錦州銀行股份有限公司
Bank of Jinzhou Co., Ltd.*

2019 年度報告 ANNUAL REPORT

(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 of the Bank
"Board of Supervisors"	the board of Supervisors of the Bank
"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)
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of the Bank
"Domestic Share(s)"	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi by PRC nationals and/or PRC corporate entities
"H Share(s)"	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for and traded in HK dollars and listed on the Main Board of 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)"	non-cumulative perpetual offshore preference shares for the amount of US$1,496,000,000 with a dividend rate of 5.50% issued by the Bank on 27 October 2017 and listed on the Hong Kong Stock Exchange (stock code: 4615)
"PBOC"	the People's Bank of China (中國人民銀行)
"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report only, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Reporting Period"	the year ended 31 December 2019
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	the holder(s) of the share(s) of the Bank
"Share(s)" or "Ordinary Share(s)"	the Domestic Share(s) and the H Share(s) of the Bank, excluding the Offshore Preference Share(s)
"Supervisor(s)"	the supervisor(s) of the Bank
"US$" 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	:	Wei Xuekun
Authorised Representatives	:	Wei Xuekun, Guo Wenfeng
Secretary to the Board	:	Yu Jun (whose qualification is subject to the approval of the regulatory authorities)
Joint Company Secretaries	:	Yu Jun, 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
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 promoted and established 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. (遼寧凌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 244 branches in aggregate.

As at the end of the Reporting Period, the Bank had total assets of RMB836.694 billion, loans and advances balances released of RMB489.117 billion and the balance of deposits of RMB407.113 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 2019

In January 2019, the Bank was granted "2018 Banking Information and Technology Risk Management Research Project Achievement Award" (2018年度銀行業信息科技風險管理課題成果獎) in 2018 Banking Information and Technology Risk Management Research Project carried out by CBIRC.

In March 2019, the Bank was granted the honorary title of "Caring Enterprise of National Charity Association in 2018" (全國慈善會愛心企業) in the "2018 Advanced Deeds Publicity Campaign of National Charity Association's Grassroot Charity worker, Caring Enterprise, and Caring Entrepreneur" organised by China Charity Federation, and was the only enterprise granted the award in Jinzhou.

In April 2019, the Bank was granted the title of "2018 Excellent City Commercial Bank of the National Banking Industry in terms of Financial Information Registration Work" (2018年全國銀行業理財信息登記工作優秀城商行) in the evaluation and selection of "2018 Excellent Organisations of the National Banking Industry in terms of Financial Information Registration Work" organised by Banking Financial Registration and Custody Center Co., Ltd.

In May 2019, the Youth League Committee of the Bank was granted the title of "May Fourth Red Flag Youth League Committee" (五四紅旗團委) among 2018 Liaoning Province financial systems.

In May 2019, the Bank was granted "Top Ten Private Enterprise Financial Service Innovation Award" (十佳民營企業金融服務創新獎) by virtue of mobile loan on the "2019 China Financial Innovation Forum & 2019 China Financial Innovation Award Ceremony" (2019中國金融創新論壇暨2019中國金融創新獎頒獎典禮) co-sponsored by the Banker magazine, the Institute of Finance and Banking of the Chinese Academy of Social Sciences, and Central University of Finance and Economics.

In May 2019, the Bank was awarded the Best Performer by the Liaoning Banking Association in "2017-2018 Promotion Activities of Financial Knowledge in Liaoning's Banking Industry" (2017-2018年遼寧省銀行業普及金融知識萬里行活動最佳成效獎).

In October 2019, the Bank was awarded the 2019 China UnionPay Cardless Business Cooperation Advanced Units (2019年中國銀聯無卡業務合作先進單位).

In November 2019, the Bank won the group champion in "2019 Young Employees Comprehensive Service Ability Competition in Liaoning's Financial System" (2019年遼寧省金融系統青年員工綜合服務能力競賽) organized by the Committee of Financial Worker's Union Liaoning Bureau together with Liaoning Banking Association and the Communist Youth League of Liaoning Financial Worker's committee, and also awarded the May Day Labour Medal in Finance in Liaoning Province (遼寧省金融五一勞動獎狀), Liaoning Finance Pioneer (遼寧省金融先鋒號), the first prize of Comprehensive Business Knowledge Contest for Individual Group Award (綜合業務知識競答單項團隊獎第一名) and the third prize of Service Ability Display Individual Group Award (服務能力展示單項團體獎第三名).

In December 2019, the Bank was awarded the 2019 Best Mobile Banking Innovation Award (2019年最佳手機銀行創新獎) by the China Financial Certification Authority (CFCA).

In December 2019, the Bank was acknowledged as the leading enterprise of the service standard of banking outlets for 2019 (2019年度銀行營業網點服務企業標準"領跑者") at the press conference of leading enterprise of service standard in financial industry for 2019 (2019年金融領域企業標準"領跑者"發佈會) sponsored by the Secretariat of the China Financial Standardization Technical Committee and hosted by the China Financial Authentication (中金國盛認證中心).

I. Financial Data

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019	2018	2019 vs 2018	2017	2016	2015
Operating Results			**Change (%)**			
Interest income	**47,820,476**	46,002,674	4.0	39,943,533	27,897,191	21,819,437
Interest expense	**(28,475,443)**	(26,901,602)	5.9	(21,410,609)	(12,448,982)	(11,015,124)
Net interest income	**19,345,033**	19,101,072	1.3	18,532,924	15,448,209	10,804,313
Net fee and commission income	**231,714**	757,528	(69.4)	736,674	809,265	500,790
Net trading gains/(losses)	**3,372,617**	1,491,100	126.2	(278,264)	49,948	97,164
Dividend income	**1,200**	880	36.4	640	895	6,440
Net gains arising from investment securities	**240,556**	100,234	140.0	30,796	10,348	2,896
Net foreign exchange (losses)/gains	**(42,008)**	(183,660)	(77.1)	(239,637)	53,724	85,895
Other net operating income	**20,587**	16,045	28.3	22,859	41,460	19,886
Operating income	**23,169,699**	21,283,199	8.9	18,805,992	16,413,849	11,517,384
Operating expenses	**(3,761,683)**	(3,586,646)	4.9	(3,308,138)	(2,758,039)	(2,724,872)
Operating profit before impairment	**19,408,016**	17,696,553	9.7	15,497,854	13,655,810	8,792,512
Impairment losses on assets	**(20,846,120)**	(23,683,718)	(12.0)	(3,444,523)	(2,784,895)	(2,296,943)
(Loss)/profit before taxation	**(1,438,104)**	(5,987,165)	(76.0)	12,053,331	10,870,915	6,495,569
Income tax credit/(expense)	**327,858**	1,449,054	(77.4)	(2,963,273)	(2,671,469)	(1,587,513)
Net (loss)/profit	**(1,110,246)**	(4,538,111)	(75.5)	9,090,058	8,199,446	4,908,056
Net (loss)/profit attributable to equity shareholders of the Parent Company	**(958,545)**	(4,593,447)	(79.1)	8,976,990	8,129,590	4,898,761
Calculated on a Per Share Basis (RMB)			**Change**			
Basic and diluted (loss)/earnings per share	**(0.12)**	(0.77)	0.65	1.32	1.40	1.09

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019	2018	2019 vs 2018	2017	2016	2015
Major Indicators of Assets/Liabilities			**Change (%)**			
Total assets	**836,694,191**	845,922,748	(1.1)	723,417,650	539,059,522	361,659,913
Of which: net loans and advances to customers	**452,695,511**	349,110,123	29.7	209,084,947	121,930,761	97,313,206
Total liabilities	**777,188,742**	785,159,604	(1.0)	663,252,922	496,165,210	335,388,599
Of which: deposits from customers	**407,112,779**	445,576,089	(8.6)	342,264,228	262,969,211	170,178,722
Share capital	**7,781,616**	7,781,616	0.0	6,781,616	6,781,616	5,781,616
Total equity attributable to equity shareholders of the Parent Company	**55,671,418**	56,777,412	(1.9)	56,230,555	39,035,430	25,598,461
Total equity	**59,505,449**	60,763,144	(2.1)	60,164,728	42,894,312	26,271,314

II. Financial Indicators

	For the year ended 31 December					
	2019	2018	2019 vs 2018	2017	2016	2015
Profitability Indicators (%)			**Change**			
Return on average total assets [(1)]	**(0.13)**	(0.58)	0.45	1.44	1.82	1.60
Return on average equity [(2)]	**(2.07)**	(9.86)	7.79	21.03	25.16	23.75
Net interest spread [(3)]	**2.29**	1.93	0.36	2.58	3.41	3.29
Net interest margin [(4)]	**2.48**	2.46	0.02	2.88	3.67	3.51
Net fee and commission income to operating income ratio	**1.00**	3.56	(2.56)	3.92	4.93	4.35
Cost-to-income ratio[(5)]	**15.02**	15.91	(0.89)	15.71	14.83	18.80

	As at 31 December					
	2019	2018	2019 vs 2018	2017	2016	2015
Assets Quality Indicators (%)			**Change**			
Non-performing loan ratio [(6)]	**7.70**	4.99	2.71	1.04	1.14	1.03
Provision coverage ratio [(7)]	**115.01**	123.75	(8.74)	268.64	336.30	369.13
Provision to loans ratio [(8)]	**8.86**	6.18	2.68	2.81	3.84	3.82
Capital Adequacy Indicators (%)			**Change**			
Core tier-one capital adequacy ratio [(9)]	**5.15**	6.07	(0.92)	8.44	9.79	8.96
Tier-one capital adequacy ratio [(10)]	**6.47**	7.43	(0.96)	10.24	9.80	8.97
Capital adequacy ratio	**8.09**	9.12	(1.03)	11.67	11.62	10.50
Total equity to total assets	**7.11**	7.18	(0.07)	8.32	7.96	7.26

Notes:

(1) Represents the net profit for the year as a percentage of the average balance of total assets at the beginning and the end of that year.

(2) Represents the Bank's net profit attributable to the Parent Company for the year as a percentage of the average balance of net assets attributable to shareholders of ordinary shares of the Parent Company at the beginning and at the end of that year.

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

(4) Calculated by dividing net interest income by average interest-earning assets, which was calculated based on the daily average of the interest-earning assets.

(5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.

(6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.

(7) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans.

(8) Provision-to-loans ratio = provision for impairment losses on loans/total loans and advances to customers.

(9) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.

(10) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

Chapter 3 Chairman's Statement

2019 marked the 70th anniversary since the founding of New China, the critical year to secure the decisive victory in building a moderately prosperous society in all respects at a high level, and also an extremely extraordinary and challenging year for the Bank to experience great changes as a result of the reform and reorganisation. Under the guidance of the Party committees, local governments and regulatory authorities at various levels, with the understanding and support of Shareholders and all sectors of the community, and under the effective supervision of the Board of Supervisors, the new session of the Board of Directors led the senior management to stabilize thoughts, staff, customers, business, operations and overall situation, concentrated efforts and minds of all the staff of the Bank to conquer difficulties, achieved rebirth after going through ups and downs and stepped on the new journey for the connotative development with high quality.

Strengthening Party leadership and Party building. The Bank adjusted the composition structure of the Party committee of the headquarters to establish a new Party committee, and improved the rules of procedure and decision-making mechanism of the Party committee to strengthen the core leadership of the Party, highlight the core role of the Party in setting the direction, managing the overall situation, controlling risks, formulating strategies, supervising the implementation and promoting development, gave play to the core decision-making role of the Party committee in "major issues, major personnel appointments and dismissals, investments in major projects and use of large sums of money", and deepened the integration of Party building with corporate governance. The Bank improved its working style by implementing the "competition in preciseness, coordination, contribution and undertaking, and taking actions", and launched a campaign on the theme of "staying true to our founding mission" to fully promote strict governance over the Party and the Bank.

Steadily promoting the reform and reorganisation. Through introduction of strategic investors, with the strong backing of three major shareholders, namely ICBC Financial Asset Investment Co., Limited, Cinda Investment Co., Ltd. and China Great Wall Asset Management Co., Ltd., the Bank injected new vitality to its stable operation and healthy development and shore up market confidence. After successfully completing the reelection of members, the Bank established the new session of the Board of Directors and the Board of Supervisors to promote corporate governance and strategic transformation in an orderly manner. The Bank also launched a capital increase and share expansion plan, and Beijing Chengfang Huida Enterprise Management Co., Ltd. controlled by the People's Bank of China and Liaoning Financial Holding Group Co., Ltd. controlled by the Liaoning Provincial Finance Department became our Shareholders, which will further enhance the Bank's capital strength and consolidate its development foundation and enhance its abilities to resist risk.

