at a point in time, the Group recognises revenue at the point when the customer obtains control of the promised good or service. When judging whether the customer obtains control of the promised good or service, the Group should consider the following indications:

– The Group has a present right to payment for the good or service;

– The Group has transferred physical possession of the good to the customer;

– The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;

– The customer has accepted the good or service.

2. Significant accounting policies *(continued)*

t) Income recognition *(continued)*

The specific accounting policies related to the revenue of Group's principal activities are described below:

(i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the Reporting Period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

(ii) Fee and commission income

Fee and commission income are recognised in profit or loss when the corresponding service is provided.

(iii) Other income

Other income is recognised on an accrual basis.

u) Expenses recognition

(i) Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) Other expenses

Other expenses are recognised on an accrual basis.

v) Dividend

Dividend or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the Reporting Period are not recognised as a liability at the end of the Reporting Period but disclosed separately in the notes to the financial statements.

2. Significant accounting policies *(continued)*

w) Related parties

a) A person, or a close member of that person's family, is related to the Group if that person:

i) has control or joint control over the Group;

ii) has significant influence over the Group; or

iii) is a member of the key management personnel of the Group or the Group's parent.

b) An entity is related to the Group if any of the following conditions applies:

i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

iii) Both entities are joint ventures of the same third party;

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

vi) The entity is controlled or jointly controlled by a person identified in a);

vii) A person identified in a) i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

x) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.

(Expressed in thousands of Renminbi, unless otherwise stated)

3. Net interest income

	For the year ended 31 December	
	2018	2017
Interest income 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	**46,002,674**	39,943,533
Interest expense 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
Debt securities issued	**3,923,616**	3,342,613
Subtotal	**26,901,602**	21,410,609
Net interest income	**19,101,072**	18,532,924
Of which		
Interest income arising from impaired financial assets identified	**330,732**	67,635

(Expressed in thousands of Renminbi, unless otherwise stated)

4. 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	**842,123**	832,833
Fee and commission expense		
Settlement and clearing fees	**42,938**	59,562
Others	**41,657**	36,597
Subtotal	**84,595**	96,159
Net fee and commission income	**757,528**	736,674

5. 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	**1,261,956**	(243,546)
Financial instruments designated at fair value through profit or loss	**229,144**	(34,718)
Total	**1,491,100**	(278,264)

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.

(Expressed in thousands of Renminbi, unless otherwise stated)

6. Net gains arising from investment securities

	For the year ended 31 December	
	2018	2017
Net losses on disposal of available-for-sale financial assets	**–**	(8,226)
Net revaluation gains reclassified from other comprehensive income on disposal	**64,666**	39,022
Net revaluation gains from financial assets at fair value through other comprehensive income on disposal	**39,551**	–
Net gains on disposal of from financial assets measured at amortised cost	**(3,983)**	–
Total	**100,234**	30,796

7. 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	**1,783,664**	1,680,269
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	**539,798**	498,700
Tax and surcharges	**200,414**	169,969
Other general and administrative expenses (Note)	**1,062,770**	959,200
Total	**3,586,646**	3,308,138

Note: Auditors' remuneration for the years ended 31 December 2018 was RMB 6.52 million (2017: RMB5.00 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

8. Directors' and supervisors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	For the year ended 31 December 2018						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Zhang Wei	–	468	1,440	1,908	382	184	2,474
Wang Jing	–	360	480	840	175	131	1,146
Wang Xiaoyu	–	113	344	457	96	84	637
Huo Lingbo (Note iv)	–	468	1,200	1,668	341	201	2,210
Liu Hong (Note iii)	–	468	1,200	1,668	341	201	2,210
Sun Jing (Note iii)	–	306	376	682	143	131	956
Non-executive directors							
Gu Jie	–	–	–	–	–	–	–
Li Dongjun (Note i)	–	–	–	–	–	–	–
Meng Xiao (Note iii)	–	–	–	–	–	–	–
Independent directors							
Choon Yew Khee	210	–	–	210	–	–	210
Lin Yanjun (Note x)	210	–	–	210	–	–	210
Chang Peng'ao (Note v)	–	–	–	–	–	–	–
Peng Taoying (Note v)	–	–	–	–	–	–	–
Tan Ying (Note v)	–	–	–	–	–	–	–
Supervisors							
Li Xiu	–	113	478	591	124	104	819
He Baosheng	–	–	–	–	–	–	–
Cai Hongguang (Note vii)	–	440	600	1,040	215	148	1,403
Dai Shujun (Note vii)	–	260	97	357	78	90	525
Cao Wenqing (Note vii)	–	226	1,989	2,215	449	408	3,072
Li Wei (Note vii)	–	170	292	462	98	97	657
Chen Tanguang (Note vii)	–	–	–	–	–	–	–
He Mingyan (Note vii)	–	–	–	–	–	–	–

(Expressed in thousands of Renminbi, unless otherwise stated)

8. Directors' and supervisors' emoluments *(continued)*

	For the year ended 31 December 2018						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
External supervisors							
Nie Ying (Note viii)	210	–	–	210	–	–	210
Li Tongyu (Note viii)	210	–	–	210	–	–	210
Zhao Hongxia (Note viii)	210	–	–	210	–	–	210
Jiang Daxing (Note vi)	210	–	–	210	–	–	210
Deng Xiaoyang (Note vi)	210	–	–	210	–	–	210
Former non-executive directors							
Wang Jinsong (Note iii)	–	–	–	–	–	–	–
Zhang Caiguang (Note ii)	–	–	–	–	–	–	–
Niu Sihu (Note v)	210	–	–	210	–	–	210
Jiang Jian (Note v)	210	–	–	210	–	–	210
Total	1,890	3,392	8,496	13,778	2,442	1,779	17,999

(Expressed in thousands of Renminbi, unless otherwise stated)

8. Directors' and supervisors' emoluments *(continued)*

	For the year ended 31 December 2017						
					Contributions		
					to social		
		Discretionary		pension	Other		
	Fees	Salaries	bonus	Subtotal	schemes	welfares	Total
Executive directors							
Zhang Wei	–	468	1,440	1,908	382	183	2,473
Wang Jing	–	340	480	820	171	129	1,120
Wang Xiaoyu	–	113	344	457	96	84	637
Huo Lingbo (Note iv)	–	468	1,200	1,668	341	201	2,210
Non-executive directors							
Zhang Caiguang (Note ii)	–	–	–	–	–	–	–
Gu Jie	–	–	–	–	–	–	–
Independent directors							
Jiang Daxing (Note vi)	431	–	–	431	–	–	431
Deng Xiaoyang (Note vi)	431	–	–	431	–	–	431
Niu Sihu (Note v)	431	–	–	431	–	–	431
Jiang Jian (Note v)	431	–	–	431	–	–	431
Choon Yew Khee	431	–	–	431	–	–	431
Lin Yanjun (Note x)	215	–	–	215	–	–	215
Supervisors							
Li Xiu	–	104	424	528	112	99	739
He Baosheng	–	–	–	–	–	–	–
Cai Hongguang (Note vii)	–	–	–	–	–	–	–
Dai Shujun (Note vii)	–	–	–	–	–	–	–
Cao Wenqing (Note vii)	–	–	–	–	–	–	–
Li Wei (Note vii)	–	–	–	–	–	–	–
Chen Tanguang (Note vii)	–	–	–	–	–	–	–
He Mingyan (Note vii)	–	–	–	–	–	–	–

(Expressed in thousands of Renminbi, unless otherwise stated)

8. Directors' and supervisors' emoluments *(continued)*

	For the year ended 31 December 2017						
					Contributions		
					to social		
		Discretionary		pension	Other		
	Fees	Salaries	bonus	Subtotal	schemes	welfares	Total
External supervisors							
Jing Fei (Note vi)	431	–	–	431	–	–	431
Chen Yingmei (Note vi)	431	–	–	431	–	–	431
Nie Ying (Note viii)	431	–	–	431	–	–	431
Li Tongyu (Note viii)	431	–	–	431	–	–	431
Zhao Hongxia (Note viii)	431	–	–	431	–	–	431
Former executive directors							
Chen Man (Note iii)	–	300	600	900	191	168	1,259
Zhao Jie (Note ix)	–	–	120	120	24	10	154
Former non-executive Directors							
Li Dongjun (Note iii)	–	–	–	–	–	–	–
Wu Zhengkui (Note iii)	–	–	–	–	–	–	–
Former supervisors							
Ning Yongfang (Note vii)	–	468	1,200	1,668	341	201	2,210
Xu Fei (Note vii)	–	240	480	720	151	120	991
Luo Yan (Note vii)	–	240	700	940	195	139	1,274
Shi Hongmiao (Note vii)	–	113	525	638	134	108	880
Tian Deying (Note vii)	–	–	–	–	–	–	–
Zhao Lanying (Note vii)	–	–	–	–	–	–	–
Total	4,525	2,854	7,513	14,892	2,138	1,442	18,472

8. Directors' and supervisors' emoluments *(continued)*

There was no amount paid during the Reporting Period to the directors in connection with their retirement from employment or compensation for loss of office with the Group, or inducement to join the Group. There was no arrangement under which a director or supervisor waived or agreed to waive any remuneration during the Reporting Period.

Notes:

(i) On 21 September, 2018, after the First Extraordinary General Meeting in 2018, the Bank elected Ms. Tang Fang and Mr. Li Dongjun as non-executive directors of the Fifth Board of Directors of the Bank. Mr. Li Dongjun's tenure started from 18 October, 2018 to the expiration of the term of the Fifth Board of Directors. On 31 January, 2019, the Bank received the approval from the Liaoning Supervision Bureau of the CBIRC for the qualification of Ms. Tang Fang as a director of the Bank. The tenure started from 31 January, 2019 until the expiration of the fifth board of directors.

(ii) On 7 August, 2018, at the Fifth meeting of the Fifth Board of Directors, due to personal reasons, Mr. Zhang Caiguang, a non-executive director of the Bank, submitted his resignation to the Bank and resigned as a non-executive director of the Bank and a member of the Risk Management Committee. The resignation of Mr. Zhang Caiguang took effect on 7 August, 2018.

(iii) At the Bank's Second Extraordinary General Meeting held on 29 December 2017, Ms. Liu Hong, Mr. Sun Jing, Mr. Wang Jinsong, Ms. Meng Xiao were elected as non-independent directors of the Bank, and Ms. Chen Man, Mr. Li Dongjun, Mr. Wu Zhengkui ceased to serve as the non-independent directors. The CBRC Liaoning regulatory authority has approved the election. The tenure of Ms. Liu Hong began on 9 February 2018. The tenure of Mr. Sun Jing, Mr. Wang Jinsong, Ms. Meng Xiao began on 11 February 2018. Mr. Wang Jinsong, a non-executive director, submitted his resignation to the Bank due to work transfer and resigned as a non-executive director of the Bank. The resignation of Mr. Wang Jinsong took effect on 7 August, 2018.

(iv) At the Bank's First Extraordinary General Meeting held on 8 February 2017, Mr. Huo Lingbo was elected as director of the Bank. The CBRC Liaoning regulatory authority has approved the election and the tenure begins on 28 July 2017.

(v) At the Bank's Second Extraordinary General Meeting held on 29 December 2017, Mr. Chang Peng'ao, Ms. Peng Taoying, Ms. Tan Ying were elected as independent directors of the Bank. The CBRC Liaoning regulatory authority has approved the election and the tenure begins on 11 February 2018. According to the Articles of Association, Mr. Niu Sihu, Ms. Jiang Jian ceased to serve as the independent directors on 11 February 2018.

(vi) On 29 December, 2017, after the Second Extraordinary General Meeting of Shareholders in 2017, Mr. Jiang Daxing and Mr. Deng Xiaoyang ceased to serve as independent directors of the Bank and were elected as external supervisors of the Bank. The tenure started from 11 February, 2018 until the expiration of the term of the Fifth Board of Supervisors. Mr. Jing Fei, Ms. Chen Yingmei ceased to serve as the external supervisors on 11 February 2018.

(vii) At the Bank's Second Extraordinary General Meeting held on 29 December 2017, Mr. Cai Hongguang, Mr. Dai Shujun, Ms. Cao Wenqing, Ms. Li Wei, Mr. Chen Tanguang, Ms. He Mingyan were elected as supervisors of the Bank, and Mr. Ning Yongfang, Mr. Xu Fei, Ms. Luo Yan, Ms. Shi Hongmiao, Mr. Tian Deying, Ms. Zhao Lanying ceased to serve as the supervisors.

(viii) On 29 December 2017, Ms. Nie Ying, Ms. Li Tongyu and Ms. Zhao Hongxia were elected as external supervisor of the Bank.

(ix) At the Meeting of the Board on 5 December 2016, Ms. Zhao Jie ceased to serve as the director of the Bank. According to the Articles of Association and it took effect on July 28th, 2017.

(x) At the Bank's shareholders' annual general meeting on 29 June 2016, Mr. Lin Yanjun was elected as an independent non-executive director. The CBRC Liaoning regulatory authority has approved the election and the tenure begins on 25 January 2017.