Striving to improve corporate governance. The Bank strengthened the systems and mechanisms of "the general meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the senior management", streamlined the organisational structure, supplemented the rules of procedure and clarified the respective responsibilities of the special committees under the Board to enhance the responsibility of the governance entity and the performance of duties. Members of the new session of the Board have diligently performed their duties and have given full play to their expertise by virtue of their professional quality and practicing experience to provide a strong guarantee for ensuring the scientific decision-making and effective operation of the Board.

Rebuilding development positioning and direction. The Bank clarified the original goal and mission of "serving the local economy, serving small and micro businesses, and serving urban and rural residents" as an urban commercial bank, adhered to steering its operation and development direction and finding the correct development positioning, conscientiously implemented the economic and financial policies and guidelines of the central government and the working requirements of the Party committee of the higher level, focused on its main business, gave full play to the regional advantages of an urban commercial bank and established correct business philosophy. The Bank actively explored the strategic pathway to achieve the connotative development with high quality, focused on on the new development concept of "compliance, innovation, coordination and quality", established the "1226" development strategy, which adheres to one development direction, implements two major construction projects and completes the six tasks of strengthening party construction, reforming and restructuring, developing science and technology and fostering talents to energize the Bank, enhancing the profitability and strengthening the construction of internal control and compliance.

Enhancing risk compliance management. The Bank adhered to adopting risk compliance management philosophy to standardize the internal management mechanisms. The Bank established the review mechanism on financial expenditure to enhance financial audit management, clarified the responsibilities of the risk management committee to enhance internal governance, standardized the process of credit business and established the review mechanism on credit business to improve the credit risk management system, integrated credit resources, optimized the organisational structural of line of credit business, defined the boundaries of rights and responsibilities of credit management, and increased the process efficiency of credit business. The Bank strove to adjust the internal organisational structure, streamline and rationalize the establishment of departments within the headquarters, and highlight the functions of the headquarters in directing, dispatching, controlling, supervising and operating. Through a series of initiatives to enhance management, the risk resistance capability of the Bank was effectively strengthened.

At the beginning of 2020, confronted with the sudden outbreak of COVID-19 pandemic, the Bank spared no efforts to support the prevention and control of the pandemic, launched the "Chunjin Plan" (春錦計劃) to help companies resume operation and production, and acted as the financial backup forces to fight the battle against the pandemic. May love last, the pandemic fade and all is at peace in the future!

Looking ahead, the Bank will firmly implement the policies and guidelines and major arrangements in finance set by the Party and the central government, return to the original goal and mission as an urban commercial bank, undertake the mission to serve the regional economy, formulate strategies for the connotative development with high quality, continue to deepen reform and reorganisation, consolidate the foundation and dare to innovate, resolutely forge ahead to enable the Bank of Jinzhou to regain new vigor and vitality, and create values for customers, Shareholders, staff and the society.

Wei Xuekun
Chairman
26 June 2020

Chapter 4 President's Statement

In 2019, though confronted with huge challenges and significant changes, Bank of Jinzhou successfully achieved steady transition. Under the strong leadership and scientific guidance of the Party committees, local governments and regulatory authorities at various levels, with the full understanding and support of Shareholders, the peers, customers and all sectors of the community, the new management of Bank of Jinzhou led all the staff of the Bank to unite thoughts, shore up confidence and conquer difficulties, devoted to solving the problem of survival and development, and achieved the stability of thoughts, staff, customers, business, operations and the overall situation during a special period.

Spared no efforts to maintain the overall stability. Confronted with difficulties and pressures, the management conscientiously executed the decisions and arrangements of the superior level, checked risks and hidden dangers, strengthened emergency disposal, safeguarded the bottom line of risk and reduced loss significantly to ensure the stability of the overall situation at the critical period.

Strived to improve the liquidity. The Bank issued inter-bank certificates of deposit and the first standardized bills by way of bidding and tender to promote bill financing, gradually strengthen inter-bank cooperation, restore market confidence, recover inter-bank financing functions, and improve inter-bank debt structure. With the advancement of deposit dispatch, savings deposits grew against the trend and the retail customer base continued to strengthen and the scale of the customer base has been expanded. The liquidity situation continued to improve, and the ability to use funds was gradually enhanced. As at the end of the Reporting Period, the Bank's reserve funds deposited in PBOC remained sufficient, and its liquidity had been improving.

Concentrated efforts on administrating asset quality. The Bank carried out special investigations on risk assets to find out the bottom line, adopted a precise strategy of "differentiated measures, full efforts, and one policy for one account", and established a risk asset disposal center to strengthen the specialized management of the collection and disposal of risk assets, explore the market-based disposal of risk assets and steadily mitigate risks. Also, the Bank intensified its efforts into risk governance and took shape a sound risk view so as to improve risk management system, regulate credit business procedure, coordinate credit management responsibilities and formulate a well-established asset quality management mechanism.

Devoted efforts to strengthening the internal control and compliance. For the sake of risk prevention and prudent operation, the Bank improved and promoted management mechanisms in principle, process, authorization, supervision, accountability, risk control, system and performance to enhance internal governance. The Bank also streamlined and optimised its internal organisational structure, standardised its business process and established the mechanism on the implementation of rules and regulations cross various departments to improve its business operation and risk prevention capability.

Leveraged on the application of financial technology. The Bank introduced big data technology to the customer relation management system to increase the support of new technology on its business. The Bank optimised the channel building of electronic banking and launched new mobile banking system, online banking system for corporate and new telephone banking system to enhance customers' service experience. The Bank also strengthened the scenario building for the application of smart payment, such as transportation, vegetable market, cashiering, campus and health care, and set up tax service terminals to build a mobile demonstration project for the convenience of the people.

Returned to major responsibilities and main business. The management of the Bank concentrated on the fundamental points, adhered to the original goal and mission of "serving the local economy, serving small and micro businesses, and specialized in inclusive finance, and serving urban and rural residents" as an urban commercial bank. The Bank also rebuilt its development positioning, transformed operation model, optimised business structure, returned to the original goal, focused on main business and steadily carried out operation and management to build a cooperation relationship between the finance and the real economy with co-existence and common progress.

After numerous hardships and sufferings, we get a new start. We are grateful and cherish the present. We make unremitting efforts to strive for future growth. In 2020, Bank of Jinzhou will resolutely implement the national financial policies and meet regulatory requirements, carry out new development concept closely in line with the strategic planning formulated by the Board, take reform and reorganization as a new starting point, and step on the new journey for a connotative development with high quality, consolidate the foundation and dare to innovate to make financial contribution to regional economic and social development!

Guo Wenfeng
President
26 June 2020

Chapter 5 Management Discussion and Analysis

I. Environment and Outlook

In 2019, in the face of the external environment of the global economic slowdown, China adhered to the general principle of promoting progress while maintaining stability, took the supply-side structural reform as the theme to steadily promote high-quality development, maintaining a sustained and healthy economic development and stable social development. China maintained a prudent monetary policy, and the banking industry enhanced the risk control ability, gradually returned to the source, and focused on solving the financing problems encountered by small, medium and micro enterprises and private enterprises, continuously improving the ability to serve the real economy.

Looking ahead in 2020, the COVID-19 epidemic will have a certain impact on the economic society. External uncertainties will increase, but the overall risk is controllable. In accordance with the unified deployment of the CPC Central Committee, China will continue to unswervingly implement the new concept of development, improve and strengthen the "six stability" measures, focus on promoting high-quality development, and ensure comprehensively building a moderately prosperous society. The banking industry will continue to deepen financial supply-side structural reform to defuse risks and return to its business origins.

II. Development Strategies

The year 2020 is a concluding year for building a moderately prosperous society in all respects and the "13th Five-Year Plan". It is the year for China to secure a decisive victory in achieving its first centenary goal and also the crucial year for the Bank to implement reform and reorganization.

In 2019, the Bank initiated its reform and reorganization, by which the Bank introduced a group of powerful strategic investors so as to replenish its capital and improve the shareholding structure, thus the asset structure and profitability of the Bank were improved. Subsequent to the completion of the reform and reorganization, the Bank is expected to experience a round of prolong changes in systems and mechanisms and become a state-controlled financial enterprise. Leveraging on seeking initiative development, the Bank adapted to such emerging situations and growth requirements. The Bank vigorously intensified efforts in strategic cooperation with peers to enhance our growth driver and profitability, thus achieving a sound, healthy and sustainable development.

To further elevate the level of internal control and management, the Bank will take advantage of the reform and reorganization to press ahead steadily a basic management program to comprehensively conduct refined management in such areas as system construction, business procedure and organizational structure. The Bank will also launch quality and efficiency improvement program to optimize the allocation of resources for the sake of benefits and further boost its profitability. The Bank will strengthen Party building and incorporate the leadership of the Party into all aspects of the corporate governance and operation and management of the Bank, to highlight the leading role of the Party. With an aim to avoid systematic financial risks, the Bank will intensify its efforts on the internal control and compliance development, and make comprehensive plans to build up three defense lines concerning the compliance. The Bank will implement the strategy of revitalizing the Bank by talents and launch the "535" Talent Project to bring about more internal driving forces, so as to create a group of talents with the feature of the Bank and the ability to coordinate with the "1226" development strategy. The Bank will give play to the driving effect of the financial technology and deepen the integration between the financial technology and business.

The Bank will, by fostering innovation and culture, innovate a series of institutional mechanisms for such areas as development strategy, business concept, development model, organizational structure, corporate governance, business process, product channel, risk control and compliance, and talent training, to drive the development and future by innovation. The Bank has strengthened the "three boards and one management" organizational structure, improved the corporate governance structure, and actively promoted the strategic transformation. And the Bank carried out institutional reform to steadily advance the progress of the reform. With further improvement of the internal work mechanism, the bank will improve the quality and efficiency of the administration and the ability of operation and management. Efforts should be made to ensure that "Three Views"- "the views on risk, performance and development" are coordinated and unified with each other so as to cultivate compliance culture in all rounds and practically enhance the internal control and management. The Bank will follow various arrangements made by the Central Committee of the CPC in economy and finance to strengthen the Party leadership and Party building, and persist in the principle that the Party shall supervise the finance and chart the course. The Bank will comply with regulatory policies and regulatory requirements to establish the risk appetite in line with its own self-development positioning and continue to improve the risk management system. In order to cooperate to serve the local economy, the Bank will vigorously develop the inclusive finance and promote the financial quality and efficiency in supporting the real economy. The Bank will try hard to realise the risk management coordinated with business development, business scale coordinated with capital status, fintech application coordinated with humanistic care for customers, and its self-development coordinated with shouldering social responsibility.

During the outbreak of COVID-19, the Bank will promote the "Chunjin Plan" (春錦計劃) to help enterprises resume work and production, and open a green channel for enterprises to help those affected by the epidemic get out of difficulties to knock on the barrier for market exploration and extend our business into credit market and source quality customers. The bank will incorporate "Chunjin Plan" (春錦計劃) with inclusive finance in a coordinated way to achieve featured marketing.

With in-depth study and implementation of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the fourth plenary session of the 19th CPC Central Committee, the Bank will earnestly implement the spirit of the Central Economic Work Conference and relevant work conference held by Provincial and Municipal Party Committees and Governments, as well as regulatory authorities, to carry out new development concepts. Keeping firmly in mind of its original aspiration and mission as an urban commercial bank and returning to the origin of serving the real economy via financial services, the Bank will insist on serving the local economy, serving small and micro private businesses, and serving urban and rural residents. With its cultivation in regional markets and in-depth development of local customers as the focus, and differentiated and featured products and services as two advantages of its development strategy, fully implement the principles of safety, liquidity and efficiency of commercial banks and led by the implementation of "1226" development strategy, the Bank will proactively carry out the new development philosophy of "compliance, innovation, coordination and quality". The Bank will commit to establishing an improved and efficient internal management system, achieving the establishment of a sustainable and healthy development model, achievement of a series of good operation indicators, building of a set of advanced financial technology system and development of a professional talent team with high quality, striving to become a city commercial bank featured with high-quality organic development with internal driver.

III. Financial Review

At present, the global economy is still in the period of deep adjustment after the international financial crisis. The economy in the PRC has experienced a continued momentum of stable growth while the global development is going through changes. Overall, the economy in the PRC remains stable in 2019. Under the influence of many factors such as fluctuation of the economic cycle, interest rate liberalization, tide of fintech, and regulatory policies in the industry, whilst the fundamentals of long-term favorable trend remains unchanged in the banking industry, with the sudden outbreak of the novel coronavirus pandemic, the economy of the PRC has recently been subject to increasing downward pressure. The top priority for the development in the financial industry is to closely follow our national strategy, improve its ability to serve the real economy, reduce the financing cost of the real economy, enhance the efficiency of financial resource allocation and strengthen financial risk prevention and control.