(Expressed in thousands of Renminbi, unless otherwise stated)

9. Individuals with highest emoluments

One of the five individuals with the highest emoluments is director or supervisor (2017: none). The aggregate of the emoluments of the five highest paid individuals are as follows:

	For the year ended 31 December	
	2018	2017
Salaries and other emoluments	**1,321**	530
Discretionary bonuses	**11,431**	17,138
Contributions to pension schemes	**2,168**	3,315
Others	**2,208**	1,983
Total	**17,128**	22,966

The emoluments of the five individuals with the highest emoluments are within the following bands:

	2018	2017
HKD3,000,001 - 3,500,000	**1**	–
HKD3,500,001 - 4,000,000	**3**	–
HKD4,000,001 - 4,500,000	**–**	2
HKD4,500,001 - 5,000,000	**–**	–
HKD5,000,001 - 5,500,000	**1**	1
HKD5,500,001 - 6,000,000	**–**	–
HKD6,000,001 - 6,500,000	**–**	1
HKD6,500,001 - 7,000,000	**–**	–
HKD7,000,001 - 7,500,000	**–**	1

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)

10. Impairment losses on assets

	For the year ended 2018
Loans and advances to customers	
- 12-month ECL	**2,344,237**
- Lifetime ECL – not credit-impaired loans	**5,005,797**
- 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	**23,683,718**

	For the year ended 2017
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	3,444,523

(Expressed in thousands of Renminbi, unless otherwise stated)

11. Income tax credit/(expense)

(a) Income tax (credit)/expense:

	Note	For the year ended 31 December 2018	2017
Current tax expense		**3,522,024**	3,646,817
Deferred tax expense	29(b)	**(4,971,078)**	(683,544)
Total		**(1,449,054)**	2,963,273

(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	**(1,449,054)**	2,963,273

12. Basic and diluted (losses)/earnings per share

	At 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)	**(0.77)**	1.32

The Bank issued non-cumulative preference shares on 27 October 2017 under the terms and conditions as detailed in Note 44. For the purpose of calculating basic earnings per share, dividend on non-cumulative preference shares declared in respect of the year should be deducted from the amounts attributable to equity shareholders of the Bank. 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 (losses)/earnings per share as there were no potentially dilutive shares outstanding during the relevant years.

Weighted average number of ordinary shares	At 31 December 2018	2017
Number of ordinary shares as at 1 January (in thousands)	**6,781,616**	6,781,616
Effect of ordinary shares issue (in thousands)	**27,397**	–
Weighted average number of ordinary shares (in thousands)	**6,809,013**	6,781,616

(Expressed in thousands of Renminbi, unless otherwise stated)

13. Cash and deposits with the central bank

	Note	At 31 December 2018	2017
Cash on hand		**708,592**	614,480
Deposits with the central bank			
– Statutory deposit reserves	(a)	**54,947,473**	48,095,051
– Surplus deposit reserves	(b)	**8,763,764**	3,274,482
– Fiscal deposits		**171,044**	133,497
Subtotal		**63,882,281**	51,503,030
Interests receivable		**27,886**	–
Total		**64,618,759**	52,117,510

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 31 December 2018 and 2017, the statutory deposit reserve ratios applicable to the Bank were follows:

	At 31 December 2018	2017
Reserve ratio for RMB deposits	**12.50%**	13.50%
Reserve ratio for foreign currency deposits	**5.00%**	5.00%

The statutory deposit reserves are not available for the Group's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

(b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

(Expressed in thousands of Renminbi, unless otherwise stated)

14. Deposits with banks and other financial institutions

(a) Analysed by type and location of counterparty

	At 31 December 2018	2017
Deposits in Mainland China		
– Banks	7,985,254	8,675,412
– Other financial institutions	3,124	3,050
Subtotal	7,988,378	8,678,462
Deposits outside Mainland China		
– Banks	8,118,749	939,232
Interests receivable	165,506	–
Impairment provision	(41,006)	–
Total	16,231,627	9,617,694

(b) Movements of provision for impairment losses

	Year ended 31 December 2018
As at 1 January 2018 (Note 2(b)(iii))	(3,086)
Net charge for the year	(37,920)
As at 31 December 2018	(41,006)

(Expressed in thousands of Renminbi, unless otherwise stated)

15. Placements with banks and other financial institutions

Analysed by type and location of counterparty

	At 31 December 2018	2017
Placements in Mainland China		
– Banks	**48,418**	–
– Other financial institutions	**–**	2,500,000
Subtotal	**48,418**	2,500,000
Interests receivable	**36**	–
Total	**48,454**	2,500,000

16. Derivatives

Derivative financial instruments include forward contracts, foreign exchange swap, currency swap and interest rate swap contracts undertaken by the Group. The Group uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end of the Reporting Period. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of the Reporting Period, they do not represent amounts at risk.

(Expressed in thousands of Renminbi, unless otherwise stated)

16. Derivatives *(continued)*

(a) Analysed by nature of contract

	At 31 December 2018		
		Fair value	
	Notional amount	assets	liabilities
Derivatives			
– Foreign exchange forward	3,704,737	23,239	(24,302)
– Foreign exchange swap	21,814,680	281,512	(129,646)
– Currency swap	137,264	271	–
– Interest rate swap	100,000	339	(2)
Total	25,756,681	305,361	(153,950)

	At 31 December 2017		
		Fair value	
	Notional amount	assets	liabilities
Derivatives			
– Foreign exchange forward	16,073,876	1,409	(722,982)
Total	16,073,876	1,409	(722,982)

(b) Analysed by credit risk-weighted amounts

	At 31 December	
	2018	2017
Derivatives		
– Foreign exchange forward	10,240	40,185
– Foreign exchange swap	54,537	–
– Currency swap	343	–
– Interest rate swap	250	–

Note: The credit risk weighted amounts represent the counterparty credit risk associated with derivative transactions, which are calculated with reference to the guidelines issued by the CBRC.

(Expressed in thousands of Renminbi, unless otherwise stated)

17. Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	At 31 December	
	2018	2017
In Mainland China		
– Banks	**–**	3,083,594
– Other financial institutions	**100,000**	489,200
Interests receivable	**73**	–
Total	**100,073**	3,572,794

(b) Analysed by type of security held

	At 31 December	
	2018	2017
Debt securities		
– Financial bonds	**100,000**	1,589,750
– Government bonds	**–**	1,063,100
– Corporate bonds	**–**	120,000
Subtotal	**100,000**	2,772,850
Bank acceptance	**–**	799,944
Interests receivable	**73**	–
Total	**100,073**	3,572,794

(c) Movements of provision for impairment losses

	Year ended 31 December 2018
As at 1 January 2018 (Note 2(b)(iii))	**(47)**
Net release for the year	**47**
As at 31 December 2018	**–**

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Interests receivable

	At 31 December 2018	2017
Interests receivable from investments	–	3,050,966
Interests receivable from loans and advances to customers	–	1,019,513
Interests receivable from deposits and placements with banks and other financial institutions	–	158,441
Total	–	4,228,920

19. Loans and advances to customers

(a) Analysed by nature

	At 31 December 2018
Measured at amortised cost:	
Corporate loans and advances	**352,315,497**
Personal loans and advances	
– Personal business loans	**9,976,346**
– Residential and commercial properties mortgage loans	**1,302,895**
– Personal consumption loans	**630,907**
– Credit card overdrafts	**155,385**
– Others	**326**
Subtotal	**12,065,859**
Gross loans and advances to customers measured at amortised cost	**364,381,356**
Measured at fair value through other comprehensive income:	
– Discounted bills	**6,344,375**
Gross loans and advances to customers measured at fair value through other comprehensive income	**6,344,375**
Gross loans and advances to customers	**370,725,731**
Add: Interests receivable	**1,276,467**
Less: Provision for impairment losses	
– Loans and advances to customers measured at amortised cost	**(22,892,075)**
Net loans and advances to customers	**349,110,123**
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(11,586)**

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(a) Analysed by nature *(continued)*

	At 31 December 2017
Corporate loans and advances	202,487,355
Personal loans and advances	
– Personal business loans	8,641,737
– Residential and commercial properties mortgage loans	747,574
– Personal consumption loans	645,395
– Credit card overdrafts	125,988
– Others	406
Subtotal	10,161,100
Discounted bills	2,472,719
Gross loans and advances to customers	215,121,174
Less: Provision for impairment losses	
– Individually assessed	(1,266,689)
– Collectively assessed	(4,769,538)
Total provision for impairment losses	(6,036,227)
Net loans and advances to customers	209,084,947

As at the end of the Reporting Period, part of Discounted bills of the Loans and advances to customers was pledged for repurchase agreements (Note 31(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(b) Analysed by industry sector

	At 31 December 2018		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	160,556,340	43.32%	69,243,448
Manufacturing	69,766,423	18.82%	37,284,240
Leasing and commercial services	28,961,888	7.81%	17,860,033
Real estate	25,681,503	6.93%	23,381,653
Transportation, storage and postal services	9,224,015	2.49%	3,597,605
Public management and social organisation	8,061,209	2.17%	62,650
Electricity, gas and water production and supply	7,412,338	2.00%	3,415,598
Education	6,539,454	1.76%	1,179,280
Mining	5,002,120	1.35%	1,930,113
Construction	3,555,251	0.96%	1,849,856
Water, environment and public utility management	1,519,360	0.41%	1,474,360
Agriculture, forestry, animal husbandry and fishery	1,253,166	0.34%	1,067,446
Others	24,782,430	6.68%	12,675,542
Subtotal of corporate loans and advances	352,315,497	95.04%	175,021,824
Personal loans and advances	12,065,859	3.25%	9,687,513
Discounted bills	6,344,375	1.71%	–
Gross loans and advances to customers	370,725,731	100.00%	184,709,337
Add: Interests receivable	1,276,467		
Less: Provision for impairment losses			
– Provision for impairment losses on loans and advances to customers measured at amortised cost	(22,892,075)		
Total provision for impairment losses	(22,892,075)		
Net loans and advances to customers	349,110,123		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(11,586)		

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(b) Analysed by industry sector *(continued)*

	At 31 December 2017		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	107,983,226	50.20%	53,721,643
Manufacturing	34,526,186	16.06%	24,041,546
Real estate	14,611,490	6.79%	11,727,324
Leasing and commercial services	11,297,965	5.25%	7,780,185
Public management and social organisation	8,160,339	3.79%	50,000
Education	5,573,015	2.59%	1,178,760
Electricity, gas and water production and supply	2,524,672	1.17%	2,387,090
Mining	2,312,522	1.07%	1,803,640
Construction	2,088,328	0.97%	1,156,675
Transportation, storage and postal services	1,704,719	0.79%	937,005
Agriculture, forestry, animal husbandry and fishery	1,540,602	0.72%	1,378,472
Water, environment and public utility management	1,326,750	0.62%	1,126,750
Others	8,837,541	4.11%	5,568,730
Subtotal of corporate loans and advances	202,487,355	94.13%	112,857,820
Personal loans and advances	10,161,100	4.72%	8,497,744
Discounted bills	2,472,719	1.15%	–
Gross loans and advances to customers	215,121,174	100.00%	121,355,564
Less: Provision for impairment losses			
– Individually assessed	(1,266,689)		
– Collectively assessed	(4,769,538)		
Total provision for impairment losses	(6,036,227)		
Net loans and advances to customers	209,084,947		

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(c) Analysed by type of collateral

	At 31 December 2018
Unsecured loans	**20,654,552**
Guaranteed loans	**165,361,842**
Secured loans	
– By tangible assets other than monetary assets	**106,011,207**
– By monetary assets	**78,698,130**
Subtotal	**184,709,337**
Gross loans and advances to customers	**370,725,731**
Add: Interests receivable	**1,276,467**
Less: Provision for impairment losses	
– Loans and advances to customers measured at amortised cost	**(22,892,075)**
Net loans and advances to customers	**349,110,123**
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(11,586)**

	At 31 December 2017
Unsecured loans	17,226,342
Guaranteed loans	76,539,268
Secured loans	
– By tangible assets other than monetary assets	55,872,860
– By monetary assets	65,482,704
Subtotal	121,355,564
Gross loans and advances to customers	215,121,174
Less: Provision for impairment losses	
– Individually assessed	(1,266,689)
– Collectively assessed	(4,769,538)
Total provision for impairment losses	(6,036,227)
Net loans and advances to customers	209,084,947

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(d) Overdue loans analysed by overdue period

	At 31 December 2018				
	Overdue within three months (inclusive)	**Overdue more than three months to one year (inclusive)**	**Overdue more than one year to three years (inclusive)**	**Overdue more than three years**	**Total**
Unsecured loans	**22,087**	**262,683**	**3,838**	**1,883**	**290,491**
Guaranteed loans	**1,809,912**	**1,385,086**	**436,460**	**343,565**	**3,975,023**
Secured loans					
– By tangible assets other than monetary assets	**1,278,973**	**1,525,722**	**883,197**	**259,698**	**3,947,590**
– By monetary assets	**91,569**	**320,174**	**111,914**	**116,533**	**640,190**
Total	**3,202,541**	**3,493,665**	**1,435,409**	**721,679**	**8,853,294**
As a percentage of gross loans and advances to customers	**0.86%**	**0.94%**	**0.39%**	**0.19%**	**2.39%**

	At 31 December 2017				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	2,539	2,935	4,790	377	10,641
Guaranteed loans	313,572	231,422	420,158	263,720	1,228,872
Secured loans					
– By tangible assets other than monetary assets	453,515	270,029	724,970	105,931	1,554,445
– By monetary assets	103,829	63,960	87,250	46,553	301,592
Total	873,455	568,346	1,237,168	416,581	3,095,550
As a percentage of gross loans and advances to customers	0.41%	0.26%	0.58%	0.19%	1.44%

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

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(e) Loans and advances and provision for impairment losses

As at 31 December 2018, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 31 December 2018			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit impaired loans and advances that are assessed for lifetime expected	Total
Gross loans and advances to customers	289,789,209	62,428,374	18,508,148	370,725,731
Add: Interests receivable	1,276,467	–	–	1,276,467
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortised cost	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Net loans and advances to customers	285,394,249	56,143,570	7,572,304	349,110,123

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(e) Loans and advances and provision for impairment losses *(continued)*

As at 31 December 2017, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 31 December 2017			
	(Note (i)) Loans and advances for which provision are collectively assessed	(Note (ii)) Impaired loans and advances for which provision are individually assessed	Total	Gross impaired loans and advances as a percentage of gross loans and advances
Gross loans and advances to customers	212,874,241	2,246,933	215,121,174	1.04%
Less: Provision for impairment losses	(4,769,538)	(1,266,689)	(6,036,227)	–
Net loans and advances to customers	208,104,703	980,244	209,084,947	–

Notes:

(i) For the year ended 31 December 2017 loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.

(ii) For the year ended 31 December 2017 impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the individually assessment methods.