In 2019, the Bank underwent major changes with the introduction of strategic investors and reform and reorganization, reshaped its development position and insisted on serving the real economy, clearly stayed true to the positioning of "serving the local economy, serving small and micro businesses, and serving urban and rural residents" as a city commercial bank; the Bank further determined to take the path of transformation and development, proposed the new development concept of "compliance, innovation, coordination and quality" and established a new goal to take the path of high-quality organic development: the Bank established a new session of the Board and the Board of Supervisors, completed the appointment of members of senior management and rebuilt the structure of "the Board, the board of supervisors and senior management" and actively facilitate corporate governance and strategic transformation, offering driving force for its transformation and development; the Bank launched the additional capital contribution scheme to enhance its capital strength, and implemented the asset restructuring program to lay the foundation for long-term stability, so as to provide targeted solutions to the problems affecting and restricting its development.

As at the end of the Reporting Period, the total assets of the Bank amounted to RMB836.694 billion, representing a year-on-year decrease of 1.1%; the net loans and advances to customers amounted to RMB452.696 billion, representing a year-on-year increase of 29.7%; the non-performing loan ratio was 7.70%; the balance of deposits from customers amounted to RMB407.113 billion, representing a year-on-year decrease of 8.6%. During the Reporting Period, the operating income of the Bank amounted to RMB23.170 billion, representing a year-on-year increase of 8.9%; and the net loss amounted to RMB1.110 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 8.09%, 6.47% and 5.15%, respectively.

(I) Analysis of the income statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019	2018	Change in amount	Rate of change (%)
Interest income	**47,820,476**	46,002,674	1,817,802	4.0
Interest expense	**(28,475,443)**	(26,901,602)	(1,573,841)	5.9
Net interest income	**19,345,033**	19,101,072	243,961	1.3
Net fee and commission income	**231,714**	757,528	(525,814)	(69.4)
Net trading gains	**3,372,617**	1,491,100	1,881,517	126.2
Dividend income	**1,200**	880	320	36.4
Net gains arising from investment securities	**240,556**	100,234	140,322	140.0
Net foreign exchange losses	**(42,008)**	(183,660)	141,652	(77.1)
Other net operating income	**20,587**	16,045	4,542	28.3
Operating income	**23,169,699**	21,283,199	1,886,500	8.9
Operating expenses	**(3,761,683)**	(3,586,646)	(175,037)	4.9
Impairment losses on assets	**(20,846,120)**	(23,683,718)	2,837,598	(12.0)
Loss before tax	**(1,438,104)**	(5,987,165)	4,549,061	(76.0)
Income tax credit	**327,858**	1,449,054	(1,121,196)	(77.4)
Net Loss	**(1,110,246)**	(4,538,111)	3,427,865	(75.5)

During the Reporting Period, the Bank's loss before tax was RMB1.438 billion and net loss was RMB1.110 billion. Net interest income was RMB19.345 billion, representing an increase of RMB244 million or 1.3% as compared with that for the year ended 31 December 2018.

1. **Net interest income**

Net interest income accounted for the largest portion of the Bank's operating income, representing 83.5% and 89.7% of operating income for the Reporting Period and the year ended 31 December, 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 2019	2018	Change in amount	Rate of change (%)
Interest income	**47,820,476**	46,002,674	1,817,802	4.0
Interest expense	**(28,475,443)**	(26,901,602)	(1,573,841)	5.9
Net interest income	**19,345,033**	19,101,072	243,961	1.3

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					
	2019			2018		
(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	**418,970,194**	**28,744,866**	**6.86**	270,869,061	18,096,785	6.68
Investment securities and other financial assets	**280,344,064**	**16,918,411**	**6.03**	424,752,764	26,009,233	6.12
Deposits with the central bank	**50,658,032**	**783,992**	**1.55**	57,224,773	899,102	1.57
Deposits with banks and other financial institutions	**12,112,058**	**274,390**	**2.27**	10,363,275	296,894	2.86
Placements with banks and other financial institutions	**6,241,180**	**378,505**	**6.06**	3,436,499	100,178	2.92
Financial assets held under resale agreements	**3,070,714**	**75,467**	**2.46**	2,132,221	60,172	2.82
Finance lease receivables	**8,257,890**	**644,845**	**7.81**	7,300,331	540,310	7.40
Total interest-earning assets	**779,654,132**	**47,820,476**	**6.13**	776,078,924	46,002,674	5.93

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019 Average balance	Interest income/ expense	Average yield/ cost (%)	2018 Average balance	Interest income/ expense	Average yield/ cost (%)
Interest-Bearing Liabilities						
Deposits from customers	**434,326,716**	**15,355,016**	**3.54**	384,044,270	14,100,881	3.67
Deposits from banks and other financial institutions	**150,091,537**	**7,239,261**	**4.82**	135,487,127	6,741,064	4.98
Placements from banks and other financial institutions	**27,939,865**	**1,175,230**	**4.21**	22,240,983	567,146	2.55
Financial assets sold under repurchase agreements	**26,950,768**	**757,419**	**2.81**	46,016,517	1,565,501	3.40
Debt securities issued	**86,494,834**	**3,282,233**	**3.79**	84,833,008	3,923,616	4.63
Borrowing from the central bank	**16,175,348**	**666,284**	**4.12**	155,911	3,394	2.18
Total interest-bearing liabilities	**741,979,068**	**28,475,443**	**3.84**	672,777,816	26,901,602	4.00
Net interest income		**19,345,033**			19,101,072	
Net interest spread (1)			**2.29**			1.93
Net interest margin (2)			**2.48**			2.46

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)	2019 vs 2018 Volume[(1)]	Interest rate[(2)]	Net increase/ (decrease)[(3)]
Interest-Earning Assets			
Loans and advances to customers	9,894,649	753,432	10,648,081
Investment securities and other financial assets	(8,842,696)	(248,126)	(9,090,822)
Deposits with the central bank	(103,175)	(11,935)	(115,110)
Deposits with banks and other financial institutions	50,100	(72,604)	(22,504)
Placements with banks and other financial institutions	81,760	196,567	278,327
Financial assets held under resale agreements	26,485	(11,190)	15,295
Finance lease receivables	70,871	33,664	104,535
Changes in interest income	1,177,994	639,808	1,817,802
Interest-Bearing Liabilities			
Deposits from customers	1,846,211	(592,076)	1,254,135
Deposits from banks and other financial institutions	726,632	(228,435)	498,197
Placements from banks and other financial institutions	145,322	462,762	608,084
Financial assets sold under repurchase agreements	(648,625)	(159,457)	(808,082)
Debt securities issued	76,861	(718,244)	(641,383)
Borrowing from the central bank	348,725	314,165	662,890
Changes in interest expense	2,495,126	(921,285)	1,573,841
Changes in net interest income	(1,317,132)	1,561,093	243,961

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 or expense for the year minus interest income or 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 2019 Amount	% of total	2018 Amount	% of total
Loans and advances to customers				
Corporate loans	**27,649,787**	**57.8**	17,022,624	37.0
Personal loans	**635,024**	**1.3**	683,785	1.5
Discounted bills	**460,055**	**1.0**	390,376	0.8
Subtotal	**28,744,866**	**60.1**	18,096,785	39.3
Investment securities and other financial assets	**16,918,411**	**35.4**	26,009,233	56.6
Deposits with the central bank	**783,992**	**1.6**	899,102	2.0
Deposits with banks and other financial institutions	**274,390**	**0.6**	296,894	0.6
Financial assets held under resale agreements	**75,467**	**0.2**	60,172	0.1
Placements with banks and other financial institutions	**378,505**	**0.8**	100,178	0.2
Finance lease receivables	**644,845**	**1.3**	540,310	1.2
Total	**47,820,476**	**100.0**	46,002,674	100.0

The Bank's interest income increased by 4.0% to RMB47,820,476 thousand in the Reporting Period from RMB46,002,674 thousand for the year ended 31 December 2018, primarily due to the daily average increase in the interest-earning assets 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 60.1% and 39.3% of the Bank's interest income in the Reporting Period and for the year ended 31 December 2018, 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:

	For the year ended 31 December					
(Expressed in thousands of Renminbi, unless otherwise stated)	2019			2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	401,362,964	27,649,787	6.89	252,601,605	17,022,624	6.74
Personal loans	10,826,579	635,024	5.87	10,700,562	683,785	6.39
Discounted bills	6,780,651	460,055	6.78	7,566,894	390,376	5.16
Total	418,970,194	28,744,866	6.86	270,869,061	18,096,785	6.68

Interest income from loans and advances to customers increased by 58.8% to RMB28,744,866 thousand in the Reporting Period from RMB18,096,785 thousand for the year ended 31 December 2018, primarily due to the increase in average balance of loans and advances to customers and the increase in average yield. The average balance of loans and advances to customers increased by 54.7% to RMB418,970,194 thousand in the Reporting Period from RMB270,869,061 thousand for the year ended 31 December 2018, primarily because the Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to loans and the Bank appropriately increased the size of loans based on the development needs for the real economy and its own business development plans. The average yield increased to 6.86% in the Reporting Period from 6.68% for the year ended 31 December 2018.

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

Interest income from investment securities and other financial assets decreased by 35.0% to RMB16,918,411 thousand in the Reporting Period from RMB26,009,233 thousand for the year ended 31 December 2018, primarily due to the decreases in the average balance and average yield of investment securities and other financial assets. The average balance of investment securities and other financial assets decreased by 34.0% to RMB280,344,064 thousand in the Reporting Period from RMB424,752,764 thousand for the year ended 31 December 2018, primarily due to the decrease in the scale of beneficiary rights transfer plan measured at amortised cost.

(3) *Interest income from deposits with the central bank*

Interest income from deposits with the central bank decreased by 12.8% to RMB783,992 thousand in the Reporting Period from RMB899,102 thousand for the year ended 31 December 2018, primarily due to the decrease in the average balance of deposits 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 7.6% to RMB274,390 thousand in the Reporting Period from RMB296,894 thousand for the year ended 31 December 2018, mainly due to the decrease in average yield of the Bank's deposits with banks and other financial institutions. The average yield decreased to 2.27% in the Reporting Period from 2.86% for the year ended 31 December 2018, primarily due to the decline in the interest rate of capital in the interbank market and the decline in average period of 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 277.8% to RMB378,505 thousand in the Reporting Period from RMB100,178 thousand for the year ended 31 December 2018, primarily due to the increase in the average balance and average yield of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 81.6% to RMB6,241,180 thousand in the Reporting Period from RMB3,436,499 thousand for the year ended 31 December 2018, The average yield of placements with banks and other financial institutions rose to 6.06% in the Reporting Period from 2.92% for the year ended 31 December 2018.

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

Interest income from financial assets held under resale agreements increased by 25.4% to RMB75,467 thousand in the Reporting Period from RMB60,172 thousand for the year ended 31 December 2018, primarily due to the increase in interest income brought by the increase in average balance of financial assets held under resale agreements, partially offset by the decrease in income interest due to the decline in the average yield. The average balance of financial assets held under resale agreements increased by 44.0% to RMB3,070,714 thousand in the Reporting Period from RMB2,132,221 thousand for the year ended 31 December 2018, primarily because the Bank increased 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 19.3% to RMB644,845 thousand in the Reporting Period from RMB540,310 thousand for the year ended 31 December 2018, primarily due to the increase in average balance of and average yield finance lease receivables.

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			
	2019		2018	
(Expressed in thousands of Renminbi, unless otherwise stated)	Amount	% of total	Amount	% of total
Deposits from customers	**15,355,016**	**54.0**	14,100,881	52.4
Deposits from banks and other financial institutions	**7,239,261**	**25.4**	6,741,064	25.1
Placements from banks and other financial institutions	**1,175,230**	**4.1**	567,146	2.1
Financial assets sold under repurchase agreements	**757,419**	**2.7**	1,565,501	5.8
Debt securities issued	**3,282,233**	**11.5**	3,923,616	14.6
Borrowing from the central bank	**666,284**	**2.3**	3,394	0.0
Total	**28,475,443**	**100.0**	26,901,602	100.0

Interest expense of the Bank increased by 5.9% from RMB26,901,602 thousand for the year ended 31 December 2018 to RMB28,475,443 thousand during the Reporting Period, mainly due to the increase in average balance of deposits from customers, deposits from banks and other financial institutions.