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(f) Movements of provision for impairment losses

(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	For the year ended 31 December 2018			
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	Total
At 31 December 2017				(6,036,227)
Impact of adopting IFRS9				31,555
As at 1 January (Note 2(b)(iii))	(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	246,178	(264,332)	18,154	–
– to lifetime ECL- credit-impaired	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)

Notes:

(a) In the year of 2018, the Group adjusted the five-tier classification and customer rating of loans and advance to customers, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired were transferred to ECL over the next 12 months of RMB348 million, and the corresponding impairment provision was decreased by RMB29 million. The loan principal from ECL over 12 months and lifetime ECL-credit-impaired to lifetime ECL-not credit-impaired were RMB19,488 million, with a corresponding increase in impairment provision of RMB1,732 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired loans to lifetime ECL-credit-impaired were RMB4,098 million, and the corresponding impairment provision was increased by RMB2,058 million.

(b) The ECL movement was caused by origination or purchase as well as changes in probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") and stages as a result of regular update of parameters.

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

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

(ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	For the year ended 31 December 2018			
	ECL over the next 12 months	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January (Note 2(b)(iii))	**(36,811)**	**–**	**–**	**(36,811)**
Net release for the year	**25,225**	**–**	**–**	**25,225**
As at 31 December	**(11,586)**	**–**	**–**	**(11,586)**

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income, while the impairment losses are recognised in profit or loss. Besides, the carrying amount of the financial assets presented in the statement of financial position is not reduced.

For the year ended 31 December 2017, the movement of provision for impairment losses of loans and advances to customers are as follows:

	For the year ended 31 December 2017		
	Provision for loans and advances which are collectively assessed	Provision for impaired loans and advances which are individually assessed	Total
As at 1 January	(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	–	388,668	388,668
As at 31 December	(4,769,538)	(1,266,689)	(6,036,227)

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(g) Analysed by geographical sector

	At 31 December 2018		
	Loan balance	**Percentage**	**Loans and advances secured by collaterals**
Jinzhou Region	**211,520,464**	**57.06%**	**101,800,781**
Other Northeastern China Region	**93,531,912**	**25.23%**	**57,800,754**
Northern China Region	**65,673,355**	**17.71%**	**25,107,802**
Gross loans and advances to customers	**370,725,731**	**100.00%**	**184,709,337**

	At 31 December 2017		
	Loan balance	Percentage	Loans and advances secured by collaterals
Jinzhou Region	94,994,969	44.16%	42,371,313
Other Northeastern China Region	80,794,895	37.56%	57,925,442
Northern China Region	39,331,310	18.28%	21,058,809
Gross loans and advances to customers	215,121,174	100.00%	121,355,564

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers *(continued)*

(g) Analysed by geographical sector *(continued)*

At the end of each of the relevant years, detailed information of the impaired loans and advances to customers as well as the corresponding impairment provision in respect of geographic sectors which constitute 10% or more of gross loans and advances to customers are as follows:

	At 31 December 2018	
	Impaired loans and advances	Provision for impairment losses
Jinzhou Region	**11,730,329**	**(7,094,052)**
Other Northeastern China Region	**3,642,505**	**(2,079,581)**
Northern China Region	**3,135,314**	**(1,762,211)**

	At 31 December 2017		
	Impaired loans and advances	Individually assessed provision for impairment losses	Collectively assessed provision for impairment losses
Jinzhou Region	712,592	(370,083)	(2,142,437)
Other Northeastern China Region	1,135,922	(650,173)	(1,593,577)
Northern China Region	398,419	(246,433)	(1,033,524)

The definitions of the regional distributions are set out in Note 53(b).

(Expressed in thousands of Renminbi, unless otherwise stated)

20. Financial assets at fair value through profit or loss

	Note	At 31 December 2018	2017
Debt instruments held for trading	(a)	**5,713,274**	1,005,451
Precious metals		**–**	13,651
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		**251,000**	–
Subtotal		**49,476,093**	1,019,102
Financial assets designated at fair value through profit or loss	(c)	**16,586,787**	22,507,706
Total		**66,062,880**	23,526,808

Notes:

(a) Debt instruments held for trading

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

As at years ended 31 December 2018 and 2017, some of the debt instruments held for trading and certificates of deposit are used for the pledge of the repurchase agreement (Note 31(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

20. Financial assets at fair value through profit or loss *(continued)*

Notes: *(continued)*

(b) Beneficial interest transfer plans

Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance 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 in 2018.

21. Financial assets at fair value through other comprehensive income

	At 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	41,445,323
Equity investments	
– Unlisted	609,330
Add: Interests receivable	802,930
Total	42,857,583

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 31(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

21. Financial assets at fair value through other comprehensive income *(continued)*

The movements of provision for financial assets at fair value through other comprehensive income are as follows:

	For the year ended 31 December 2018			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January (Note 2(b)(iii))	(753)	–	–	(753)
Net release for the year	296	–	–	296
As at 31 December	(457)	–	–	(457)

Notes:

(a) 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.

(b) As at 31 December 2018, all the financial assets at fair value through other comprehensive income debt securities of the Group are in Stage 1.

(c) The Group chose to designate non-trading equity investments as at 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. For the year ended 31 December 2018, the dividend income from these non-trading equity investments amounted to RMB0.88 million and was included in profit or loss. During the year ended 31 December 2018, 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 during the year ended 31 December 2018.

22. Financial assets measured at amortised cost

	At 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
Subtotal	5,429,730
Issuers outside Mainland China	
– Corporate	1,715,800
Beneficial interest transfer plans	283,324,352
Add: Interests receivable	1,895,511
Less: Provision for impairment losses	(9,229,018)
Total	283,136,375

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 (Note 31(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

22. Financial assets measured at amortised cost *(continued)*

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

	For the year ended 31 December 2018			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January (Note 2(b)(iii))	(3,390,200)	(824,942)	(329,803)	(4,544,945)
Transferred				
– to lifetime ECL – not credit-impaired	375,727	(375,727)	–	–
– to lifetime ECL – credit-impaired	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	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)

Notes:

(a) In the year of 2018, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost principal of ECL over the next 12 months was transferred to lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired of RMB44,344 million, and the corresponding impairment provision was increased by RMB441 million. The financial assets measured at amortised cost principal from lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB7,565 million, with a corresponding increase in impairment provision of RMB3,462 million. There were no financial assets measured at amortised cost transferred from lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired to ECL over the next 12 months in 2018.

(b) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

23. Available-for-sale financial assets

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

(Expressed in thousands of Renminbi, unless otherwise stated)

23. Available-for-sale financial assets *(continued)*

Notes:

(a) Available-for-sale debt investments

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

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

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

(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.

(Expressed in thousands of Renminbi, unless otherwise stated)

24. Held-to-maturity investments

Analysed by type and location of issuers

	Note	At 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	(a)	7,778,664
Listed		7,778,664
Fair value		7,617,355

Notes:

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

(b) The Group has not disposed of any held-to-maturity debt investments prior to their maturity dates during the Reporting Period.

25. Debt securities classified as receivables

Analysed by type

	Note	At 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		(3,503,866)
Net balance		343,369,567

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.

The fair values of investments mentioned in Notes (a) and (b) approximate to their carrying amounts.

(Expressed in thousands of Renminbi, unless otherwise stated)

26. Finance lease receivables

	At 31 December 2018	2017
Minimum finance lease receivables	**8,712,023**	7,584,316
Less: Unearned finance lease income	**(844,665)**	(564,073)
Present value of finance lease receivables	**7,867,358**	7,020,243
Less: Provision for impairment losses	**(382,516)**	(179,902)
Net balance	**7,484,842**	6,840,341

	At 31 December 2018			
	12-month ECL	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
Total finance lease receivables	**6,544,710**	**852,648**	**470,000**	**7,867,358**
Less: Provision for impairment losses	**(53,031)**	**(121,791)**	**(207,694)**	**(382,516)**
Finance lease receivables, net	**6,491,679**	**730,857**	**262,306**	**7,484,842**

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remained period are listed as follows:

	At 31 December 2018			2017		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables	Minimum finance lease receivables	Unearned finance lease income	Present value finance lease receivables
Less than 1 year	**3,316,391**	**(389,915)**	**2,926,476**	3,454,890	(306,903)	3,147,987
1 year to 2 years	**2,843,943**	**(280,776)**	**2,563,167**	2,333,277	(155,970)	2,177,307
2 years to 3 years	**1,801,141**	**(129,955)**	**1,671,186**	1,132,050	(73,743)	1,058,307
3 years to 5 years	**750,548**	**(44,019)**	**706,529**	664,099	(27,457)	636,642
More than 5 years	**–**	**–**	**–**	–	–	–
Indefinite *	**–**	**–**	**–**	–	–	–
Total	**8,712,023**	**(844,665)**	**7,867,358**	7,584,316	(564,073)	7,020,243

* The indefinite period amount represents the balances being impaired or overdue for more than one month.

(Expressed in thousands of Renminbi, unless otherwise stated)

27. Investments in subsidiaries

	Note	At 31 December 2018	2017
Taihe Jinyin Village Bank Co., Ltd. (“錦州太和錦銀村鎮銀行股份有限公司”)	(a)	**60,450**	60,450
Yixian Jinyin Village Bank Co., Ltd. (“遼寧義縣錦銀村鎮銀行股份有限公司”)	(b)	**63,240**	63,240
Beizhen Jinyin Village Bank Co., Ltd. (“遼寧北鎮錦銀村鎮銀行股份有限公司”)	(c)	**49,290**	49,290
Heishan Jinyin Village Bank Co., Ltd. (“遼寧黑山錦銀村鎮銀行股份有限公司”)	(d)	**57,750**	57,750
Kazuo Jinyin Village Bank Co., Ltd. (“遼寧喀左錦銀村鎮銀行股份有限公司”)	(e)	**49,900**	49,900
Linghai Jinyin Village Bank Co., Ltd. (“遼寧淩海錦銀村鎮銀行股份有限公司”)	(f)	**49,900**	49,900
Huanren Jinyin Village Bank Co., Ltd. (“遼寧桓仁錦銀村鎮銀行股份有限公司”)	(g)	**49,000**	49,000
Bank of Jinzhou Financial Leasing Co., Ltd. (“錦銀金融租賃有限責任公司”)	(h)	**1,500,000**	1,500,000
Total		**1,879,530**	1,879,530

Notes:

(a) Taihe Jinyin Village Bank Co., Ltd. (Taihe Jinyin”) was incorporated on 27 January 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Jinyin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and voting rights of Taihe Jinyin.

(b) Yixian Jinyin Village Bank Co., Ltd. (“Yixian Jinyin”) was incorporated on 8 November 2010 at Jinzhou, Liaoning Province, with registered capital of RMB128.49 million. The principal activities of Yixian Jinyin are the provision of corporate and retail banking services. The Bank holds 49.22% of equity interest and 61.67% voting rights of Yixian Jinyin.

27. Investments in subsidiaries *(continued)*

Notes: *(continued)*

(c) Beizhen Jinyin Village Bank Co., Ltd. ("Beizhen Jinyin") was incorporated on 2 March 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Jinyin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest and 93.55% voting rights of Beizhen Jinyin.

(d) Heishan Jinyin Village Bank Co., Ltd. ("Heishan Jinyin") was incorporated on 28 January 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinyin are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest and 100% of voting rights of Heishan Jinyin.

(e) Kazuo Jinyin Village Bank Co., Ltd. ("Kazuo Jinyin") was incorporated on 27 November 2015 at Chaoyang, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Kazuo Jinyin are the provision of corporate and retail banking services. The Bank holds 49.90% of equity interest and 64.90% of voting rights of Kazuo Jinyin.

(f) Linghai Jinyin Village Bank Co., Ltd. ("Linghai Jinyin") was incorporated on 16 December 2016 at Jinzhou, Liaoning Province, with registered capital of RMB100.47million. The principal activities of Linghai Jinyin are the provision of corporate and retail banking services. The Bank holds 49.67% of equity interest and 59.62% of voting rights of Linghai Jinyin.

(g) Huanren Jinyin Village Bank Co., Ltd. ("Huanren Jinyin") was incorporated on 20 December 2016 at Benxi, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Huanren Jinyin are the provision of corporate and retail banking services. The Bank holds 49.00% of equity interest and 100.00% of voting rights of Huanren Jinyin.

(h) Bank of Jinzhou Financial Leasing Co., Ltd. ("Jinyin Leasing") was incorporated on 1 December 2015 at Shenyang, Liaoning Province, with the original registered capital of RMB1.00 billion. The principal activities of Jinyin Leasing are the provision of financial leasing services. In March 2016, the registered capital increased from RMB1.00 billion to RMB4.90 billion and the Bank subscribed RMB0.9 billion. As at 31 December 2018, the Bank holds 30.61% of equity interest and 100% voting rights of Jinyin Leasing.

(Expressed in thousands of Renminbi, unless otherwise stated)

28. Property and equipment

	Premises	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Cost						
As at 1 January 2017	6,530,122	241,931	71,840	176,209	644,699	7,664,801
Additions	244,798	301,087	2,851	11,005	86,029	645,770
Transfers in/(out) of construction in progress	42,388	(42,388)	–	–	–	–
Transfers out to other assets	–	(22,357)	–	–	–	(22,357)
As at 31 December 2017	6,817,308	478,273	74,691	187,214	730,728	8,288,214
As at 1 January 2018	6,817,308	478,273	74,691	187,214	730,728	8,288,214
Additions	16,206	386,304	4,130	3,094	113,371	523,105
Transfers in/(out) of construction in progress	648,487	(668,262)	–	19,775	–	–
Transfers out to other assets	–	(25,764)	–	–	–	(25,764)
Disposals	(30,160)	–	(275)	–	(32,182)	(62,617)
As at 31 December 2018	7,451,841	170,551	78,546	210,083	811,917	8,722,938
Accumulated Depreciation						
As at 1 January 2017	(955,892)	–	(55,480)	(73,553)	(437,800)	(1,522,725)
Charge for the year	(216,751)	–	(5,036)	(18,104)	(73,274)	(313,165)
As at 31 December 2017	(1,172,643)	–	(60,516)	(91,657)	(511,074)	(1,835,890)
As at 1 January 2018	(1,172,643)	–	(60,516)	(91,657)	(511,074)	(1,835,890)
Charge for the year	(231,985)	–	(4,321)	(19,512)	(68,298)	(324,116)
Disposals	7,578	–	262	–	30,641	38,481
As at 31 December 2018	(1,397,050)	–	(64,575)	(111,169)	(548,731)	(2,121,525)
Net book value						
As at 31 December 2017	5,644,665	478,273	14,175	95,557	219,654	6,452,324
As at 31 December 2018	6,054,791	170,551	13,971	98,914	263,186	6,601,413

As at 31 December 2018, title deeds were not yet finalised for the premises with a carrying amount of RMB1,343 million (31 December 2017: RMB1,896 million). Among them, the carrying amount of premises that the Group has obtained housing property title certificates issued by the authorities but no land use certificates was RMB1,002 million (31 December 2017: RMB1,037 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

28. Property and equipment *(continued)*

The net book values of premises at the end of each of the reporting periods are analysed by the remaining terms of the leases as follows:

	At 31 December 2018	2017
Held in Mainland China		
– Long-term leases (over 50 years)	**120,597**	68,622
– Medium-term leases (10 - 50 years)	**5,913,879**	5,561,734
– Short-term leases (less than 10 years)	**20,315**	14,309
Total	**6,054,791**	5,644,665

29. Deferred tax assets and liabilities

(a) Analysed by nature

	At 31 December 2018	2017
Deferred tax assets	**7,473,418**	2,379,845

(b) Movements of deferred tax

	Provision for impairment losses Note (i)	Staff cost payable	Net gains from fair value changes of financial instruments Note (ii)	Others	Net balance of deferred tax assets
1 January 2017	1,440,944	44,982	(17,959)	8,372	1,476,339
Recognised in profit or loss	609,636	1,292	45,738	26,878	683,544
Recognised in other comprehensive income	–	–	219,962	–	219,962
31 December 2017	2,050,580	46,274	247,741	35,250	2,379,845
Impact of changes in accounting policies	388,857	–	19,793	–	408,650
1 January 2018	**2,439,437**	**46,274**	**267,534**	**35,250**	**2,788,495**
Recognised in profit or loss	**5,190,137**	**26,151**	**(234,090)**	**(11,120)**	**4,971,078**
Recognised in other comprehensive income	**6,380**	**–**	**(292,535)**	**–**	**(286,155)**
31 December 2018	**7,635,954**	**72,425**	**(259,091)**	**24,130**	**7,473,418**

(Expressed in thousands of Renminbi, unless otherwise stated)

29. Deferred tax assets and liabilities *(continued)*

(b) Movements of deferred tax *(continued)*

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected credit loss model (2017: the expected recoverable amount of the relevant assets) at the end of the Reporting Period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the Reporting Period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

30. Other assets

		At 31 December	
	Note	**2018**	2017
Interests receivable		**209,762**	–
Repossessed assets	(a)	**737,461**	602,610
Intangible assets		**197,896**	182,643
Long-term deferred expense		**279,134**	117,882
Deferred expense		**88,976**	88,994
Value-added tax		**131,451**	83,565
Land use right		**79,047**	82,988
Other receivables		**100,500**	90,946
Other assets		**67,613**	–
Total		**1,891,840**	1,249,628

Note:

(a) Repossessed assets

	At 31 December	
	2018	2017
Commercial properties	**676,078**	548,193
Residential properties	**7,804**	4,697
Others	**53,579**	49,720
Net repossessed assets	**737,461**	602,610

The total book value of repossessed assets disposed of during the year ended 31 December 2018 amounted to RMB6.92 million (2017: Nil). The Group plans to dispose of the repossessed assets held at 31 December 2018 by auction, bidding or transfer.

(Expressed in thousands of Renminbi, unless otherwise stated)

31. Pledged assets

(a) Assets pledged as collateral

	Note	At 31 December 2018	2017
For repurchase agreements:			
– Discounted bills	19(a)	**3,749,261**	990,169
– Financial assets at fair value through profit or loss	20	**5,067,200**	997,139
– Financial assets at fair value through other comprehensive income	21	**32,015,000**	–
– Financial assets measured at amortised cost	22	**3,711,500**	–
– Available-for-sale debt investments	23(a)	**–**	33,538,917
– Held-to-maturity investments	24(a)	**–**	4,599,500
Total		**44,542,961**	40,125,725

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. As at the end of the Reporting Period, the Group did not hold any resale agreement under which collaterals were permitted to be sold or repledged in the absence of the counterparty's default.

32. Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	At 31 December 2018	2017
Deposits in Mainland China		
– Banks	**69,997,464**	78,318,057
– Other financial institutions	**92,018,528**	56,219,372
Interests payable	**2,613,093**	–
Total	**164,629,085**	134,537,429

(Expressed in thousands of Renminbi, unless otherwise stated)

33. Placements from banks and other financial institutions

Analysed by type and location of counterparty

	At 31 December 2018	2017
Placements in Mainland China		
– Banks	**19,214,805**	13,466,127
Placements outside Mainland China		
– Banks	**1,372,640**	–
Interests payable	**172,936**	–
Total	**20,760,381**	13,466,127

34. Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	At 31 December 2018	2017
In Mainland China		
– Banks	**29,099,045**	26,690,936
– Other financial institutions	**14,287,690**	12,373,494
Interests payable	**58,468**	–
Total	**43,445,203**	39,064,430

(b) Analysed by collateral

	At 31 December 2018	2017
Debt securities	**37,168,664**	38,074,261
Discounted Bills	**3,749,261**	990,169
Interbank certificates of deposit	**2,468,810**	–
Interests payable	**58,468**	–
Total	**43,445,203**	39,064,430

(Expressed in thousands of Renminbi, unless otherwise stated)

35. Deposits from customers

	At 31 December	
	2018	2017
Demand deposits		
– Corporate customers	**52,878,368**	48,135,836
– Individual customers	**19,850,460**	14,276,141
Subtotal	**72,728,828**	62,411,977
Time deposits		
– Corporate customers	**83,880,675**	101,556,457
– Individual customers	**192,669,516**	132,996,662
Subtotal	**276,550,191**	234,553,119
Pledged deposits		
– Acceptances	**48,801,542**	20,301,291
– Letters of guarantees	**3,159,174**	4,955,820
– Letters of credit	**4,383,370**	3,975,529
– Others	**25,724**	9,281
Subtotal	**56,369,810**	29,241,921
Inward and outward remittances	**195,992**	111,982
Structured deposits		
– Corporate customers	**5,861,020**	11,691,419
– Individual customers	**22,062,453**	4,253,810
Subtotal	**27,923,473**	15,945,229
Interests payable	**11,807,795**	–
Total	**445,576,089**	342,264,228

(Expressed in thousands of Renminbi, unless otherwise stated)

36. Accrued staff costs

	Note	At 31 December 2018	2017
Salary and welfare payable		**136,090**	117,270
Pension payable	(a)	**30,001**	29,842
Supplementary retirement benefits payable	(b)	**36,129**	28,043
Other long-term staff welfare payable	(c)	**100,527**	84,362
Total		**302,747**	259,517

Notes:

(a) Pension scheme

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution scheme for the employees arranged by local government labor and social security organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government organisations.

(b) Supplementary retirement benefits ("SRB")

The Group pays SRB for eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the Reporting Period. The Group's obligations in respect of the SRB were assessed using projected unit credit method by qualified staff (a member of Society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

(i) The balances of SRB of the Group are as follows:

	At 31 December 2018	2017
Present value of SRB obligation	**36,129**	28,043

(Expressed in thousands of Renminbi, unless otherwise stated)

36. Accrued staff costs *(continued)*

Notes: *(continued)*

(b) Supplementary retirement benefits ("SRB") *(continued)*

(ii) Movements of SRB of the Group are as follows:

	For the year ended 31 December	
	2018	2017
As at 1 January	**28,043**	24,780
Service cost	**780**	708
Interest cost	**1,181**	921
Actuarial losses	**6,721**	2,100
Payments made	**(596)**	(466)
As at 31 December	**36,129**	28,043

Service cost and interest cost were recognised in staff costs, see Note 7.

(iii) Principal actuarial assumptions of the Group are as follow:

	At 31 December	
	2018	2017
Discount rate	**3.50%**	4.25%
Mortality	**CL5/CL6**	CL5/CL6
Demission rate	**2.00%**	2.00%
Normal retirement age		
– Male	**60**	60
– Female	**55**	55

(iv) Sensitivity analysis:

	At 31 December			
	2018		2017	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(6,140)**	**8,108**	(4,542)	5,920
Demission rate (1% movement)	**(2,297)**	**2,676**	(1,688)	1,956

Although the analysis does not take account of the full distribution of cash flows expected under the SRB, it does provide an approximation of the sensitivity of the assumptions shown.

(Expressed in thousands of Renminbi, unless otherwise stated)

36. Accrued staff costs *(continued)*

Notes: *(continued)*

(c) Other long-term staff welfare payable

The Group pays compensation for long-term absence of eligible employees. The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of each of the Reporting Period. The Group's obligations in respect of other long-term staff welfare payable were assessed using projected unit credit method by qualified staff (a member of Society of Actuaries in America) of Towers Watson Management Consulting Co., Ltd., an external independent actuary.

(i) The balances of other long-term staff welfare payable of the Group are as follows:

	At 31 December	
	2018	2017
Present value of other long-term staff welfare payable obligation	**100,527**	84,362

(ii) Movements of other long-term staff welfare of the Group are as follows:

	For the year ended 31 December	
	2018	2017
As at 1 January	**84,362**	100,918
Interest cost	**2,851**	2,509
Actuarial losses	**35,678**	1,400
Payments made	**(22,364)**	(20,465)
As at 31 December	**100,527**	84,362

(Expressed in thousands of Renminbi, unless otherwise stated)

36. Accrued staff costs *(continued)*

Notes: *(continued)*

(c) Other long-term staff welfare payable *(continued)*

(iii) Principal actuarial assumptions of the Group are as follow:

	At 31 December	
	2018	2017
Discount rate	**3.00%**	3.75%
Mortality	**CL5/CL6**	CL5/CL6
Early retirement wage growth rate	**4.00%**	4.00%

(iv) Sensitivity analysis:

	At 31 December			
	2018		2017	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(4,706)**	**5,198**	(3,420)	3,735
Early retirement wage growth rate (1% movement)	**4,541**	**(4,198)**	3,237	(3,025)

Although the analysis does not take account of the full distribution of cash flows expected under other long-term staff welfare payable, it does provide an approximation of the sensitivity of the assumptions shown.

Except as mentioned in Notes (a), (b) and (c) above, the Group has no significant responsibilities to pay any other retirement benefits to retired employees.

(Expressed in thousands of Renminbi, unless otherwise stated)

37. Taxes payable

	At 31 December	
	2018	2017
Income tax payable	**587,080**	805,710
Value-added tax and surcharge payable	**329,469**	296,542
Others	**49,220**	46,656
Total	**965,769**	1,148,908

38. Interests payable

	At 31 December	
	2018	2017
Deposits from customers	**–**	9,845,733
Deposits from banks and other financial institutions	**–**	2,409,111
Debt securities	**–**	126,539
Others	**–**	81,017
Total	**–**	12,462,400

39. Debt securities issued

		At 31 December	
	Note	**2018**	2017
Tier two capital bonds issued	(a)	**7,992,978**	3,995,481
Negotiable certificates of deposit issued	(b)	**81,399,808**	85,569,270
Interests payable		**275,996**	–
Total		**89,668,782**	89,564,751

(Expressed in thousands of Renminbi, unless otherwise stated)

39. Debt securities issued *(continued)*

(a) Tier two capital bonds issued

	Note	At 31 December 2018	2017
Fixed rate tier two capital bonds maturing in January 2024	(i)	**1,500,000**	1,500,000
Fixed rate tier two capital bonds maturing in December 2026	(ii)	**2,496,613**	2,495,481
Fixed rate tier two capital bonds maturing in March 2028	(iii)	**3,996,365**	–
Total		**7,992,978**	3,995,481

Notes:

(i) Fixed rate tier two capital bonds of RMB1,500 million with a term of ten years was issued on 24 January 2014. The coupon rate is 7.00%. The Group has an option to redeem the bonds on 28 January 2019 at the nominal amount.

(ii) Fixed rate tier two capital bonds of RMB2,500 million with a term of ten years was issued on 26 December 2016. The coupon rate is 4.30%. The Group has an option to redeem the bonds on 27 December 2021 at the nominal amount.

(iii) Fixed rate tier two capital bonds of RMB4,000 million with a term of ten years was issued on 26 March 2018. The coupon rate is 4.90%. The Group has an option to redeem the bonds on 28 March 2023 at the nominal amount.

At 31 December 2018, the fair value of the total tier two capital bonds issued amounts to RMB7,983 million (2017: RMB3,961 million).