(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 2019 Average balance	Interest expense	Average cost (%)	2018 Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	**120,235,235**	**3,608,647**	**3.00**	133,901,619	5,849,840	4.37
Demand	**41,345,975**	**549,778**	**1.33**	50,730,041	880,675	1.74
Subtotal	**161,581,210**	**4,158,425**	**2.57**	184,631,660	6,730,515	3.65
Personal deposits						
Time	**249,353,948**	**10,657,458**	**4.27**	182,710,793	7,149,556	3.91
Demand	**23,391,558**	**539,133**	**2.30**	16,701,817	220,810	1.32
Subtotal	**272,745,506**	**11,196,591**	**4.11**	199,412,610	7,370,366	3.70
Total deposits from customers	**434,326,716**	**15,355,016**	**3.54**	384,044,270	14,100,881	3.67

Interest expense on deposits from customers increased by 8.9% to RMB15,355,016 thousand in the Reporting Period from RMB14,100,881 thousand for the year ended 31 December 2018, primarily due to the increase in the average balance of the Bank's deposits from customers.

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

Interest expense on deposits from banks and other financial institutions increased by 7.4% to RMB7,239,261 thousand in the Reporting Period from RMB6,741,064 thousand for the year ended 31 December 2018, primarily due to the increase in the average balance of deposits from 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 107.2% to RMB1,175,230 thousand in the Reporting Period from RMB567,146 thousand for the year ended 31 December 2018, 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 25.6% to RMB27,939,865 thousand in the Reporting Period from RMB22,240,983 thousand for the year ended 31 December 2018, primarily due to the increase of trade volume of placements from banks and other financial institutions by the Bank. The average cost of placements from banks and other financial institutions increased from 2.55% for the year ended 31 December 2018 to 4.21% in the Reporting Period, which was primarily due to the increase of average period of placements from banks and other financial institutions and the increase of placements from banks and other financial institutions which are dominated in RMB and with a higher interest rate.

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

Interest expense on financial assets sold under repurchase agreements decreased by 51.6% to RMB757,419 thousand in the Reporting Period from RMB1,565,501 thousand for the year ended 31 December 2018, primarily due to the decrease in average balance and the decline in average cost. The average balance of financial assets sold under repurchase agreements decreased by 41.4% to RMB26,950,768 thousand in the Reporting Period from RMB46,016,517 thousand for the year ended 31 December 2018, mainly due to the Bank reduced the size of financial assets sold under repurchase agreements for the need to manage the liquidity of the Bank. The average cost of financial assets sold under repurchase agreements decreased to 2.81% in the Reporting Period from 3.40% for the year ended 31 December 2018, primarily due to the decline in the average interest rate in the capital market during the Reporting Period.

(5) Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued amounted to RMB3,282,233 thousand, representing a decreased of RMB641,383 thousand or 16.3% as compared with that for the year ended 31 December 2018, which was mainly due to the decrease in the interest expense driven by the decrease in average cost of the Bank's debt securities issued, partially offset by the increase in interest expense resulting from the increase in average balance. The average balance of the Bank's debt securities issued increased by 2.0% to RMB86,494,834 thousand in the Reporting Period from RMB84,833,008 thousand for the year ended 31 December 2018, which was mainly due to the increase of issuance in interbank certificates of deposit by the Bank; the average cost decreased to 3.79% in the Reporting Period from 4.63% for the year ended 31 December 2018, primarily due to the decline in the average interest rate in the market of the interbank certificates of deposit.

(6) Interest expense on borrowing from the central bank

During the Reporting Period, the Bank's interest expense on borrowing from the central bank increased to RMB666,284 thousand in the Reporting Period from RMB3,394 thousand for the year ended 31 December 2018.

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 increased to 2.29% in the Reporting Period as compared to 1.93% for the year ended 31 December 2018 and the net interest margin increased to 2.48% in the Reporting Period as compared to 2.46% for the year ended 31 December 2018, primarily due to the increase in the average yield of the Bank's interest-earning assets and the decrease in the average cost of the interest-bearing liabilities.

5. Non-interest income

(1) Net fee and commission income

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019	2018	Change	Rate of change (%)
Fee and commission income				
Agency services fees	**56,579**	211,284	(154,705)	(73.2)
Settlement and clearing fees	**84,912**	231,747	(146,835)	(63.4)
Wealth management service fees	**172,926**	251,683	(78,757)	(31.3)
Underwriting and advisory fees	**49,422**	86,970	(37,548)	(43.2)
Bank card service fees	**11,683**	13,002	(1,319)	(10.1)
Others	**46,770**	47,437	(667)	(1.4)
Subtotal	**422,292**	842,123	(419,831)	(49.9)
Fee and commission expense				
Settlement and clearing fees	**41,826**	42,938	(1,112)	(2.6)
Others	**148,752**	41,657	107,095	257.1
Subtotal	**190,578**	84,595	105,983	125.3
Net fee and commission income	**231,714**	757,528	(525,814)	(69.4)

The fee and commission income decreased by 49.9% to RMB422,292 thousand in the Reporting Period as compared to RMB842,123 thousand for the year ended 31 December 2018, primarily due to the decrease in the agency services fees and settlement and clearing fees of the Bank. The agency services fees decreased by 73.2% to RMB56,579 thousand in the Reporting Period as compared to RMB211,284 thousand for the year ended 31 December 2018, primarily due to the reduction in the scale of entrusted loan business by the Bank. The settlement and clearing fees decreased by 63.4% to RMB84,912 thousand in the Reporting Period as compared to RMB231,747 thousand for the year ended 31 December 2018, primarily because of a decrease in the scale of bank acceptance bills and letter of credit, resulting in the decrease in fee income of corporate settlement business.

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 increased by 125.3% to RMB190,578 thousand in the Reporting Period as compared to RMB84,595 thousand for the year ended 31 December 2018.

(2) Net trading gains

Net trading gains primarily comprise of net gains or losses from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. The Bank incurred a net trading gain of RMB3,372,617 thousand, representing an increase of 126.2% as compared to RMB1,491,100 thousand for the year ended 31 December 2018, primarily due to the increase in the volume of investment transactions of the Bank and the increase in the change of fair value on financial assets at fair value as a result of downward market interest rates.

(3) Dividend income

Dividend income increased by 36.4% to RMB1,200 thousand in the Reporting Period from RMB880 thousand for the year ended 31 December 2018.

(4) Net gains arising from investment securities

Net gains from investment securities increased by 140.0% to RMB240,556 thousand in the Reporting Period from RMB100,234 thousand for the year ended 31 December 2018, 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 77.1% to RMB42,008 thousand in the Reporting Period from RMB183,660 thousand for the year ended 31 December 2018, primarily due to the decrease in net foreign exchange losses on derivatives (such as spot and forward foreign exchange) resulting from the changes in the prices of foreign exchange rates.

(6) Other net operating income

Other net operating income increased by 28.3% to RMB20,587 thousand in the Reporting Period from RMB16,045 thousand for the year ended 31 December 2018, which was mainly due to the increase in rental income from the lease of fixed assets of the Bank during the Reporting Period.

6. Operating expenses

During the Reporting Period, the Bank's operating expenses were RMB3,761,683 thousand, representing a year-on-year increase of RMB175,037 thousand or 4.9%.

	For the year ended 31 December			
(Expressed in thousands of Renminbi, unless otherwise stated)	**2019**	2018	Change	Rate of change (%)
Staff costs	**1,857,441**	1,783,664	73,777	4.1
General and administrative expenses	**994,043**	989,780	4,263	0.4
Tax and surcharges	**281,934**	200,414	81,520	40.7
Depreciation and amortisation	**556,207**	427,286	128,921	30.2
Others	**72,058**	185,502	(113,444)	(61.2)
Total operating expenses	**3,761,683**	3,586,646	175,037	4.9

(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			
	2019	2018	Change	Rate of change (%)
Salaries and bonuses	**1,350,363**	1,263,408	86,955	6.9
Social insurance	**262,470**	261,511	959	0.4
Housing allowances	**110,868**	97,165	13,703	14.1
Staff welfare	**54,435**	71,386	(16,951)	(23.7)
Supplementary retirement benefit	**2,425**	1,961	464	23.7
Other long-term staff welfare	**24,032**	38,529	(14,497)	(37.6)
Others	**52,848**	49,704	3,144	6.3
Total staff costs	**1,857,441**	1,783,664	73,777	4.1

During the Reporting Period, the staff costs of the Bank were RMB1,857,441 thousand, representing an increase of RMB73,777 thousand or 4.1% as compared with that for the year ended 31 December 2018, which was mainly due to the increase in human resource costs resulting from the increased number of employees of the Bank.

(2) General and administrative expenses

General and administrative expenses increased by 0.4% to RMB994,043 thousand in the Reporting Period as compared to RMB989,780 thousand for the year ended 31 December 2018.

(3) Tax and surcharges

The Bank's tax and surcharges increased by 40.7% to RMB281,934 thousand in the Reporting Period from RMB200,414 thousand for the year ended 31 December 2018, primarily attributable to the increase in value-added tax payable due to the business development of the Bank.

(4) Depreciation and amortisation

Depreciation and amortisation increased by 30.2% to RMB556,207 thousand in the Reporting Period from RMB427,286 thousand for the year ended 31 December 2018, primarily due to increases in depreciation and amortisation expenses as a result of the increase in the Bank's capital expenditure.

(5) Others

Other operating expense of the Bank decreased by 61.2% to RMB72,058 thousand in the Reporting Period from RMB185,502 thousand for the year ended 31 December 2018.

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 2019	31 December 2018
Loans and advances to customers	**21,182,057**	17,489,929
Deposits and placements with banks and other financial institutions	**366,436**	37,920
Financial assets held under resale agreements	**–**	(47)
Financial assets at fair value through other comprehensive income	**(4,717)**	(25,522)
Financial assets measured at amortised cost	**3,879**	4,768,271
Finance lease receivables	**401,341**	202,614
Credit commitments	**(1,117,372)**	1,185,636
Others	**14,496**	24,917
Total	**20,846,120**	23,683,718

Impairment losses on assets decreased by 12.0% to RMB20,846,120 thousand in the Reporting Period from RMB23,683,718 thousand for the year ended 31 December 2018.

8. **Income tax credit**

In the Reporting Period, the Bank's income tax credit was RMB327,858 thousand, representing a decrease of RMB1,121,196 thousand as compared to that for the year ended 31 December 2018. The Bank's effective tax rate was 22.80%, representing a decrease of 1.40 percentage points as compared to that for the year ended 31 December 2018.

(II) Analysis of the statement of financial position

1. Assets

As at the end of the Reporting Period and as at 31 December 2018, the Bank had total assets of RMB836,694,191 thousand and RMB845,922,748 thousand, respectively. The principal components of the assets as at the end of the Reporting Period were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and deposits with the central bank, accounting for 54.1%, 27.8% and 12.6% 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 2019**		As at 31 December 2018	
	Amount	**% of total**	Amount	% of total
Assets				
Total loans and advances to customers	**489,116,947**	**58.5**	370,725,731	43.8
Interests receivable on loans and advances to customers	**6,916,601**	**0.8**	1,276,467	0.2
Provision for impairment losses on loans and advances to customers	**(43,338,037)**	**(5.2)**	(22,892,075)	(2.7)
Net loans and advances to customers	**452,695,511**	**54.1**	349,110,123	41.3
Net investments securities and other financial assets (1)	**232,866,405**	**27.8**	392,056,838	46.3
Cash and deposits with the central bank	**105,176,537**	**12.6**	64,618,759	7.6
Deposits with banks and other financial institutions	**8,301,592**	**1.0**	16,231,627	1.9
Financial assets held under resale agreements	**–**	**–**	100,073	0.0
Placements with banks and other financial institutions	**5,643,864**	**0.6**	48,454	0.0
Finance lease receivables	**6,408,314**	**0.8**	7,484,842	0.9
Other assets (2)	**25,601,968**	**3.1**	16,272,032	2.0
Total assets	**836,694,191**	**100.0**	845,922,748	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.

(2) Include property and equipment, deferred income tax assets, derivative financial assets, right-of-use assets and others.

The Bank's total assets decreased by 1.1% from RMB845,922,748 thousand as at 31 December 2018 to RMB836,694,191 thousand as at the end of the Reporting Period.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers were RMB489,116,947 thousand, representing an increase of 31.9% as compared to that as at 31 December 2018. Total loans and advances to customers accounted for 58.5% of the Bank's total assets, representing an increase of 14.7 percentage points as compared to that as at 31 December 2018.