(b) Negotiable certificates of deposit issued

At 31 December 2018, 212 (2017: 238) negotiable certificates of deposit were issued by the Group at a total cost of RMB81,400 million (2017: RMB85,569 million). The fair value of the negotiable certificates of deposit mentioned above approximates to RMB80,571 million (2017: RMB85,370 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

40. Provisions

	Note	At 31 December 2018	2017
Expected credit loss of credit commitments	(a)	**1,728,410**	–

Note:

(a) Expected credit loss of credit commitments

	For the year ended 2018 ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January	542,774	–	–	542,774
Net charge for the year	607,257	456,939	121,440	1,185,636
As at 31 December	1,150,031	456,939	121,440	1,728,410

41. Other liabilities

	At 31 December 2018	2017
Financial liabilities related to precious metals	**–**	3,768,872
Asset backed security payable	**186,710**	1,550,730
Payment and collection clearance accounts	**21,531**	813,844
Dividend payable	**432,553**	279,005
Deferred income	**7,310**	4,454
China Value-added tax payable	**71,112**	–
Other payable	**588,891**	597,621
Total	**1,308,107**	7,014,526

(Expressed in thousands of Renminbi, unless otherwise stated)

42. Movement in components of equity

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the Reporting Period are set out below:

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal
Balance at 31 December 2017	**6,781,616**	**9,897,363**	**13,578,331**	**2,994,679**	**9,818,070**	**13,061,248**	**56,131,307**
Changes in accounting policies	**–**	**–**	**67,677**	**–**	**–**	**(1,293,628)**	**(1,225,951)**
Balance at 1 January 2018	**6,781,616**	**9,897,363**	**13,646,008**	**2,994,679**	**9,818,070**	**11,767,620**	**54,905,356**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,592,645)**	**(4,592,645)**
Other comprehensive income	**–**	**–**	**851,745**	**–**	**–**	**–**	**851,745**
Total comprehensive (loss)/income	**–**	**–**	**851,745**	**–**	**–**	**(4,592,645)**	**(3,740,900)**
Capital injection by equity shareholders	**1,000,000**	**–**	**6,232,540**	**–**	**–**	**–**	**7,232,540**
Appropriation of profits							
– Appropriation to surplus reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– Appropriation to general reserve	**–**	**–**	**–**	**–**	**1,901,049**	**(1,901,049)**	**–**
– Appropriation to shareholders	**–**	**–**	**–**	**–**	**–**	**(1,718,029)**	**(1,718,029)**
Balance at 31 December 2018	**7,781,616**	**9,897,363**	**20,730,293**	**2,994,679**	**11,719,119**	**3,555,897**	**56,678,967**

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal
Balance at 1 January 2017	6,781,616	–	14,240,317	2,101,109	7,225,282	8,629,144	38,977,468
Profit for the year	–	–	–	–	–	8,935,704	8,935,704
Other comprehensive loss	–	–	(661,986)	–	–	–	(661,986)
Total comprehensive income	–	–	(661,986)	–	–	8,935,704	8,273,718
Capital injection by other equity holders	–	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)
Balance at 31 December 2017	6,781,616	9,897,363	13,578,331	2,994,679	9,818,070	13,061,248	56,131,307

43. Share capital

Share capital of the Group as at 31 December 2018 and 2017 represented share capital of the Bank, which is fully paid. Share capital as at the end of the Reporting Period are as follows:

	At 31 December 2018	2017
Number of shares authorised, issued and fully paid at par value of RMB1 per share (in thousands):		
At 1 January	**6,781,616**	6,781,616
Shares issued	**1,000,000**	—
At 31 December	**7,781,616**	6,781,616

Note:

On 21 December 2018, the Bank issued 1,000,000,000 new H Shares with a par value of RMB1 at an offering price of HKD8.3 per share. The premium arising from the issuance of new shares amounting to RMB6,233 million was recorded in capital reserve. There is no movement in share capital during the year ended 31 December 2017.

44. Preference shares

a) Preference shares outstanding at the end of the year

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (thousand shares)	In original currency (thousand)	In RMB (thousand)	Maturity	Conversion condition	Conversion
Overseas preference shares										
USD	27/10/2017	Equity	5.50%	USD 20/Share	74,800	1,496,000	9,944,360	None	Mandatory	No
Total							9,944,360			
Less: Issue fees							(46,997)			
Book value							9,897,363			

44. Preference shares *(continued)*

(b) Main clauses

(i) Dividend

Fixed dividend rate for a certain period (5 years) after issuance. Dividend rate reset every 5 years thereafter to the sum of the benchmark rate and a fixed spread of 3.486% per annum. The fixed spread will remain unchanged throughout the term of the preference shares. The dividend rate shall not at any time exceed 27.44% per annum. Dividend will be paid annually.

(ii) Conditions to distribution of dividend

The Group could pay dividend while the Group still has distributable after-tax profit (which is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with the PRC GAAP or IFRS, whichever amount is lower), after making up previous years' losses, contributing to the statutory reserve and making general reserve, and the Group's capital adequacy ratio meets regulatory requirements, and the Board having passed a resolution to declare such dividend in accordance with the Articles of Association. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividend. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(iii) Dividend stopper

If the resolution for the Group to cancel all or part of the dividend to the Preference Shareholders is passed at a Shareholders' general meeting, the Group undertakes that any resolution passed at a Shareholders' general meeting that cancels a Dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution, and shall not make any dividend distribution to ordinary shareholders before the Group pays the dividend for the current dividend period to the Preference Shareholders in full.

(iv) Order of distribution and liquidation method

The USD Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, but will be senior to the ordinary shareholders.

44. Preference shares *(continued)*

(b) Main clauses *(continued)*

(v) Mandatory conversion trigger events

Upon the occurrence of an additional tier-one capital trigger event (namely, the core tier-one capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, obtained the approval of the CBRC but without the need for the consent of the preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier-one capital adequacy ratio of the Bank to above 5.125%. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier two capital trigger event, the Bank shall have the right to convert, without the consent of the preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier two capital trigger event means the earlier of the following events: (1) the CBRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(vi) Redemption

Under the premise of obtaining the approval of the CBRC and conditions of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid Dividend in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption. USD Preference Shares: the First Redemption Date is five years after issuance, 27 October 2022.

(vii) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

(Expressed in thousands of Renminbi, unless otherwise stated)

45. Captial reserve

	At 31 December 2018	2017
Share premium	**20,484,617**	14,252,077
Other comprehensive income:		
– Fair value changes on available-for-sale financial assets	**–**	(679,293)
– Fair value changes on financial assets at fair value through other comprehensive income	**237,819**	–
– Impairment of financial assets at fair value through other comprehensive income	**9,030**	–
– Changes on remeasurement of defined benefit liabilities	**(8,845)**	(2,124)
Others	**8,149**	8,149
Total	**20,730,770**	13,578,809

Accumulated amount of other comprehensive income attributable to the shareholders of the Bank in consolidated statement of financial position:

	Net gains on financial assets measured at fair value through other comprehensive income	Fair value changes on available-for-sale financial assets	Changes on remeasurement of defined benefit liabilities	Total
1 January 2017	–	(19,407)	(24)	(19,431)
Changes in amount for the previous year	–	(659,886)	(2,100)	(661,986)
31 December 2017	–	(679,293)	(2,124)	(681,417)
Impact for adopting IFRS 9	(611,616)	679,293	–	67,677
1 January 2018	**(611,616)**	**–**	**(2,124)**	**(613,740)**
Changes in amount for the period	**858,464**	**–**	**(6,720)**	**851,744**
31 December 2018	**246,848**	**–**	**(8,844)**	**238,004**

(Expressed in thousands of Renminbi, unless otherwise stated)

45. Captial reserve *(continued)*

Accrual amount of other comprehensive income:

	At 31 December	
	2018	2017
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)**	–
Subtotal	**836,355**	(659,886)
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		
– Change in fair value	**22,110**	–
Subtotal	**15,389**	(2,100)
Total	**851,744**	(661,986)

(Expressed in thousands of Renminbi, unless otherwise stated)

46. Surplus reserve and general reserve

(a) Surplus reserve

	Statutory surplus reserve	Discretionary surplus reserve	Total
1 January 2017	2,089,083	12,026	2,101,109
Appropriation during the year	893,570	–	893,570
31 December 2017 and 1 January 2018	2,982,653	12,026	2,994,679
Appropriation during the year	–	–	–
31 December 2018	2,982,653	12,026	2,994,679

The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after this capitalisation is not less than 25% of the registered capital immediately before capitalisation.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

(b) General reserve

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

47. 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 Bank's shareholders.

(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 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.

(d) 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.

48. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt instruments held by counterparties as collateral under repurchase. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognized a financial liability for cash collateral received.

As at 31 December 2018 and 2017, none of the above-mentioned financial assets which did not qualify for derecognition was transferred to third parties.

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose entities which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain part of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

As at 31 December 2018, the Group derecognised the transferred credit assets in their entirety in the securitisation transactions. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB508.40 million as at 31 December 2018 (31 December 2017: RMB8.40 million), which also approximates to the Group's maximum exposure to loss.

(Expressed in thousands of Renminbi, unless otherwise stated)

49. Involvement with unconsolidated structured entities

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

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include entities set up for wealth management products and beneficial interest transfer plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third-party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 31 December 2018 and 2017:

	At 31 December 2018		
	Financial assets at fair value through profit or loss	**Financial assets at amortised cost**	**Maximum exposure**
Investment management products managed by securities companies	**23,503,390**	**91,682,129**	**115,185,519**
Investment management products under trust scheme	**15,129,327**	**184,219,823**	**199,349,150**
Wealth management products issued by financial institutions	**251,000**	**–**	**251,000**
Total	**38,883,717**	**275,901,952**	**314,785,669**

	At 31 December 2017		
	Available-for-sale financial assets exposure	Debt instruments classified as receivables amount	Maximum exposure
Investment management products managed by securities companies	6,100,088	240,372,363	246,472,451
Investment management products under trust scheme	2,793,000	102,797,116	105,590,116
Wealth management products issued by financial institutions	200,000	200,088	400,088
Total	9,093,088	343,369,567	352,462,655

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the Reporting Period in accordance with the line items of these assets recognised in the statement of financial position.

49. Involvement with unconsolidated structured entities *(continued)*

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

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

As at 31 December 2018, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB24,235.51 million (31 December 2017: RMB23,444.48 million).

In addition, unconsolidated structured entities sponsored by the Group also include asset-backed securities. In March 2015, the Group transferred a portfolio of customer loans with book value of RMB3,122.50 million to an unconsolidated securitisation vehicle managed by an independent trust company, which issued asset-backed securities to investors. As at 31 December 2018, the balances of these asset-backed securities held by the Group are RMB 8.40 million (31 December 2017: RMB 8.40 million).

In June 2017, the Group transferred a credit asset pool consisting of customer loans with a book value of RMB9,973.00 million to a debt instrument, which is managed by the independent trust company and not included in the consolidated financial statements. The independent trust company issues the related asset-backed securities. The amount of such asset-backed securities held by the Group on 31 December 2018 was RMB500.00 million.

Under the servicing arrangements with the independent trust company, the Group collects the cash flows of the transferred assets on behalf of the unconsolidated securitisation vehicle. In return, the Group receives a fee that is expected to compensate the Group for servicing the related assets.

(c) Unconsolidated structure entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2018 and 2017

The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2018 but matured before 31 December 2018 amounted to RMB11,383.05 million (2017: RMB11,236.41 million).

(d) In 2018, the amount of fee and commission income received from the above mentioned structured entities by the Group amounted to RMB 251.68 million (2017: RMB185.94 million).

50. Capital management

The Group's objectives on capital management are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

- to support the Group's stability and growth;

- to allocate capital using an efficient and risk-based approach to optimise the risk adjusted return to the shareholders; and

- to maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long-term subordinated bonds, etc.

Capital adequacy ratios and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with the CBRC by the Group and the Bank semi-annually and quarterly.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

Since 1 January 2013, the Group has begun to disclose the capital adequacy ratio in accordance with the "Capital Rules for Commercial Banks (Provisional)" and will continue to promote the content of this disclosure. According to the requirement of the CBRC, commercial banks should reach the regulatory requirement of capital adequacy ratio by the end of 2018. The regulatory requirements request a commercial bank to maintain its core tier-one capital adequacy ratio above 7.5%, the tier-one capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Capital management *(continued)*

	At 31 December	
	2018	2017
Total 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 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		
– Significant minority investments in tier two capital instruments issued by financial institutions that are not subject to consolidation	**–**	(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%

During the year ended 31 December 2018, the capital adequacy ratios of the Group have fallen below the regulatory requirement. The CBIRC shall have the right of exercising regulations according to the Capitals Rules for Commercial Banks (Provisional).

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Notes to consolidated cash flow statement

(a) Net increase in cash and cash equivalents

	At 31 December	
	2018	2017
Cash and cash equivalents as at 31 December	**19,886,632**	12,469,950
Less: Cash and cash equivalents as at 1 January	**(12,469,950)**	(12,229,671)
Net increase in cash and cash equivalents	**7,416,682**	240,279

(b) Cash and cash equivalents

	At 31 December	
	2018	2017
Cash on hand	**708,592**	614,480
Deposits with the central bank	**8,763,764**	3,274,482
Deposits with banks and other financial institutions	**10,314,203**	2,508,194
Placements with banks and other financial institutions	**–**	2,500,000
Financial assets held under resale agreements	**100,073**	3,572,794
Total	**19,886,632**	12,469,950

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Notes to consolidated cash flow statement *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Debt securities (Note 39)	Dividend payable (Note 41)	Interests payable of debt securities (Notes 38 and 39)	Total
At 1 January 2018	**89,564,751**	**279,005**	**126,539**	**89,970,295**
Changes from financing cash flows:				
Proceeds from issue of debt securities	**128,996,076**	**–**	**–**	**128,996,076**
Repayment of debt securities issued	**(132,440,000)**	**–**	**–**	**(132,440,000)**
Dividend paid	**–**	**(1,568,258)**	**–**	**(1,568,258)**
Interest paid on debt securities issued	**–**	**–**	**(502,200)**	**(502,200)**
Total changes from financing cash flows	**(3,443,924)**	**(1,568,258)**	**(502,200)**	**(5,514,382)**
Other changes:				
Interest expenses arising from debt securities issued (Note 3)	**3,271,959**	**–**	**651,657**	**3,923,616**
Appropriation to shareholders	**–**	**1,721,806**	**–**	**1,721,806**
At 31 December 2018	**89,392,786**	**432,553**	**275,996**	**90,101,335**
At 1 January 2017	30,223,286	116,832	98,720	30,438,838
Changes from financing cash flows:				
Proceeds from issue of debt securities	159,475,633	–	–	159,475,633
Repayment of debt securities issued	(103,090,000)	–	–	(103,090,000)
Dividend paid	–	(892,846)	–	(892,846)
Interest paid on debt securities issued	–	–	(358,962)	(358,962)
Total changes from financing cash flows	56,385,633	(892,846)	(358,962)	55,113,825
Other changes:				
Interest expenses arising from debt securities issued (Note 3)	2,955,832	–	386,781	3,342,613
Appropriation to shareholders	–	1,055,019	–	1,055,019
At 31 December 2017	89,564,751	279,005	126,539	89,970,295

52. Related party relationships and transactions

(a) Related parties of the Group

There is no immediate and ultimate controlling party of the Group during the Reporting Period. Related parties of the group during the Reporting Period are disclosed as follows:

(i) Enterprises under the control or significant influence of directors

Shenyang Longxi Real Estate Development Co., Ltd. ("瀋陽龍璽房地產開發有限公司")
Jincheng Logistics International Group Co., Ltd. ("錦程國際物流集團股份有限公司")
Jincheng Logistics International Service Group Co., Ltd. ("錦程國際物流服務有限公司")
Jincheng International Air Cargo Co., Ltd. ("錦程國際航空貨運服務有限公司")
Jincheng Logistics International Online Service Group Co., Ltd. ("錦程國際物流在線服務有限公司")
Jincheng Logistics Network Technology Group Co., Ltd. ("錦程物流網絡技術有限公司")
Jincheng Logistics Industry Development Group Co., Ltd. ("錦程物流產業發展有限公司")
Dalian Changxing Island Green-city Development Co., Ltd. ("大連長興島綠城發展有限公司")
Jinlian Investment Group Co., Ltd. ("錦聯控股集團有限公司")
Dalian Jinlian Classic Life Property Management Co., Ltd. ("大連錦聯經典生活物業管理有限公司")
Dalian Jinlian Financing Guarantee Co., Ltd. ("大連錦聯融資擔保有限公司")
(Former: Dalian Jinlian Investment Guarantee Co., Ltd. (原名："大連錦聯投資擔保有限公司"))
Dalian Zhongshan Jinlian Microcredit Co., Ltd. ("大連中山錦聯小額貸款股份有限公司")
Dandong Jinlian Microcredit Co., Ltd. ("丹東元寶區錦聯小額貸款有限公司")
Tianjin Jinlian Financial Leasing Co., Ltd. ("天津錦聯融資租賃有限公司")
Jinlian Real Estate Group Co., Ltd. ("錦聯地產集團有限公司")
Jinlian Financial Service (Tianjin) Co., Ltd. ("錦聯金融服務集團（天津) 股份有限公司")
Shenyang Jinlian Environmental Development. Co., Ltd. ("瀋陽錦聯生態科技園發展有限公司")
Shenyang Jinlian Microcredit Co., Ltd. ("瀋陽市渾南新區錦聯小額貸款有限公司")
Tianjin Jinlian Development of New Economic Industrial Region Co., Ltd. ("天津錦聯新經濟產業園開發有限公司")
Shenyang New Economic Industrial Park Development Co., Ltd ("瀋陽錦聯新經濟工業園開發有限公司")
Panjin Jialun Real Estate Co., Ltd. ("盤錦加倫置業有限公司")
Yingkou Jialun Real Estate Co., Ltd. ("營口加倫置業有限公司")
Shenyang Development of New Economic Industrial Region Co., Ltd. ("瀋陽新經濟產業園開發有限公司")
Beijing Fulaige Investment Co., Ltd. ("北京孚萊格投資有限公司")

(ii) Enterprises under the control or significant influence of supervisors

Jinzhou Yixing College Logistics Services Ltd. ("錦州逸興高校後勤服務有限公司")
Liaoning Deying Petrochemical Co., Ltd. ("遼寧德營石油化工集團有限公司") *
Liaoning Deying Huijin Technology Development Co., Ltd. ("遼寧德營慧晶科技發展有限公司") *
Beizhen Deying oil Shale Processing Co., Ltd. ("北鎮德營油母葉岩油有限公司") *
Beizhen Deying Tongda vehicle leasing Co., Ltd. ("北鎮德營通達車輛運輸租賃有限公司") *
Jinzhou Asphalt Factory Co., Ltd. ("錦州市瀝青廠") *
Beizhen Huiyin Microcredit Co., Ltd. ("北鎮匯銀小額貸款有限責任公司")*
Jinzhou Jinhua Co., Ltd. ("錦州錦華股份有限公司")

Note: The official names of these related parties are in Chinese. The English translation is for reference only.

* The Supervisor has ceased to be a Supervisor of the Group since December 2017.

(Expressed in thousands of Renminbi, unless otherwise stated)

52. Related party relationships and transactions *(continued)*

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

(i) Transactions between the Bank and subsidiaries

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

(ii) Transactions between the Group and other related parties

	For the year ended 31 December	
	2018	2017
Transactions during the year:		
Interest income	**167,393**	128,469
Interests expense	**20**	27

	At 31 December	
	2018	2017
Balances at end of the year:		
Loans and advances to customers	**2,828,373**	2,053,443
Interests receivable	**6,266**	11,997
Deposits from customers	**7,388**	2,195
Interests payable	**2**	1
Other liabilities	**–**	1,730

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

(c) Key management personnel

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

(i) Transactions between the Group and key management personnel

	For the year ended 31 December	
	2018	2017
Transactions during the year:		
Interest income	**18**	423
Interest expense	**8,055**	7,825

(Expressed in thousands of Renminbi, unless otherwise stated)

52. Related party relationships and transactions *(continued)*

(c) Key management personnel *(continued)*

(i) Transactions between the Group and key management personnel *(continued)*

	At 31 December	
	2018	2017
Balances at end of the year:		
Loans and advances to customers	**363**	2,632
Interests receivable	**–**	255
Deposits from customers	**333,319**	283,940
Principal-guaranteed wealth management products	**1,750**	1,380
Non-principal-guaranteed wealth management products	**6,950**	5,710
Interests payable	**19,220**	11,795

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

(ii) Key management personnel compensation

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

	For the year ended 31 December	
	2018	2017
Short-term staff benefits	**23,553**	23,302
Retirement benefits		
– Basic social pension insurance	**3,575**	3,347

(d) Loans and advances to directors, supervisors and executive officers

Loans and advances to directors, supervisors and executive officers of the Group disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies Regulation (Disclosure of Information about Benefits of Directors) are as follows:

	At 31 December	
	2018	2017
Aggregate amount of relevant loans outstanding at the end of the year	**363**	2,632
Maximum aggregate amount of relevant loans outstanding during the reporting period	**2,632**	13,203

53. Segment reporting

Segment reporting is disclosed in accordance with the accounting policy set out in Note 2(x).

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, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income, 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.

(Expressed in thousands of Renminbi, unless otherwise stated)

53. Segment reporting *(continued)*

(a) Segment results, assets and liabilities

	For the 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 (expense)/income	(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)
(Loss)/profit 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

(Expressed in thousands of Renminbi, unless otherwise stated)

53. Segment reporting *(continued)*

(a) Segment results, assets and liabilities *(continued)*

	For the 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

(Expressed in thousands of Renminbi, unless otherwise stated)

53. Segment reporting *(continued)*

(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 For the 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	**21,283,199**	18,805,992

	Non-current Assets At 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	**6,878,356**	6,622,398

54. Risk management

The Group has exposure to the following risks from its use of financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Internal Audit Department of the Group undertakes both regular and ad hoc reviews of the compliance of internal control implementation with risk management policies.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted. The core to the Group'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 Group adopts the same credit risk management control procedures for on and off-balance credit business.

The responsible department for credit risk management include the Risk and Compliance Department, Post-credit Management Department, Lending-in-progress Management Department, and Unified Credit Management Department. The Risk and Compliance Department is responsible for continuous monitoring, review and evaluation of the adequacy and effectiveness of the Group's credit risk management system, gives advice for the improvement of the Group's credit risk management system and develops and maintains the rating and limit tools. The Group's post-credit management department is responsible for the determination of five-category loan assets. The Group's lending-in-progress management department is in charge of the improvement of the Group's credit review system and operating procedures. The unified credit management department is responsible for formulation of limit management and organise to convene meetings of Credit Approval Management Committee under the Group's headquarters. All of the Group's credit business activities must be carried out according to the guiding opinions on the credit business.

With respect to the credit risk control and management, the Group 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 Group has established the operating mechanism of the Credit Approval Management Committee under the collective review system, as well as a credit due diligence and accountability system.

The Group adopts a loan risk classification approach to manage its loan portfolio risk. Loans are generally classified as normal, special mention, substandard, doubtful and loss according to their levels of risk.

54. Risk management *(continued)*

(a) Credit risk *(continued)*

The core definitions of the five categories of loans and advances are set out below:

Normal:	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
Special mention:	Borrowers are currently able to service their loans and interest, although repayment may be adversely affected by specific factors.
Substandard:	Borrowers' ability to service their loans is in question and they cannot rely entirely on normal business revenues to repay principal and interest. Losses may ensue even when collaterals or guarantees are invoked.
Doubtful:	Borrowers cannot repay principal and interest in full and significant losses will need to be recognized even when collaterals or guarantees are invoked.
Loss:	Principal and interest of loans cannot be recovered or only a small portion of them can be recovered after taking all possible measures or resorting to all necessary legal procedures.

The following credit risk management methods were applicable from 1 January 2018 to 31 December 2018.

(i) Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but are not considered credit-impaired are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments; and

- Stage III: Financial assets that are considered credit-impaired at the end of are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Measurement of ECL *(continued)*

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the end of the current period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments at the end of the current period according to the ECL in the next 12 months.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of each Reporting Period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition.

Qualitative criteria

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;
- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;
- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;
- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;
- Credit spread increases significantly; and
- For collateralised and pledged loans, change of the value of collateral might incur a rise in credit risk.

Baseline criteria

- Be classified into Special Mention category.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- The debtor is more than 90 days past due on its contractual payment;
- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the interanl management of credit risk.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include PD, LGD and EAD. Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Parameters of ECL measurement *(continued)*

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime. As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the balance sheet date by the credit conversion factor.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. In this process, the Group mainly applies external data and supplements the internal experts' judgement. The Group determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, internal experts of the Group determine the weight of other possible scenarios based on the baseline economic scenario. The Group measures the weighted average ECL of 12 months (stage I) or life time (stage II and stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(ii) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as at the end of the Reporting Period.

(iii) Risk concentrations

By industry distribution

The credit risk exposures of the Group mainly comprise loans and advances to customers, finance lease receivables and investments in debt instruments. Details of the composition of the Group's investments in debt instruments are set out in note 54(a) to the financial statement. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	For the year ended 31 December	
	2018	2017
Wholesale and retail trade	**160,556,340**	107,983,226
Manufacturing	**69,766,423**	34,526,186
Leasing and commercial services	**28,961,888**	11,297,965
Real estate	**25,681,503**	14,611,490
Transportation, storage and postal services	**9,224,015**	1,704,719
Public management and social organisations	**8,061,209**	8,160,339
Electricity, gas and water production and supply	**7,412,338**	2,524,672
Education	**6,539,454**	5,573,015
Mining	**5,002,120**	2,312,522
Construction	**3,555,251**	2,088,328
Water, environment and public utility management	**1,519,360**	1,326,750
Agriculture, forestry, animal husbandry and fishery	**1,253,166**	1,540,602
Others	**24,782,430**	8,837,541
Subtotal of corporate loans and advances	**352,315,497**	202,487,355
Personal loans and advances	**12,065,859**	10,161,100
Discounted bills	**6,344,375**	2,472,719
Total	**370,725,731**	215,121,174

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	At 31 December	
	2018	2017
Neither overdue nor impaired	**349,540,842**	211,977,611
Overdue but not impaired	**2,676,741**	896,630
Impaired	**18,508,148**	2,246,933
Total loans and advances	**370,725,731**	215,121,174
Add: Interests receivable	**1,276,467**	–
Less: provision for impairment losses	**(22,892,075)**	(6,036,227)
Net loans and advances	**349,110,123**	209,084,947

Neither overdue nor impaired

The management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of Reporting Period.

The following table presents the types of loans and advances to customers which are neither overdue nor impaired as at the end of Reporting Period:

	At 31 December 2018		
	Normal	**Special mention**	**Total**
Unsecured loans	**20,197,561**	**166,500**	**20,364,061**
Guaranteed loans	**117,244,280**	**36,802,007**	**154,046,287**
Collateralised loans	**82,125,121**	**15,047,432**	**97,172,553**
Pledged loans	**70,353,941**	**7,604,000**	**77,957,941**
	289,920,903	**59,619,939**	**349,540,842**

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Neither overdue nor impaired *(continued)*

	At 31 December 2017		
	Normal	Special mention	Total
Unsecured loans	17,097,006	118,696	17,215,702
Guaranteed loans	73,171,298	2,091,086	75,262,384
Collateralised loans	52,494,928	1,823,487	54,318,415
Pledged loans	64,968,115	212,995	65,181,110
	207,731,347	4,246,264	211,977,611

Overdue but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired as at the end of Reporting Period:

	At 31 December	
	2018	2017
Overdue for:		
Less than three months	**2,528,143**	748,914
Three to six months	**42,295**	40,478
Over six months	**106,303**	107,238
Total	**2,676,741**	896,630

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Impaired

Impaired loans and advances are defined as loans and advances which have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

The fair value of related collateral held by the Group as security is as follows:

	At 31 December 2018
Fair value of collateral held against credit-impaired loans	14,369,891

The above collaterals mainly include real estate, land use rights and machinery and equipment etc.. The fair value of collaterals was estimated by the Group based on the latest valuations available, adjusted in light of disposal experience and current market conditions.

Loans and advances to customers analysed by the five-tier loan classification and the three stage of the ECL as follows:

	At 31 December 2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL-not-credit-impaired loans)	Stage III (Lifetime ECL-credit-impaired loans)	Total
Normal	289,789,209	420,106	–	290,209,315
Special-mention	–	62,008,268	–	62,008,268
Substandard	–	–	10,072,423	10,072,423
Doubtful	–	–	7,699,364	7,699,364
Loss	–	–	736,361	736,361
Total loans and advances	289,789,209	62,428,374	18,508,148	370,725,731
Add: interests receivable	1,276,467	–	–	1,276,467
Less: allowance for impairment losses	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Loans and advances to customers, net	285,394,249	56,143,570	7,572,304	349,110,123

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(v) Finance lease receivables

	At 31 December 2018	2017
The lease amount		
Neither overdue nor impaired	**7,332,358**	7,020,243
Overdue but not impaired	**65,000**	–
Impaired	**470,000**	–
Subtotal	**7,867,358**	7,020,243
Less: Provision for impairment losses	**(382,516)**	(179,902)
Net balance	**7,484,842**	6,840,341

	At 31 December 2018 Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
Normal	**6,544,710**	**–**	**–**	**6,544,710**
Special-mention	**–**	**852,648**	**–**	**852,648**
Substandard	**–**	**–**	**470,000**	**470,000**
Subtotal	**6,544,710**	**852,648**	**470,000**	**7,867,358**
Less: Provision for impairment losses	**(53,031)**	**(121,791)**	**(207,694)**	**(382,516)**
Net balance	**6,491,679**	**730,857**	**262,306**	**7,484,842**

The finance lease receivables were neither past due nor impaired as at 31 December 2017.