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2019**		As at 31 December 2018	
	Amount	**% of total**	Amount	% of total
Corporate loans	**478,058,240**	**97.7**	352,315,497	95.0
Personal loans	**10,832,280**	**2.2**	12,065,859	3.3
Discounted bills	**226,427**	**0.1**	6,344,375	1.7
Total loans and advances to customers	**489,116,947**	**100.0**	370,725,731	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 2018, the Bank's corporate loans amounted to RMB478,058,240 thousand and RMB352,315,497 thousand, accounting for 97.7% and 95.0% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 35.7% from RMB352,315,497 thousand as at 31 December 2018 to RMB478,058,240 thousand as at the end of the Reporting Period, primarily because (i) the Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to loans; and (ii) the Bank appropriately increased the size of loans based on the development needs for the real economy and its own business development plans.

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 RMB10,832,280 thousand, representing a decrease of RMB1,233,579 thousand or 10.2% as compared to that as at 31 December 2018, accounting for 2.2% 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 2018, collateralised loans, pledged loans or guaranteed loans of the Bank represented, in aggregate, 96.5% and 94.4%, 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 2019**		As at 31 December 2018	
	Amount	**% of total**	Amount	% of total
Unsecured loans	**17,138,867**	**3.5**	20,654,552	5.6
Guaranteed loans	**260,445,235**	**53.2**	165,361,842	44.6
Collateralised loans	**147,589,293**	**30.2**	106,011,207	28.6
Pledged loans	**63,943,552**	**13.1**	78,698,130	21.2
Total loans and advances to customers	**489,116,947**	**100.0**	370,725,731	100.0

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB211,532,845 thousand, representing an increase of RMB26,823,508 thousand or 14.5% as compared to that as at 31 December 2018, and accounting for 43.3% of the total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB277,584,102 thousand, representing an increase of RMB91,567,708 thousand as compared to that as at 31 December 2018, accounting for 56.7% 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 measured at amortised cost for the Reporting Period are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019 ECL over the next 12 months	Lifetime ECL – not credit-impaired loans	Lifetime ECL – Credit-impaired loans	Total
As at 1 January 2019	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Transferred：				
– to the expected credit loss ("**ECL**") over the next 12 months	(4,182,527)	3,342,190	840,337	–
– to lifetime ECL- not credit-impaired loans	113,521	(3,826,601)	3,713,080	–
– to lifetime ECL- credit impaired loans	345,649	1,186,374	(1,532,023)	–
Net (charge)/release for the year	(2,756,326)	1,268,789	(19,694,520)	(21,182,057)
Write-offs	–	–	736,095	736,095
As at 31 December 2019	**(12,151,110)**	**(4,314,052)**	**(26,872,875)**	**(43,338,037)**

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019 ECL over the next 12 months	Lifetime ECL – not credit-impaired loans	Lifetime ECL – Credit-impaired loans	Total
As at 1 January 2019	(11,586)	–	–	(11,586)
Net release for the year	6,452	–	–	6,452
As at 31 December 2019	**(5,134)**	**–**	**–**	**(5,134)**

(iii) Changes of provision for impairment losses on loans and advances to customers at amortised cost for the year ended 31 December 2018 are as follows:

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

(iv) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the year ended 31 December 2018 are as follows:

	For the year ended 31 December 2018			
(Expressed in thousands of Renminbi, unless otherwise stated)	ECL over the next 12 months	Lifetime ECL -not credit-impaired loans	Lifetime ECL -Credit-impaired loans	Total
As at 1 January 2018	(36,811)	–	–	(36,811)
Net release for the year	25,225	–	–	25,225
As at 31 December 2018	(11,586)	–	–	(11,586)

Provision for impairment losses on loans increased by 89.2% from RMB22,903,661 thousand as at 31 December 2018 to RMB43,343,171 thousand as at the end of the Reporting Period, primarily due to the adoption of expected credit loss model and the increase of the Bank's provision for impairment losses so as to enhance risk resilience in response to the decline in asset quality and the increase in the outstanding balance of non-performing assets and the implementation of IFRS 9 Financial Instruments ("**IFRS 9**").

(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 and financial assets measured at amortised cost. As at the end of the Reporting Period and as at 31 December 2018, the Bank had net investment securities and other financial assets of RMB232,866,405 thousand and RMB392,056,838 thousand, accounting for 27.8% and 46.3% 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 2019		As at 31 December 2018	
	Amount	**% of total**	Amount	% of total
Debt investments	**65,047,599**	**28.4**	98,056,778	25.1
Financial assets at fair value through profit or loss	48,869,919	21.3	49,476,093	12.7
Financial assets at fair value through other comprehensive income	11,196,501	4.9	41,445,323	10.6
Financial assets measured at amortised cost	4,993,287	2.2	7,145,530	1.8
Provision for impairment losses on debt investments	(12,108)	0.0	(10,168)	0.0
Equity investments	**1,231,496**	**0.5**	609,330	0.2
Financial assets at fair value through other comprehensive income	1,231,496	0.5	609,330	0.2
Wealth management products investments	**6,287,252**	**2.7**	16,586,787	4.3
Financial assets at amortised cost (other than debt investments)	**156,778,573**	**68.4**	274,105,502	70.4
Beneficial interest transfer plans	165,999,362	72.4	283,324,352	72.8
Provision for impairment losses on financial assets measured at amortised cost (other than debt investments)	(9,220,789)	(4.0)	(9,218,850)	(2.4)
Net investments	**229,344,920**	**100.0**	389,358,397	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 RMB229,344,920 thousand, representing a decrease of 41.1% from RMB389,358,397 thousand as at 31 December 2018, which was mainly attributable to the Bank's reclassification of the business type of part of beneficial interest transfer plans measured at amortised cost to loans, and the decrease in the scale of debt investment.

2. Liabilities

As at the end of the Reporting Period and as at 31 December 2018, the Bank's total liabilities amounted to RMB777,188,742 thousand and RMB785,159,604 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 52.4%, 22.9% and 14.2%, 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, unless otherwise stated)	**As at 31 December 2019**		As at 31 December 2018	
	Amount	**% of total**	Amount	% of total
Deposits from customers	**407,112,779**	**52.4**	445,576,089	56.7
Deposits from banks and other financial institutions	**178,117,754**	**22.9**	164,629,085	21.0
Financial assets sold under repurchase agreements	**10,106,602**	**1.3**	43,445,203	5.5
Debt securities issued	**110,108,837**	**14.2**	89,668,782	11.4
Placements from banks and other financial institutions	**27,731,363**	**3.6**	20,760,381	2.6
Financial liabilities at fair value through profit or loss	**6,282,210**	**0.8**	16,512,712	2.1
Other liabilities (1)	**37,729,197**	**4.8**	4,567,352	0.7
Total	**777,188,742**	**100.0**	785,159,604	100.0

Note:

(1) Include borrowing from the central bank, derivative financial liabilities, staff remuneration payable, taxes payable, lease liabilities 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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	**44,619,637**	**11.3**	56,908,802	13.1
Time deposits	**74,517,612**	**18.8**	142,277,063	32.8
Subtotal	**119,137,249**	**30.1**	199,185,865	45.9
Personal deposits				
Demand deposits	**24,407,499**	**6.2**	19,850,460	4.6
Time deposits	**252,765,638**	**63.7**	214,731,969	49.5
Subtotal	**277,173,137**	**69.9**	234,582,429	54.1
Total	**396,310,386**	**100.0**	433,768,294	100.0

As at the end of the Reporting Period, the Bank's total deposits from customers (interests payable not included) amounted to RMB396,310,386 thousand, representing a decrease of RMB37,457,908 thousand or 8.6% as compared to that as at 31 December 2018. Deposits from customers (interests payable not included) accounted for 51.0% of total liabilities, representing a decrease of 4.2 percentage points as compared to that as at 31 December 2018.

(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 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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Deposits in Mainland China				
– Banks	**50,154,053**	**28.4**	69,997,464	43.2
– Other financial institutions	**126,524,695**	**71.6**	92,018,528	56.8
Total	**176,678,748**	**100.0**	162,015,992	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 RMB176,678,748 thousand, representing an increase of RMB14,662,756 thousand or 9.1% as compared to that as at 31 December 2018.

(3) Debt securities issued

Upon the approval of CBRC and the 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 2018, the Bank issued 120 and 212 tranches of RMB negotiable certificates of deposit which were not matured, the balance of which were RMB103,454 million and RMB81,400 million, respectively.

3. Shareholders' equity

The following table sets forth the composition of the Shareholders' equity as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2019**		As at 31 December 2018	
	Amount	**% of total**	Amount	% of total
Share capital	**7,781,616**	**13.1**	7,781,616	12.8
Other equity instruments				
including: offshore preference shares	**9,897,363**	**16.6**	9,897,363	16.3
Capital reserve	**20,583,321**	**34.6**	20,730,770	34.1
Surplus reserve	**2,994,679**	**5.0**	2,994,679	4.9
General reserve	**11,800,217**	**19.8**	11,802,132	19.4
Retained earnings	**2,614,222**	**4.4**	3,570,852	5.9
Non-controlling interests	**3,834,031**	**6.5**	3,985,732	6.6
Total equity	**59,505,449**	**100.0**	60,763,144	100.0

(III) Loans 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 RMB37,685,036 thousand. The Bank's total provision for impairment losses on loans to customers measured at amortised cost and at fair value through other comprehensive income was RMB43,343,171 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 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Normal	**376,304,315**	**76.9**	290,209,315	78.3
Special mention	**75,127,596**	**15.4**	62,008,268	16.7
Substandard	**28,725,027**	**5.8**	10,072,423	2.7
Doubtful	**8,171,797**	**1.7**	7,699,364	2.1
Loss	**788,212**	**0.2**	736,361	0.2
Total loans and advances to customers	**489,116,947**	**100.0**	370,725,731	100.0
Non-performing loan	**37,685,036**	**7.70**	18,508,148	4.99

As at the end of Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank were 7.70% and 4.99%, respectively. The Bank's non-performing loan ratio as at the end of Reporting Period is 2.71 percentage points higher as compared to that as at 31 December 2018, primarily due to the fact that (i) macro-economy was on a downward trend; (ii) the economy got worse in the region where the Bank is operated; and (iii) customers in certain industries experienced difficulties in their operation.

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 2019 Loan amount	% of total	Non-performing loan amount	Non-performing loan rate (%)	As at 31 December 2018 Loan amount	% of total	Non-performing loan amount	Non-performing loan rate (%)
Corporate loans								
Wholesale and retail trade	227,296,037	46.6	9,308,652	4.10	160,556,340	43.3	3,646,802	2.27
Manufacturing	97,315,189	19.9	8,821,596	9.06	69,766,423	18.8	8,405,265	12.05
Leasing and commercial services	43,653,896	8.9	4,704,812	10.78	28,961,888	7.8	44,830	0.15
Real estate	35,035,141	7.2	5,733,428	16.36	25,681,503	6.9	637,937	2.48
Transportation, storage and postal services	10,793,156	2.2	2,642,941	24.49	9,224,015	2.5	1,510,000	16.37
Scientific research and technical services	7,298,272	1.5	–	–	3,833,122	1.0	–	–
Education	7,197,553	1.5	4,160	0.06	6,539,454	1.8	140	0.00
Electricity, gas and water production and supply	6,600,856	1.3	668,710	10.13	7,412,338	2.0	1,295,850	17.48
Mining	5,139,382	1.1	1,387,501	27.00	5,002,120	1.3	1,606,682	32.12
Construction	4,541,158	0.9	457,542	10.08	3,555,251	1.0	26,296	0.74
Public management and social organization	4,146,060	0.8	–	–	8,061,209	2.2	–	–
Water, environment and public utility management	3,602,950	0.7	428,000	11.88	1,519,360	0.4	–	–
Agriculture, forestry, animal husbandry and fishery	1,166,923	0.2	366,780	31.43	1,253,166	0.3	123,866	9.88
Others	24,271,667	5.0	736,825	3.04	20,949,308	5.7	155,454	0.74
Discounted bills	226,427	0.0	–	–	6,344,375	1.7	–	–
Personal loans	10,832,280	2.2	2,424,089	22.38	12,065,859	3.3	1,055,026	8.74
Total	489,116,947	100.0	37,685,036	7.70	370,725,731	100.0	18,508,148	4.99

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 2018, the balance of loans provided to the corporate customers in the aforesaid three industries was RMB368,265,122 thousand and RMB259,284,651 thousand, respectively, accounting for 77.0% and 73.6% of the total corporate loans and advances issued by the Bank, respectively. From the perspective of the structure of increased volume, the three industries of (i) wholesale and retail trade, (ii) manufacturing, and (iii) leasing and commercial services experienced the largest increment, representing increases of RMB66,739,697 thousand or 41.6%, RMB27,548,766 thousand or 39.5%, and RMB14,692,008 thousand or 50.7%, 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 2019	
Customer	Industry involved	Amount	% of total
Customer A	Manufacturing	5,600,000	1.1
Customer B	Manufacturing	5,449,000	1.1
Customer C	Leasing and commercial services	3,615,400	0.7
Customer D	Manufacturing	3,567,440	0.7
Customer E	Real estate	3,470,000	0.7
Customer F	Scientific research and technical services	3,185,000	0.7
Customer G	Wholesale and retail trade	3,098,000	0.6
Customer H	Wholesale and retail trade	3,080,110	0.6
Customer I	Leasing and commercial services	3,000,000	0.6
Customer J	Wholesale and retail trade	2,970,000	0.6