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Debt instruments

Financial assets at amortised cost by five-tier loan classification and three-staging analysed as follows:

	At 31 December 2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
Normal	186,478,614	–	–	186,478,614
Special-mention	–	95,699,466	–	95,699,466
Substandard	–	–	7,863,922	7,863,922
Doubtful	–	–	427,880	427,880
Subtotal	186,478,614	95,699,466	8,291,802	290,469,882
Add: Interests receivable	1,532,852	291,511	71,148	1,895,511
Less: Provision for impairment losses	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)
Net balance	184,397,094	94,226,775	4,512,506	283,136,375

Debt instruments at fair value through other comprehensive income by five-tier loan classification and three-staging analysed as follows:

	At 31 December 2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
Normal	41,445,323	–	–	41,445,323
Special-mention	–	–	–	–
Substandard	–	–	–	–
Subtotal	41,445,323	–	–	41,445,323
Add: Interests receivable	802,930	–	–	802,930
Net balance	42,248,253	–	–	42,248,253
Provision for impairment losses	(457)	–	–	(457)

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Debt instruments *(continued)*

As at 31 December 2018, the Group's accumulated impairment charge on the debt instruments at fair value through other comprehensive income amounted to RMB0.46 million.

31 December 2017	Debt instruments classified as receivables	Held-to maturity investments	Available for-sale financial assets	Financial assets held for trading	Total
Neither overdue nor impaired					
Governments	–	3,832,750	2,324,942	28,900	6,186,592
Banks and other financial institutions	200,088	3,926,073	47,413,501	23,497,908	75,037,570
Corporate entities	345,858,845	19,841	900,506	–	346,779,192
Subtotal	346,058,933	7,778,664	50,638,949	23,526,808	428,003,354
Overdue but not impaired					
Corporate entities	–	–	–	–	–
Subtotal	–	–	–	–	–
Impaired					
Corporate entities	814,500	–	–	–	814,500
Subtotal	814,500	–	–	–	814,500
Less: Provision for impairment losses	(3,503,866)	–	–	–	(3,503,866)
Total	343,369,567	7,778,664	50,638,949	23,526,808	425,313,988

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(a) Credit risk *(continued)*

(vii) Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of each of the Reporting Period are as follows:

	At 31 December	
	2018	2017
Neither overdue nor impaired		
Ratings		
– AAA	**46,477,980**	46,579,979
– AA- to AA+	**6,602,841**	2,870,535
– A- to A+	**–**	270,000
– Unrated	**12,619,435**	9,702,550
Total	**65,700,256**	59,423,064

Amount due from banks and other financial institutions includes deposits and placements with banks and other financial institutions, and financial assets held under resale agreements of which counterparties are banks and non-bank financial institutions. The amount due from banks and other financial institutions is neither overdue nor credit-impaired.

The Group prefers more liquid collateral with a relatively stable market value and does not accept the collateral that is illiquid, with difficulties in registration or high fluctuations in market value. The value of collateral should be assessed and confirmed by the Group or valuation agents identified by the Group. The value of collateral should adequately cover the outstanding balance of loans. The loan-to-value ratio depends on types of collateral, usage condition, liquidity, price volatility and realisation cost. All collateral has to be registered in accordance with the relevant laws and regulations. The credit officers inspect the collateral and assess the changes in the value of collateral regularly.

The Group did not hold any financial instrument for which no loss allowance is recognised because of collateral at 31 December 2018. There was no change in the Group's collateral policy during the year.

54. Risk management *(continued)*

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The Group'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 Group's risk-adjusted income. The Group's risk and compliance department is responsible for monitoring, inspecting and assessing the adequacy and efficiency of the Group'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.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

54. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position. The interest rate risk is mainly reflected by the Group's exposure to overall revenue and economic value losses as a result of unfavorable changes in key elements such as interest rate and duration structure of various interest-earning assets and interest-bearing liabilities of the Group.

The finance management department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate sensitivity of the repricing gap and impact on the net interest income and economic value results 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 Group classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Group's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of short-term profit taking. The banking book transactions represent non-trading businesses. Sensitivity analysis, scenario analysis and foreign currency gap analysis are the major tools employed by the Group to measure and monitor the market risk in its trading book transactions. Sensitivity gap analysis, stress testing and effective duration analysis are the major tools used by the Group to measure and monitor the market risk of its non-trading businesses.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	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 (Note (i))	349,110,123	–	28,349,374	83,497,971	234,761,511	2,501,267
Investments (Note (ii))	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

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Trading interest rate risk *(continued)*

The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier: *(continued)*

	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
Liabilities						
Borrowing from the central bank	108,369	21	38,466	69,882	–	–
Deposits from banks and other financial institutions	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

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Trading interest rate risk *(continued)*

The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier: *(continued)*

	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 (Note (i))	209,084,947	–	23,915,955	72,253,031	111,106,057	1,809,904
Investments (Note (ii))	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	723,417,650	15,130,594	140,614,017	171,551,490	384,867,968	11,253,581

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Trading interest rate risk *(continued)*

The following tables indicate the assets and liabilities as at the end of each of the Reporting Period by the expected next repricing dates or by maturity dates, depending on which is earlier: *(continued)*

	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
Liabilities						
Borrowing from the central bank	307,848	–	–	307,848	–	–
Deposits from banks and other financial institutions	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	663,252,922	20,997,333	225,558,109	215,225,281	198,224,398	3,247,801
Asset-liability gap	60,164,728	(5,866,739)	(84,944,092)	(43,673,791)	186,643,570	8,005,780

Notes:

(i) As at 31 December 2018, 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 (2017: RMB1,754 million).

(ii) Investments include debt investments at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost (2017: financial asset at fair value through profit or loss, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables). As at 31 December 2018, for investments, the category "Less than three months" includes overdue amounts of RMB21.14 million.

54. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 31 December 2018, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net loss to increase RMB1,171 million (2017: net profit to decrease RMB726 million), and the Group's equity to decrease RMB1,716 million (2017: decrease RMB1,470 million); a decrease in estimated interest rate of 100 basis points will cause the Group's net loss to decrease RMB1,174 million (2017: net profit to increase RMB725 million), and the Group's equity to increase RMB1,751 million (2017: increase RMB1,503 million).

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

– Interest rate movements at the end of each of the Reporting Period apply to non-derivative financial instruments of the Group;

– At the end of the Reporting Period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;

– There is a parallel shift in the yield curve with the changes in interest rates;

– There are no other changes to the assets and liabilities portfolio;

– Other variables (including exchange rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the management.

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

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis. The Group manages exchange rate risk by the following means: strict implementation of the process management of the foreign exchange business; strict management on the exchange business procedure continuous improvement in the internal control system and operational procedures; and continuous improvement in the risk management capability of the foreign exchange business.

The Group's currency exposures as at the end of each of the Reporting Period are as follows:

	At 31 December 2018			
		RMB Equivalent		
	RMB	USD	Others	Total
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
Others	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 institutions	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
Others	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
Off-balance sheet credit commitments	242,749,624	2,241,612	29,711	245,020,947

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk *(continued)*

	At 31 December 2017			
		RMB Equivalent		
	RMB	USD	Others	Total
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
Others	445,663,686	197,888	7,005	445,868,579
Total assets	717,624,123	5,582,041	211,486	723,417,650
Liabilities				
Deposits from banks and other financial institutions	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
Others	160,517,000	5,657	81	160,522,738
Total liabilities	643,175,786	19,174,481	902,655	663,252,922
Net position	74,448,337	(13,592,440)	(691,169)	60,164,728
Off-balance sheet credit commitments	130,544,733	3,033,937	998,269	134,576,939

54. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk *(continued)*

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. As at 31 December 2018, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would decrease the Group's net loss and inecrease the Group's equity by RMB21.19 million (31 December 2017: increase both the Group's net profit and equity by RMB2.05 million); a depreciation of one hundred basis points in the US dollar against the RMB would increase the Group's net loss and decrease the Group's the equity by RMB21.19 million (31 December 2017: decrease both the Group's net profit and equity by RMB2.05 million).

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

– The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;

– The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;

– The exchange rates against RMB for the US dollars and HK dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;

– The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;

– Other variables (including interest rates) remain unchanged; and

– The analysis does not take into account the effect of risk management measures taken by the management.

Due to the assumptions adopted, actual changes in the Group's net profit or loss and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

54. Risk management *(continued)*

(c) 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 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 Group's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the Group's own asset and liability structure and liquidity management capability are also important factors which affect the Group's liquidity.

The Group has established liquidity management and decision-making 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 establishes the liquidity management plan according to the requirements and regulatory indicators for asset and liability management at the beginning of each year and monitors and adjusts this plan on a quarterly basis, with an aim to ensure the effective management of the Group's asset and liability structure. The Group's financial management department is responsible for the analysis and monitoring of the Group's daily liquidity, while the financial management department, the capital transactions department, the international business department and the interbank department manage the daily liquidity risk.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the Reporting Period:

	31 December 2018							
	Indefinite Note(i)	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	Total
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 (ii)	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 (iii)	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
Deposit 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

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the Reporting Period: *(Continued)*

	At 31 December 2017							
	Indefinite Note(i)	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	Total
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 (ii)	1,629,801	123,883	4,382,466	17,088,310	72,016,790	111,635,692	2,208,005	209,084,947
Investments (iii)	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
Deposit 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

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(c) Liquidity risk *(continued)*

Notes:

(i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

(ii) Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand.

(iii) Investments with no impairment but overdue within one month are classified into the category of repayable on demand.

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments and derivative financial instruments at the end of the Reporting Period:

	At 31 December 2018							
	Carrying amount	Contractual undiscounted cash flow	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
Non-derivative financial								
Borrowing from the central bank	108,369	108,743	–	–	30,278	78,465	–	–
Deposits from banks and other financial institutions	164,629,085	184,144,476	170,331	6,029,946	21,150,290	68,377,716	80,826,870	7,589,323
Placements from banks and other financial institutions	20,760,381	20,937,076	–	6,893,692	5,102,477	8,940,907	–	–
Financial assets sold under repurchase agreements	43,445,203	43,493,658	–	42,286,199	1,207,459	–	–	–
Deposits from customers	445,576,089	462,346,257	76,827,398	18,352,914	40,182,113	160,705,888	166,099,075	178,869
Debt securities issued	89,668,782	92,416,279		10,497,625	16,956,128	53,153,471	11,560,544	248,511
Other financial liabilities	17,610,607	17,610,607	1,097,895	2,053,797	4,705,787	9,507,953	245,175	–
Total non-derivative financial liabilities	781,798,516	821,057,096	78,095,624	86,114,173	89,334,532	300,764,400	258,731,664	8,016,703
Loan commitments and credit card commitments	–	6,343,873	5,054,365	1,003,114	229,608	34,184	22,602	–

	Within three months	Three months to one year	Total
Derivative cash flows			
Derivative financial instruments settled on gross basis	–	–	–
Cash outflow	(15,664,134)	(9,704,490)	(25,368,624)
Cash inflow	15,646,339	9,878,145	25,524,484

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Risk management *(continued)*

(c) Liquidity risk *(continued)*

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities, loan commitments and credit card commitments and derivative financial instruments at the end of the Reporting Period: *(Continued)*

	At 31 December 2017							
	Carrying amount	Contractual undiscounted cash flow	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
Non-derivative financial								
Borrowing from the central bank	307,848	310,199	–	–	–	310,199	–	–
Deposits from banks and other financial institutions	134,537,429	149,701,957	289,632	6,039,092	25,588,358	56,514,871	57,110,486	4,159,518
Placements from banks and other financial institutions	13,466,127	13,794,289	–	1,441,843	2,162,743	10,189,703	–	–
Financial assets sold under repurchase agreements	39,064,430	39,193,799	–	33,858,626	5,335,173	–	–	–
Deposits from customers	342,264,228	350,883,691	66,468,598	13,564,821	23,452,327	94,745,915	152,615,652	36,378
Debt securities issued	89,564,751	91,830,000	–	9,135,000	–	72,287,500	10,407,500	–
Other financial liabilities	30,862,727	31,648,460	8,163,434	4,660,295	6,830,657	11,797,639	88,566	107,869
Total non-derivative financial liabilities	650,067,540	677,362,395	74,921,664	68,699,677	63,369,258	245,845,827	220,222,204	4,303,765
Loan commitments and credit card commitments	–	4,799,398	4,255,368	254,500	57,890	207,210	24,430	–

	Within three months	Three months to one year	Total
Derivative cash flows			
Derivative financial instruments settled on gross basis			
Cash outflow	(5,521,914)	(11,594,990)	(17,116,904)
Cash inflow	5,439,483	11,014,141	16,453,624

(i) This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might vary from actual results.

54. Risk management *(continued)*

(d) 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 Group's risk and compliance department is responsible for conducting continuous monitoring, inspection and assessment of the adequacy and effectiveness of the Group's operational risk management system, putting forward improvement proposals and carrying out risk review of various risk management and internal control systems.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, trading, corporate finance, settlement, intermediary business, asset management and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

– A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;

– A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;

– An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;

– An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and

– An independent risk assessment framework based on the internal audit and the compliance review.

55. Fair value of financial instruements

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for the determination and disclosure of the fair values of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial accounting department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. The management of the Group is responsible for verifying trade details and valuation models.