(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 2019 Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	As at 31 December 2018 Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances						
Small enterprises and micro enterprises	**233,027,838**	**18,850,264**	**8.09**	173,698,257	6,174,428	3.55
Medium enterprises	**138,812,040**	**8,513,635**	**6.13**	118,193,089	5,196,099	4.40
Others	**106,218,362**	**7,897,048**	**7.43**	60,424,151	6,082,595	10.07
Subtotal	**478,058,240**	**35,260,947**	**7.38**	352,315,497	17,453,122	4.95
Discounted bills	**226,427**	**–**	**–**	6,344,375	–	–
Personal loans						
Personal business loans	**8,844,841**	**2,362,879**	**26.71**	9,976,346	1,032,552	10.35
Personal consumption loans	**468,807**	**26,330**	**5.62**	630,907	15,598	2.47
Residential and commercial properties mortgage loans	**1,349,141**	**31,013**	**2.30**	1,302,895	4,754	0.36
Credit card overdrafts	**169,203**	**3,579**	**2.12**	155,385	1,796	1.16
Others	**288**	**288**	**100.00**	326	326	100.00
Subtotal	**10,832,280**	**2,424,089**	**22.38**	12,065,859	1,055,026	8.74
Total	**489,116,947**	**37,685,036**	**7.70**	370,725,731	18,508,148	4.99

The non-performing loan ratio, which is the total non-performing loans divided by the Bank's total loans and advances to customers, was 7.70% as at the end of the Reporting Period, representing an increase of 2.71 percentage points as compared to 4.99% as at 31 December 2018.

As at the end of the Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank's corporate loans were 7.38% and 4.95%, respectively.

As at the end of the Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank's personal loans were 22.38% and 8.74%, respectively.

(4) Overdue loans and advances to customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2019**		As at 31 December 2018	
	Amount	**% of total**	Amount	% of total
Overdue within 3 months (inclusive)	**16,667,171**	**24.6**	3,202,541	36.2
Overdue more than 3 months to 6 months (inclusive)	**31,803,148**	**47.0**	1,666,442	18.8
Overdue more than 6 months to 1 year (inclusive)	**12,698,969**	**18.7**	1,827,223	20.6
Overdue more than 1 year	**6,561,687**	**9.7**	2,157,088	24.4
Total overdue loans and advances to customers	**67,730,975**	**100.0**	8,853,294	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 5.15%, representing a decrease of 0.92 percentage point as compared to that as at 31 December 2018; the tier-one capital adequacy ratio was 6.47%, representing a decrease of 0.96 percentage point as compared to that as at 31 December 2018; the capital adequacy ratio was 8.09%, representing a decrease of 1.03 percentage points as compared to that as at 31 December 2018. During the Reporting Period, the decrease of capital adequacy ratio was mainly due to (i) the increase in provision for impairment losses on assets, which leads to the increase in other net deferred tax assets that depend on the Bank's future bank earnings. The the Bank redeemed RMB1.5 billion, including tier-two capital debts with write-down clauses, and increased provision for impairment, resulting in a loss during the Reporting Period and the decrease of net amount of capital; and (ii) the increase of the Bank's risk assets.

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 2019**	As at 31 December 2018
Core tier-one capital		
– Share capital	**7,781,616**	7,781,616
– Qualifying portion of capital reserve	**20,578,189**	20,719,184
– Surplus reserve	**2,994,679**	2,994,679
– General reserve	**11,800,217**	11,802,132
– Retained earnings	**2,614,222**	3,570,852
– Qualifying portions of non-controlling interests	**583,418**	602,666
Core tier-one capital deductions		
– Other intangible assets other than land use right	**(255,880)**	(197,896)
– Other net deferred tax assets that depend on the Bank's future bank earnings	**(7,231,939)**	(2,746,095)
Net core tier-one capital	**38,864,522**	44,527,138
Other tier-one capital	**9,975,152**	9,977,719
Net tier-one capital	**48,839,674**	54,504,857
Tier-two capital		
– Instruments issued and share premium	**6,500,000**	8,000,000
– Surplus provision for loan impairment	**5,553,557**	4,281,808
– Qualifying portions of non-controlling interests	**146,726**	160,711
Net capital base	**61,039,957**	66,947,376
Total risk weighted assets	**754,499,591**	734,050,677
Core tier-one capital adequacy ratio	**5.15%**	6.07%
Tier-one capital adequacy ratio	**6.47%**	7.43%
Capital adequacy ratio	**8.09%**	9.12%

(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 most of the Bank's businesses are conducted in the PRC and the Bank classifies its businesses in the PRC into the following three major geographical regions:

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

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

Northern China Region: Beijing branch and Tianjin branch.

	For the year ended 31 December			
(Expressed in thousands of Renminbi,	2019		2018	
unless otherwise stated)	Amount	% of total	Amount	% of total
Operating income				
Jinzhou Region	**17,368,117**	**75.0**	16,871,441	79.3
Other Northeastern China Region	**3,416,561**	**14.7**	2,382,459	11.2
Northern China Region	**2,385,021**	**10.3**	2,029,299	9.5
Total	**23,169,699**	**100.0**	21,283,199	100.0

Operating income of the Bank is mainly generated from the region of Jinzhou, which amounted to RMB17,368,117 thousand at at the Reporting Period, representing 75.0% of the total operating income, mainly due to (i) the Bank's market share is high due to a large number of branches in Jinzhou; and (ii) the operating income of the fund business is mainly attributable to Jinzhou where the headquarter locate.

2. **Summary of business segment**

The Bank manages its businesses through different business segments divided by business lines and geographical areas. Consistent with the way in which information is reported internally to the Bank's 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 2019 Amount	% of total	2018 Amount	% of total
Operating income				
Corporate banking business	**12,895,468**	**55.7**	8,038,726	37.8
Retail banking business	**1,673,037**	**7.2**	2,151,040	10.1
Treasury business	**8,580,607**	**37.0**	11,093,364	52.1
Others	**20,587**	**0.1**	69	0.0
Total	**23,169,699**	**100.0**	21,283,199	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 acceptances, letters of credit, letters of guarantees, loan commitments and credit card commitments. Other off-balance sheet items include operating lease commitments and capital expenditure commitments. Acceptances are commitments made to the payment for a bank draft issued by the Bank's customers. The letters of guarantees and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. The following table sets forth the Bank's credit commitments and other off-balance sheet items as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2019**	As at 31 December 2018
Acceptances	**119,543,175**	219,978,680
Letters of credit	**4,496,980**	18,172,538
Letters of guarantees	**99,443**	525,856
Loan commitments	**2,359,907**	5,169,079
Credit card commitments	**837,508**	1,174,794
Subtotal	**127,337,013**	245,020,947
Operating lease commitments	**N/A**	461,670
Capital expenditure commitments	**47,169**	407,225
Subtotal	**47,169**	868,895
Total	**127,384,182**	245,889,842

IV. Business Overview

(I) Corporate banking

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019	2018	Rate of change (%)
External net interest income	**23,948,114**	10,682,484	124.2
Internal net interest expense	**(11,096,764)**	(3,090,880)	259.0
Net interest income	**12,851,350**	7,591,604	69.3
Net fee and commission income	**44,131**	443,093	(90.0)
Net foreign exchange (losses)/gains	**(13)**	4,029	(100.3)
Impairment losses on assets	**(20,041,678)**	(18,481,150)	8.4
Operating expenses	**(1,082,988)**	(1,342,424)	(19.3)
Loss of segments before tax	**(8,229,198)**	(11,784,848)	(30.2)
Depreciation and amortisation expenses	**(171,212)**	(143,397)	19.4
Capital expenditure	**492,115**	275,271	78.8

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019	As at 31 December 2018	Rate of change (%)
Segment assets	**450,446,832**	345,609,993	30.3
Segment liabilities	**164,813,489**	199,185,865	(17.3)

1. Corporate deposits

During the Reporting Period, the Bank took the initiative to adjust the business structure and lower the interest costs on corporate deposits so as to support stable and healthy development of the corporate deposit business. Facing challenges from fierce inter-bank competition for securing deposits and cost on deposits, the Bank persists in the dominant role of core low-cost deposits in enhancing pricing management of deposit products and optimizing the structure of deposits, so that the customer base can be expanded to diversify our channels to source deposits. As at the end of the Reporting Period, total corporate deposits of the Bank (excluding interests payable) amounted to RMB119,137,249 thousand, of which, corporate demand deposits amounted to RMB44,619,637 thousand, accounting for 37.5%; corporate time deposits amounted to RMB74,517,612 thousand, accounting for 62.5%.

2. Corporate loans

As at the end of the Reporting Period, corporate loans of the Bank amounted to RMB478,058,240 thousand, representing an increase of RMB125,742,743 thousand or 35.7% as compared to that as at 31 December 2018. During the Reporting Period, the Bank thoroughly implemented the regulatory requirements, strengthened risk management in all aspects, accelerated business transformation and promoted refined management, adhered to the basic positioning of serving the real economy, exerted the basic functions of financial resource allocation in the banking industry, sustained rational and prudent operation, stable and healthy development, and adopted effective measures to prevent and resolve credit risks.

3. Discounted bills

During the Reporting Period, the Bank carried out discounted bills business appropriately after taken asset liquidity and bill market situation into consideration. As at the end of the Reporting Period, discounted bills amounted to RMB226,427 thousand, representing a decrease of RMB6,117,948 thousand or 96.4% as compared to that as at 31 December 2018.

4. International business

During the Reporting Period, in international business, the Bank has always adhered to the customer-centric service philosophy. By combining traditional loan-deposit products with trade finance products and financial derivative instruments, the Bank offered customers with flexible and diverse financial product services, insisted on compliant operations and continuously improved the Bank's integrated financial service capabilities.

During the Reporting Period, the foreign exchange capital business of the Bank achieved improved economic benefits. The cumulative trade volume of inter-bank foreign exchange reached USD23.504 billion, of which the trade volume of derivative product business (including foreign exchange forward and foreign exchange swap) amounted to USD19.426 billion. The international business had a steady development with international settlement amount of USD3.300 billion. For agency channel development and inter-bank cooperation, they have been continuously improved and its agency network covered 54 countries and regions, comprising of 469 agencies. The Bank fully catered to customers' needs of settlement and finance.

(II) "Three Smalls" Business

1. Business Overview

During the Reporting Period, the Bank continued adhering to the objectives of "regulatory management, risk prevention and control, structural adjustment, expansion of customer base, and online deployment", various tasks of "Three Smalls" business proceeded steadily. As at the end of the Reporting Period, the "Three Smalls" loan balance of the Bank amounted to RMB9,692,973 thousand. The number of customers of "Three Smalls" ("Three Smalls" means "small enterprises, small shops and small retail stalls") loans amounted to 10,464 accounts, representing 89.42% of the accounts of total loans (excluding subsidiaries).

2. Development Measures

(1) Innovated after-sales service system to enhance service quality and efficiency. By setting up 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 trends, and reasonably adjusted product and service positioning and optimization of customer experience according to market orientation.

(2) Strengthened refining and accumulation of professional knowledge to enhance the professional skills of teams. The Bank prepared professional training courseware for account managers to learn online; it proactively developed internal trainers, with the integration of internal and external training, the risk management ability of account managers could be enhanced.

(3) Strengthened risk management with dedicated staff in special post. The Bank has adopted "general ledger" management approach on the loans falling due, with a special person responsible for statistics and daily monitoring. The Bank strictly controlled the new overdue loans by adopting the "list system" management, which were collected by a dedicated person; the loans overdue over 90 days were 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.

(4) Increased the input of resources to focus on the development of inclusive financial services. The Bank adopted internal capital transfer preferential pricing to the inclusive financial loans and included the completion rate of inclusive finance into performance assessment system and commenced inclusive finance 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 tolerance of poverty alleviation.

(5) Supported real economy and reduced leverage. The Bank reduced the leverage ratio of small and micro enterprises and supported their operational capital demand; strictly 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.

(6) Integrated online channels and innovated financial products. The Bank strived to organise the online channels to achieve online functions including loan application, loan enquiry, loan repayment, loan estimate function. By relying on customer relationship management system (CRM system) to accumulate data within the Bank and using big data, it provided business support for re-credit of existing customers and new credit of potential customers.

(III) Retail Banking Business

	For the year ended 31 December		
(Expressed in thousands of Renminbi, unless otherwise stated)	**2019**	2018	Rate of change (%)
External net interest expense	**(10,381,692)**	(6,686,581)	55.3
Internal net interest income	**11,875,749**	8,556,251	38.8
Net interest income	**1,494,057**	1,869,670	(20.1)
Net fee and commission income	**178,984**	281,115	(36.3)
Net foreign exchange (losses)/gains	**(4)**	255	(101.6)
Impairment losses on assets	**(418,506)**	(460,936)	(9.2)
Operating expenses	**(1,219,707)**	(359,350)	239.4
Segment profit before tax	**34,824**	1,330,754	(97.4)
Depreciation and amortization expenses	**(78,938)**	(67,810)	16.4
Capital expenditure	**20,235**	130,172	(84.5)

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2019**	As at 31 December 2018	Rate of change (%)
Segment assets	**10,995,608**	11,353,537	(3.2)
Segment liabilities	**246,595,913**	246,390,224	0.1

1. Personal Deposits

During the Reporting Period, the Bank focused on enhancing the core competitiveness of the retail banking business, establishing a comprehensive personal financial service model, promoting the innovation of debt business, optimizing the structure of debt business, and pursued market segmentation and customer development and maintenance. As at the end of the Reporting Period, the total amount of personal deposit (interests payable not included) of the Bank amounted to RMB277,173,137 thousand, representing an increase of RMB42,590,708 thousand or 18.2% compared with that as at 31 December 2018. The growth of personal deposits has laid a foundation for achieving the high-quality organic development.

2. Personal 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, and integrated online platforms to enhance service quality and efficiency. As at the end of the Reporting Period, personal loans of the Bank (including, among others, personal business loans, personal consumption loans, residential and commercial property mortgage loans and credit card overdrafts) amounted to RMB10,832,280 thousand, of which personal business loans amounted to RMB8,844,841 thousand, personal consumption loans amounted to RMB468,807 thousand, and residential and commercial property mortgage loans amounted to RMB1,349,141 thousand.

During the Reporting Period, the Bank optimized the efficiency of utilization of credit card facility extent and reduced invalid credit facilities. As at the end of the Reporting Period, the total amount of credit card facilities of the Bank amounted to RMB1,006,695 thousand, decreased by RMB323,522 thousand or 24.3% as compared to that as at 31 December 2018.

3. Bank Cards

During the Reporting Period, the Bank continuously diversified and improved the bank card system and functions, and established a sound environment for bank card payment and acceptance. The Bank launched a "convenience demonstration project" covering eight convenient payment scenarios including smart vegetable farms, smart campuses, smart medical care, smart rural areas, smart transportation, smart cash register, smart payment and smart bus, which integrated financial services into hospitals, rural areas, public transport, taxation and many other fields. The Bank cooperated with Jinzhou taxation bureau of State Administration of Taxation to develop premium collection function under the "New Rural Co-operative Medical System" through eight channels, including counters, online banking, mobile banking, WeChat banking, mobile POS, ATM, cash withdrawal point in rural areas and self-service card issuance. During the Reporting Period, 1.0272 million payment transactions were completed during the centralized payment period with the amount of payment of RMB288 million. As at the end of the Reporting Period, the number of debit cards issued by the Bank amounted to 6,189.0 thousand, representing an increase of 340.3 thousand or 5.8% as compared to that as at 31 December 2018; while the number of credit cards issued by the Bank amounted to 82,961, representing an increase of 19.7% as compared to that as at 31 December 2018.

4. **Wealth Management**

During the Reporting Period, the retail business of the Bank has taken customer demand as the guidance, customer acquisition and sales as the main line, continuously developed and optimized product innovation, improved the service system, improved the business scale, and comprehensively improved the core competitiveness of the retail business. As at the end of the Reporting Period, the number of retail customers amounted to 5.2468 million. The number of core customers (with financial assets value of RMB50,000 or above) was 795,700, representing an increase of 200,300 or 33.6% compared with that as at 31 December 2018. There were 362,600 VIP customers (with financial assets value of RMB200,000 or above), representing an increase of 46.4% compared with that as at 31 December 2018. The Bank launched wealth management and fund agency businesses. As at the end of the Reporting Period, the Bank had a total of 143 registered sales outlets for fund agency business.

(IV) Treasury Business

	For the year ended 31 December		
(Expressed in thousands of Renminbi, unless otherwise stated)	**2019**	2018	Rate of change (%)
External net interest income	**5,778,611**	15,105,169	(61.7)
Internal net interest expense	**(778,985)**	(5,465,371)	(85.7)
Net interest income	**4,999,626**	9,639,798	(48.1)
Net fee and commission income	**8,599**	33,320	(74.2)
Net trading gains	**3,372,617**	1,491,100	126.2
Dividend income	**1,200**	880	36.4
Net gains arising from investment securities	**240,556**	100,234	140.0
Net foreign exchange losses	**(41,991)**	(171,968)	(75.6)
Impairment losses on assets	**(377,017)**	(4,741,632)	(92.0)
Operating expenses	**(1,107,908)**	(1,882,192)	(41.1)
Segment profit before tax	**7,095,682**	4,469,540	58.8
Depreciation and amortization expenses	**(225,127)**	(189,202)	19.0
Capital expenditure	**388,207**	363,201	6.9

(Expressed in thousands of Renminbi, unless otherwise stated)	**As at 31 December 2019**	As at 31 December 2018	Rate of change (%)
Segment assets	**350,691,133**	473,361,112	(25.9)
Segment liabilities	**364,358,588**	245,609,700	48.3

1. **Currency Market Transactions**

During the Reporting Period, the money market maintained a reasonably easy liquidity, and the fund interest rate continually remained at a low level with a slight fluctuation. On the premise of maintaining safe liquidity, based on historical experience and market conditions, the Bank thoroughly researched and judged the trend of fund interest rates in 2019, flexibly allocated financing structure, and endeavoured to reduce financing cost and increase productivity. As at the end of the Reporting Period, the financial assets sold under repurchase agreements was RMB10.107 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.

(1) Securities investment distribution breakdown by holding purpose

(Expressed in thousands of Renminbi, unless otherwise stated)	**31 December 2019**		31 December 2018	
	Amount	**% of total**	Amount	% of total
Financial assets at fair value through profit or loss	**55,157,171**	**24.1**	66,062,880	17.0
Financial assets at fair value through other comprehensive income	**12,427,997**	**5.4**	42,054,653	10.8
Financial assets at amortised cost	**161,759,752**	**70.5**	281,240,864	72.2
Total	**229,344,920**	**100.0**	389,358,397	100.0

(2) Securities investment distribution breakdown by residual maturity

(Expressed in thousands of Renminbi, unless otherwise stated)	**31 December 2019**		31 December 2018	
	Amount	**% of total**	Amount	% of total
Indefinite	**12,774,133**	**5.5**	5,121,836	1.3
Repayable on demand	**5,734,673**	**2.5**	–	–
Within 3 months	**35,720,072**	**15.3**	41,492,004	10.6
3 months to 1 year	**85,315,108**	**36.6**	120,628,561	30.8
1 year to 5 years	**81,337,170**	**34.9**	219,813,482	56.0
More than 5 years	**11,985,249**	**5.2**	5,000,955	1.3
Total	**232,866,405**	**100.0**	392,056,838	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 RMB2.4 billion. The table below sets out the top seven 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 09	1,000,000	3.36	24 May 2022
17 Coupon-bearing State Bond 04	440,000	3.40	9 February 2027
06 State Bond 19	300,000	3.27	15 November 2021
17 Coupon-bearing State Bond 18	250,000	3.59	3 August 2027
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 RMB12.150 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
18 Nong Fa 11	3,150,000	4.00	12 November 2025
18 Nong Fa 13	1,310,000	3.55	21 November 2023
10 Nong Fa 14	1,240,000	4.00	4 November 2020
16 Jin Chu 10	730,000	3.18	5 September 2026
18 Nong Fa 06	550,000	4.65	11 May 2028
17 Jin Chu 05	490,000	3.89	10 April 2020
18 GZRB Tier II 01	350,000	4.90	23 March 2028
19 Nong Fa 07	300,000	3.12	17 July 2022
15 BGS Tier II	300,000	5.10	11 December 2025
17 HKB Tier II	300,000	5.00	27 April 2027

3. Wealth Management Business

As at the end of the Reporting Period, the balance of the Bank's wealth management amounted to RMB22.823 billion. During the Reporting Period, all wealth management products of the Bank were cashed in a timely manner, without any complaints from customers. During the Reporting Period, in strict compliance with the new requirements of assets management and wealth management, the Bank continuously increased development and marketing efforts in net-worth products, expanded investment channels, improved asset management, and accelerated the transformation of wealth management business. As at the end of the Reporting Period, the balance of non-guaranteed net-worth wealth management products of the Bank amounted to RMB11.258 billion, representing an increase of RMB10.838 billion compared with that as at 31 December 2018. Net-worth products accounted for 49.33%, and business transformation progressed gradually in a strong way.

4. Interbank Business

The Bank improved the portfolio of interbank businesses in liabilities, investment and bills transactions in a rational way. As at the end of the Reporting Period, the Bank's deposit with banks and other financial institutions amounted to RMB8,301,592 thousand, and the Bank's deposits from banks and other financial institutions amounted to RMB178,117,754 thousand. As at the end of the Reporting Period, the Bank had 120 interbank certificates of deposit issued and not yet due, with total book balance of RMB103.454 billion.

5. Investment Banking Business

During the Reporting Period, under the guidance of the national policy, the Bank has strengthened the credit risk management, steadily promoted the investment business, appropriately adjusted the investment business model, and optimized the investment business structure. As at the end of the Reporting Period, the original book value of the Beneficial Interest Transfer Plans measured at the amortized cost of the Bank is RMB165,999,362 thousand.

(V) Distribution channels

1. Physical Outlets

Development of the Bank's institution complied with strategic guidance principle, risk control principle, market-oriented principle and characteristic management principle, with the basic premise matching cross-regional development speed and self-management and control abilities. The Bank scientifically mastered cross-regional development speed and pace, adhering to the path of healthy development and achieving coordinated development of "scale, quality, benefit". As at the end of the Reporting Period, the Bank had a total of 219 outlets (excluding those of its subsidiaries). In addition to the headquarters, the Bank had 15 branches, 195 sub-branches, 7 mini/community sub-branches and 1 specialised 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, and the Bank (excluding subsidiaries) had 992 self-service machines, including 588 ATMs, representing an increase of 5 ATMs as compared to that as at 31 December 2018, with accumulated transactions number of 5.47 million and transaction amount of RMB11.210 billion. There were 96 multi-media enquiry machines, with the accumulated transaction number was 390 thousand. There were 122 automatic card issuing machines, representing an increase of 8 as compared to that as at 31 December 2018, and the accumulated transaction number was 22 thousand. There were 186 smart ATMs, representing an increase of 114 as compared to that as at 31 December 2018, and the accumulated transaction number was 730 thousand.

During the Reporting Period, the Bank has updated the functions and types of ATMs. Functions of smart ATMs have been enriched, including withdrawal of wealth management bills, redemption of wealth management products, change of non-confidential status of micro-credit amount, corporate details enquiry and printing, and electronic tax bill printing; the personal foreign exchange settlement and sale business at self-service card-issuing machines has been launched, through which customers can make personal purchase of foreign exchange, personal settlement of foreign exchange and enquiries on personal settlement and sale of foreign exchange; self-service card-issuing machines, farmer assistance POS machine and ATMs have added the payment function of the new rural cooperative medical insurance in Jinzhou city. Meanwhile, transactions on ATMs have achieved paperless; the self-service payment machine for traffic violation fines has been launched, providing 24-hour self-service service such as checking driving license scores, issuing penalty tickets and self-service to pay fines; and significant deposit and withdrawal machines have been promoted online.

During the Reporting Period, the Bank promoted the construction of mobile easy pay demonstration project in an orderly manner: the Bank comprehensively launched the "intelligent public transport" project with the support of UnionPay payment in Linghai, Jinzhou and its development zones; the Bank launched the business promotion concerning agricultural assistance in 2019, developed Yi county into a "demonstration county for agricultural assistance business" and fulfilled the function of making contribution to new rural cooperative medical care system through POS supporting agricultural assistance business in more than 450 outlets offering agricultural assistance service in Jinzhou; the Bank launched the promotion activity of Smart Market by using China UnionPay's QuickPass app with the theme of "Colorful Mayday, Yongfeng Happy GO" (繽紛五月天，永豐歡樂GO); the Bank cooperated with China UnionPay Merchant Services Co., LTD. in the promotion and implementation of the "Smart Cashier" payment service project; the Bank took the lead in the formation of Yingtuan Delivery Platform of Jinzhou Bank Bohai University (錦州銀行渤海大學影團外賣平台) which can provide teachers and students of the university with delivery services for catering, retail and other lifestyle products; the Bank cooperated with Jinzhou Tax Bureau in the establishment of "Bank-Tax Authority Cooperation Service Station" in the Jiefang Road sub-branch of the Bank, so that taxpayers could conduct self-service tax payment, invoice issue, tax enquiry and other businesses at the outlets of the Bank.