(Expressed in thousands of Renminbi, unless otherwise stated)

55. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value:

	At 31 December 2018			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– debt instruments	1,604,350	6,389,388	41,482,355	49,476,093
Financial assets designated at fair value through profit or loss	–	–	16,586,787	16,586,787
Financial assets at fair value through other comprehensive income				
– debt instruments	–	41,445,323	–	41,445,323
– equity instruments	–	–	609,330	609,330
Loans and advances to customers	–	6,344,375	–	6,344,375
Positive fair value of derivatives				
– foreign currency derivatives	–	305,022	339	305,361
Total	1,604,350	54,484,108	58,678,811	114,767,269
Financial liabilities measured at fair value				
Financial liabilities designated at fair value through profit or loss	–	–	16,512,712	16,512,712
Negative fair value of derivatives				
– derivative financial liability	–	153,948	2	153,950
Total	–	153,948	16,512,714	16,666,662
Financial assets disclosed at fair value				
Financial assets measured at amortised cost	–	290,522,985	–	290,522,985
Financial liabilities disclosed at fair value				
Tier two capital bonds issued	–	7,983,088	–	7,983,088
Negotiable certificates of deposit issued	–	80,570,563	–	80,570,563
Total	–	88,553,651	–	88,553,651

(Expressed in thousands of Renminbi, unless otherwise stated)

55. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value: *(continued)*

	At 31 December 2017			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss	–	–	–	–
Financial assets held for trading				
– debt instruments	–	1,005,451	–	1,005,451
– precious metals	–	13,651	–	13,651
Financial assets designated at fair value through profit or loss	–	1,873,700	20,634,006	22,507,706
Available-for-sale financial assets				
– debt instruments	–	41,009,388	9,629,561	50,638,949
Positive fair value of derivatives				
– foreign currency derivatives	–	1,409	–	1,409
Total	–	43,903,599	30,263,567	74,167,166
Financial liabilities measured at fair value				
Financial liabilities designated at fair value through profit or loss	–	–	22,439,776	22,439,776
Negative fair value of derivatives				
– foreign currency derivatives	–	722,982	–	722,982
Total	–	722,982	22,439,776	23,162,758
Financial assets disclosed at fair value				
Held-to-maturity investments	–	7,617,355	–	7,617,355
Debt securities classified as receivables	–	343,369,567	–	343,369,567
Total	–	350,986,922	–	350,986,922
Financial liabilities disclosed at fair value				
Tier two capital bonds issued	–	3,960,770	–	3,960,770
Negotiable certificates of deposit issued	–	85,369,965	–	85,369,965
Total	–	89,330,735	–	89,330,735

(Expressed in thousands of Renminbi, unless otherwise stated)

55. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

Debt instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or pricing models. For level 2 debt instruments, the fair values of these debts are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

The movement during the years ended 31 December 2018 and 2017 in the balance of level 3 fair value measurements are as follows:

	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Financial assets designated at fair value through profit or loss	Financial assets at fair value through other comprehensive income Equity instruments	Derivative financial assets	Total assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities	Total liabilities
31 December 2017	9,629,561	–	20,634,006	–	–	30,263,567	(22,439,776)	–	(22,439,776)
Impact of IFRS 9	(9,629,561)	9,623,352	–	92,806	–	86,597	–	–	–
1 January 2018	–	9,623,352	20,634,006	92,806	–	30,350,164	(22,439,776)	–	(22,439,776)
Total gains or losses									
– in profit or loss for the year (included in net trading gains/(losses))	–	404,643	468,409	–	339	873,391	(462,265)	(2)	(462,267)
– in other comprehensive income	–	–	–	22,110	–	22,110	–	–	–
Purchases	–	38,135,560	45,263,245	494,414	–	83,893,219	(48,959,894)	–	(48,959,894)
Settlements	–	(6,681,200)	(49,778,873)	–	–	(56,460,073)	55,349,223	–	55,349,223
31 December 2018	–	41,482,355	16,586,787	609,330	339	58,678,811	(16,512,712)	(2)	(16,512,714)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period (included in net trading gains/(losses))	–	404,643	468,409	–	339	873,391	(462,265)	(2)	(462,267)

(Expressed in thousands of Renminbi, unless otherwise stated)

55. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

	Available-for-sale financial assets	Financial assets designated at fair value through profit or loss	Total assets	Financial liabilities designated at fair value through profit or loss	Total liabilities
1 January 2017	1,881,078	19,169,083	21,050,161	(20,986,772)	(20,986,772)
Total gains or losses					
– in profit or loss for the year (included in net trading gains/(losses))	–	39,864	39,864	(36,314)	(36,314)
– in other comprehensive income	9,999	–	9,999	–	–
Purchases	9,801,163	40,067,469	49,868,632	(41,959,700)	(41,959,700)
Settlements	(2,062,679)	(38,642,410)	(40,705,089)	40,543,010	40,543,010
31 December 2017	9,629,561	20,634,006	30,263,567	(22,439,776)	(22,439,776)
Total gains/(losses) for the year included in profit or loss for assets and liabilities held at the end of the period (included in net trading gains/(losses))	–	39,864	39,864	(36,314)	(36,314)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

(i) The debt instruments are not quoted in an active market. In the absence of any other relevant observable market, the fair values of debt instruments are estimated on the basis of pricing models or discounted cash flows.

(ii) The fair values of held-to-maturity investments, tier two capital bonds, financial debts and negotiable certificates of deposit are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other financial institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

As at 31 December 2018, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

(Expressed in thousands of Renminbi, unless otherwise stated)

56. Entrusted lending business

The entrusted lending business of the Group includes the entrusted loans issued with funds entrusted by legal persons, unincorporated organizations, individual business and natural persons with full civil capacity, the funds exclude entrusted loans under cash management and entrusted loans under housing accumulation fund. The Group's entrusted loan business is not subject to any credit risk. The Group only holds and manages these assets and liabilities as an agent in accordance with the instructions of the entrusting party, and charges a handling fee for the services provided. Since the entrusted assets are not assets of the Group, they are not recognised in the statement of financial position.

	At 31 December	
	2018	2017
Entrusted loans	**104,237,213**	250,294,591
Entrusted funds	**104,237,213**	250,294,591

57. Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments mainly includes loans commitments, credit card commitments, acceptances, letters of credit and letters of guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 31 December	
	2018	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	**6,343,873**	4,799,398
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	**245,020,947**	134,576,939

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. They assessed the credit risk exposure on the credit commitments to be low. 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.

(Expressed in thousands of Renminbi, unless otherwise stated)

57. Commitments and contingent liabilities *(continued)*

(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:

	At 31 December 2018	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	**128,330**	68,659
Total	**461,670**	439,920

(c) Capital commitments

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

	At 31 December 2018	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
Total	**407,225**	1,022,570

(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.

(Expressed in thousands of Renminbi, unless otherwise stated)

58. Company-level statement of financial position

	At 31 December	
	2018	2017
Assets		
Cash and deposits with the central bank	**63,750,915**	51,212,177
Deposits with banks and other financial institutions	**15,708,890**	8,292,327
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	**–**	4,170,218
Loans and advances to customers	**344,681,906**	204,951,606
Financial assets at fair value through profit or loss	**66,042,646**	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
Investments in subsidiaries	**1,879,530**	1,879,530
Property and equipment	**6,366,940**	6,214,562
Deferred tax assets	**7,319,115**	2,308,982
Other assets	**1,654,148**	1,097,154
Total assets	**833,851,936**	711,572,997

(Expressed in thousands of Renminbi, unless otherwise stated)

58. Company-level statement of financial position *(continued)*

	At 31 December 2018	2017
Liabilities and equity		
Liabilities		
Borrowing from the central bank	**68,347**	277,848
Deposits from banks and other financial institutions	**167,048,604**	133,622,087
Placements from banks and other financial institutions	**17,884,634**	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	**438,258,810**	335,889,319
Accrued staff costs	**299,254**	257,232
Taxes payable	**940,240**	1,106,276
Interests payable	**–**	12,271,790
Debts securities issued	**89,668,782**	89,564,751
Provisions	**1,728,410**	–
Other liabilities	**1,164,023**	6,759,072
Total liabilities	**777,172,969**	655,441,690
Equity		
Share capital	**7,781,616**	6,781,616
Other equity instruments including: Preference shares	**9,897,363**	9,897,363
Capital reserve	**20,730,293**	13,578,331
Surplus reserve	**2,994,679**	2,994,679
General reserve	**11,719,119**	9,818,070
Retained earnings	**3,555,897**	13,061,248
Total equity	**56,678,967**	56,131,307
Total liabilities and equity	**833,851,936**	711,572,997

Approved and authorised For Issue by the board of directors on 30 August 2019.

Zhang Wei	**Wang Xiaoyu**	**Yu Jun**	**Company chop**
Chairman	*Executive Director*	*Chief Financial Officer*	

59. 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). Refer to Note 54(a) for the explanation of the assumptions and estimation used in measuring ECL.

(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 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.

59. Significant accounting estimates and judgments *(continued)*

(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

Management applies its judgment to determine whether the control indicators set out in Note 2(c) 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.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 49.

(Expressed in thousands of Renminbi, unless otherwise stated)

59. Significant accounting estimates and judgments *(continued)*

(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.

60. 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 accounting period 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 IAS 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. 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.

60. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 december 2018 *(continued)*

(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.

61. Non-adjusting events after the reporting period

(a) On 2 August 2019, the board of directors of the Bank announced that Ms. Liu Hong has tendered her resignation letter to the Bank to resign as the president of the Bank due to her personal health reasons. Mr. Guo Wenfeng has been appointed as the president of the Bank and received approval from Liaoning Banking and Insurance Regulatory Bureau on 2 August 2019 for an initial term commencing from 2 August 2019 till the end of the fifth session of the Board.

Mr. Kang Jun has been appointed as the vice president of the Bank and received approval from Liaoning Banking and Insurance Regulatory Bureau on 2 August 2019 for an initial term commencing from 2 August 2019 till the end of the fifth session of the Board.

Mr. Yang Weihua has been appointed as the vice president of the Bank and received approval from Liaoning Banking and Insurance Regulatory Bureau on 2 August 2019 for an initial term commencing from 2 August 2019 till the end of the fifth session of the Board.

Mr. Yu Jun has been appointed as the chief financial officer of the Bank and received approval from Liaoning Banking and Insurance Regulatory Bureau on 2 August 2019 for an initial term commencing from 2 August 2019 till the end of the fifth session of the Board.

61. Non-adjusting events after the reporting period *(continued)*

(b) On 28 July 2019, the board of directors of the Bank 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 shall represent 10.82% and 6.49% of the total issued ordinary shares of the Bank, respectively.

62. COMPARATIVE FIGURES

The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosure in note 2(b).

* English name for identification purpose only

(Expressed in thousands of Renminbi, unless otherwise stated)

1. Liquidity coverage ratio and leverage ratio (%)

(a) Liquidity coverage ratio

	At 31 December 2018	Average for the year ended 31 December 2018
Liquidity coverage ratio (RMB and foreign currency)	152.31%	157.72%

	At 31 December 2017	Average for the year ended 31 December 2017
Liquidity coverage ratio (RMB and foreign currency)	163.13%	235.91%

(b) Leverage ratio

	At 31 December 2018	2017
Leverage ratio	6.57%	6.82%

Pursuant to the Leverage ratio Management of Commercial Banks issued by the CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

2. Currency concentrations

	USD Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
31 December 2018				
Spot assets	7,192,121	7,200,303	317,111	14,709,535
Spot liabilities	(19,856,223)	(568,661)	(648,089)	(21,072,973)
Net long position	(12,664,102)	6,631,642	(330,978)	(6,363,438)
Net structural position	–	–	–	–
31 December 2017				
Spot assets	5,582,041	25,987	185,499	5,793,527
Spot liabilities	(19,174,481)	(773)	(901,882)	(20,077,136)
Net long position	(13,592,440)	25,214	(716,383)	(14,283,609)
Net structural position	–	–	–	–

(Expressed in thousands of Renminbi, unless otherwise stated)

3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims. International claims include loans and advances to customers, deposits with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 31 December 2018		
	Banks and others financial institutions	Non-bank private sector	Total
Asia Pacific	**7,781,048**	**4,012,332**	**11,793,380**
– of which attributed to Hong Kong	**7,433,695**	**1,749,618**	**9,183,313**
Europe	**2,123,621**	**–**	**2,123,621**
North and South America	**798,200**	**–**	**798,200**
Total	**10,702,869**	**4,012,332**	**14,715,201**

	At 31 December 2017		
	Banks and others financial institutions	Non-bank private sector	Total
Asia Pacific	1,530,720	3,360,397	4,891,117
– of which attributed to Hong Kong	214,724	–	214,724
Europe	32,458	–	32,458
North and South America	858,241	–	858,241
Total	2,421,419	3,360,397	5,781,816

4. Loans and advances overdue for more than 90 days by geographical segments

	At 31 December	
	2018	2017
Jinzhou Region	**1,822,982**	804,166
Other Northeastern Region	**695,425**	1,076,420
Northern China Region	**3,132,346**	341,509
Total	**5,650,753**	2,222,095

(Expressed in thousands of Renminbi, unless otherwise stated)

5. Gross amount of loans and advances overdue for more than 90 days

	At 31 December	
	2018	2017
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**1,666,442**	213,726
– between 6 months and 1 year (inclusive)	**1,827,223**	354,019
– between 1 year and 3 years (inclusive)	**1,435,409**	1,237,769
– over 3 years	**721,679**	416,581
Total	**5,650,753**	2,222,095
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**0.77%**	0.10%
– between 6 months and 1 year (inclusive)	**0.85%**	0.16%
– between 1 year and 3 years (inclusive)	**0.67%**	0.58%
– over 3 years	**0.34%**	0.19%
Total	**2.63%**	1.03%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

At 31 December 2018, the gross amount of overdue loans and advances overdue more than 90 days of the Group were RMB5,651 million (2017: RMB2,222 million). The covered portion of these overdue loans and advances were RMB3,217 million (2017: RMB714 million).

6. Non-bank Mainland china exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business conducted in Mainland China. As at 31 December 2018 and 2017, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals.

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