3. Electronic Banking

During the Reporting Period, by strengthening the construction of banking channels, enhancing the innovation of online financial scenarios and improving the standard of online financial services, the Bank promoted key tasks such as E-banking channels, product innovation, and service and compliance improvement in a steady and organized way, so that the Bank sustained stable and sound businesses development and achieved enhanced product competitiveness.

(1) Online Banking

During the Reporting period, the Bank further improved the service quality, efficiency and standard of online banking by upgrading of online banking channels and improving the online banking product system: First, the Bank launched a new version of corporate online banking. In addition to upgrading the style of the interface, the Bank upgraded the interactive experience and optimized the business process to improve the service experience in all aspects. Second, the Bank launched online foreign currency services, achieving full coverage of domestic and foreign currency business through online banking business. Third, the Bank launched various services such as online tax payment and online social security services, and products such as deposit of principal and withdrawal of interest, partial early withdrawal of certificates of significant deposits and Youyuebao No. 2 (悠悦寶2號), which further enhanced the advantage of convenience.

As at the end of the Reporting Period, the Bank had a total of 387,300 online banking customers, representing an increase of 16.4% as compared with that as at 31 December 2018, among which, there were a total of 42,700 corporate online banking customers, representing an increase of 14.5% as compared with that as at 31 December 2018; there were a total of 344,600 personal online banking customers, representing an increase of 16.7% as compared with that as at 31 December 2018. During the Reporting Period, the transaction amount of online banking amounted to RMB1,676.458 billion, among which, the transaction amount of corporate online banking amounted to RMB1,319.931 billion and the transaction amount of personal online banking amounted to RMB356.527 billion.

(2) Mobile Banking

During the Reporting Period, under the digital competitive landscape of "giving priority to mobile application and experience" (移動為王，體驗為先), the Bank promoted the innovation and upgrading of mobile banking services and expanded the scope of mobile finance scenarios: First, the Bank released the new version of mobile banking APP, the products and services on which were enhanced in four aspects of interface design, interactive experience, product portfolio and technological intelligence. Second, the Bank launched a new version of the telephone banking service, which reshaped self-service voice services for telephone banking in terms of voice interaction experience, rationality of menu order, transaction processing security and business function integrity. Third, the Bank launched several services such as mobile tax payment and mobile social security services, and innovative products such as inter-bank fund collection for mobile banking and structured deposits for WeChat banking, which effectively enhanced the service experience of mobile financial customers.

As at the end of the Reporting Period, the Bank had 492,300 mobile banking customers in aggregate, representing an increase of 44.4% as compared with that as at 31 December 2018, with a transaction amount of RMB92.174 billion during the Reporting Period, representing a year-on-year increase of 86.5%. The Bank had 331,600 WeChat banking customers in aggregate, representing an increase of 68.2% as compared with that as at 31 December 2018, with a transaction amount of RMB6.926 billion during the Reporting Period, representing a year-on-year increase of 17.9%.

(3) Internet Finance

During the Reporting Period, the Bank increased its investment in Internet financial business and further enhanced its Internet financial service system by promoting the mobile payment scenario expansion and product upgrades to meet the needs of Internet financial customers, and launched the smart parking collection service for QR code passenger stations, the convenient smart cashier services at municipal authorities, the smart campus payment and recharge services and the QR code UnionPay payment and collection services, which effectively expanded the scope and depth of the Bank's internet financial business.

As at the end of the Reporting Period, the Bank had 22,500 Internet collection merchants, representing an increase of 60.3% as compared with that as at 31 December 2018, with a transaction amount of RMB3.881 billion during the Reporting Period, representing a year-on-year increase of 122.5%.

(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", upheld the operating principle of coordinated development of "scale, quality, efficiency", and insisted on orienting at market, centering on customers and taking innovation as a driving force.

As at the end of the Reporting Period, the Bank owned 7 village and township banks, of which 5 were located in Jinzhou City, 1 in Chaoyang City and 1 in Benxi City, Liaoning Province, the PRC, all of which engages in a range of banking services and related financial services. As at the end of the Reporting Period, the total assets of the 7 village and township banks amounted to RMB8,081,404 thousand, representing a decrease of 1.9% as compared to that as at 31 December 2018; the net amount of loans and advances was RMB3,550,753 thousand, representing a decrease of 19.8% as compared to that as at 31 December 2018. The total deposits amounted to RMB7,617,955 thousand, representing an increase of 3.5% as compared that as at 31 December 2018. The net loss amounted to RMB397,953 thousand.

2. Bank of Jinzhou Financial Leasing Company Limited

Bank of Jinzhou Financial Leasing Company Limited ("**Jinyin Leasing**"), which is a financial leasing company under the national banking system approved by the CBRC and the first financial leasing company in Liaoning Province, officially commenced its operation on 1 December 2015. It was incorporated in Shenyang City of Liaoning Province in PRC with a registered capital of RMB4.9 billion. Its main business scope includes financial leasing business, outward or inward transfer of financial leasing assets, fixed income securities investment business, acceptance of leasing deposits from lessee, intake of fixed deposits with maturity of 3 months (inclusive) or above from non-bank Shareholders, interbank borrowings, borrowings from financial institutions, offshore borrowings, leasing asset sale and disposal business and economic consultancy. (Businesses that are required to be approved in accordance with law shall only be conducted after approval by the relevant authorities.)

Since its inception, Jinyin Leasing always adhered to the regional development strategy of "setting a foothold in Liaoning and expanding across the country". Aiming at supporting the development of the real economy, optimizing the industrial structure, and supporting the development of small and medium-sized enterprises, it actively serves the national strategies such as the "Belt and Road", coordinated development of Beijing, Tianjin and Hebei, "Made in China 2025" and revitalization of the old industrial base in Northeast China. Leasing and investment customers are mainly distributed in aviation, healthcare, equipment manufacturing and infrastructure construction, with a cumulative leasing funds granted of RMB16.146 billion. As at the end of the Reporting Period, the total assets of Jinyin Leasing were RMB7,009,619 thousand, of which the balance of finance lease was RMB6,408,314 thousand, and the net profit during the Reporting Period was RMB68,108 thousand.

(VII) Information technology

Assure quality through management and continue to play the role of project management and control system

During the Reporting Period, the Bank continued to carry out the construction of the project management and control system and completed the promotion and implementation of the R&D line project management and control system and the construction of the infrastructure line project management and control system. IN respect of the implementation of the system, the Bank adopted prioritized management and control over key projects and system changes to identify the problems in a timely manner; improved the quality of document preparing through pre-review of documents, and strictly implemented baseline audits to ensure that the implementation process is under control. Meanwhile, the phase II of the project management system was put into use, which realized process management of the entire life cycle of projects and demand. The upgrade of the project system and the use of the project management system have effectively formed a standardized process of project management, which provided effective management means for ensuring the quality of information system building.

Facilitate growth with innovation and vigorously promote the application of new technologies

The core system applied SequoiaDB distributed database systems to create a historical data platform, build a bank-wide unified historical data storage and management system, support judicial investigation and control of a full amount of historical data and support multi-channel inspection of detailed data of corporate and individual customers.

The customer relationship management (CRM) system transformed traditional data into value data by introducing big data technology, in-depth analysis of customer-related data in online banking, mobile banking, CRM system, credit card platform, core system and other systems. Through establishing analytical models, digging models and event-based marketing models, the Bank selected customer lists, provided customer profiles and established sound data analysis/digging integrated processes, providing scientific data analysis and information support for business personnel in the whole process of customer development, exploration, maintenance, follow-up, analysis and management to achieve accurate marketing of retail business of the Bank.

Boost security with technology and improve the level of information security protection

Through the distributed transformation of the PC server cluster network, the Bank realized the unified configuration and centralized management of logical switches, and the collection of the internal traffic of the PC cluster by the network traffic collection platform, which solved the black box problem of the internal traffic of the PC cluster in the traditional architecture, provided data support for the Bank's various business monitoring systems based on network traffic analysis, and enhanced real-time monitoring of various key production systems.

Through the second phase of the core system security reinforcement platform, the bank adjusted the user permission, procedure permission and system object of the core system, and added communication security and multi-node security comparison synchronous function on the basis of the original audit function and change process control, further improving the security of the core system of the Bank.

Improve efficiency through optimization and ensure the smooth operation of the system

The Bank optimized the architecture of the data warehouse system (DWS) to comprehensively improve the quality and efficiency of data processing. As the main hub of data for the whole bank, the DWS plays a key role in transmitting upstream and downstream data. During the Reporting Period, the Bank conducted a "diagnostic" analysis on the current status of the DWS, analyzed the existing problems and deficiencies in the system architecture and the specific work content, and put forward specific optimization plans from four aspects of warehousing, data processing, offloading, and reporting. After optimization, data processing rules were further clarified, system-level design documents and data offload and transmission efficiency were improved and optimized, so as to reduce reporting loading, shorten platform batch processing time and provide more efficient data support for upstream and downstream systems.

V. Risk Management

Comprehensive risk management represents a continuous procedure where centering around overall development strategy, the Board, the Board of Supervisors, the senior management and all staff of the Bank of performance participate in the corresponding risk management and perform their duties thereon, and conduct effective identification, assessment or measurement, supervision, reporting and control on various risks covering all departments and branches and all business activities of the Bank under a sound corporate governance structure.

The organizational structure of risk management of the Bank comprises the Board and its special committees, the Board of Supervisors, the senior management and its specialized committees, the risk management departments and internal audit departments.

The risk management strategy of the Bank aims to continuously improve the risk management system and strengthen the staff's sense of recognition on the risk management culture so as to achieve sustainable growth within a range of acceptable risks in line with the Bank's strategic requirements as well as the risk management policies and preferences.

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 loan management and five-category loan assets management. The unified credit management department is responsible for formulation of limit management and organizing meetings of Credit Approval Management Committee. The non-performing asset management department is responsible for the liquidation and disposal of non-performing assets.

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 continuous monitoring, inspection and evaluation of the adequacy and effectiveness of the Bank's operational risk management system, putting forward improvement proposals, and conducting risk inspections on the risk management of all types and the internal control system.

(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 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 aims to implement effective market risk management in order to control the market risk within the scope which is acceptable for the Bank, ensuring that the market risk assumed is match with the operational goals and the development plan of the Bank. The Bank's risk and compliance department is responsible for continuously monitoring and assessing the adequacy and efficiency of the Bank's market risk management system. The capital transaction department, wealth management products management department, interbank department, financial management department and international business department are responsible for the interest rate risks and exchange rate risks based on their respective business scopes.

1. Interest rate risk

Interest rates in China have been gradually liberalized in recent years. 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 2019					
(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	105,176,537	966,997	104,209,540	–	–	–
Deposits with banks and other financial institutions	8,301,592	177,381	7,979,211	145,000	–	–
Placements with banks and other financial institutions	5,643,864	135,638	5,508,226	–	–	–
Loans and advances to customers (1)	452,695,511	6,916,601	52,051,669	123,315,312	260,520,603	9,891,326
Investments (2)	232,866,405	4,752,980	52,387,494	84,041,890	79,266,709	12,417,332
Finance lease receivables (3)	6,408,314	–	1,093,551	1,814,824	3,499,939	–
Others	25,601,968	25,516,999	82,746	2,223	–	–
Total assets	836,694,191	38,466,596	223,312,437	209,319,249	343,287,251	22,308,658
Liabilities						
Borrowing from the central bank	33,079,647	39,347	33,000,000	40,300	–	–
Deposits from banks and other financial institutions	178,117,754	1,439,006	126,495,918	45,572,830	4,610,000	–
Placements from banks and other financial institutions	27,731,363	225,017	22,541,005	4,965,341	–	–
Financial assets sold under repurchase agreements	10,106,602	26,575	10,080,027	–	–	–
Deposits from customers	407,112,779	10,802,393	133,243,139	103,793,678	159,264,472	9,097
Debt securities issued	110,108,837	160,243	49,961,503	53,492,981	–	6,494,110
Others	10,931,760	3,590,986	2,122,475	4,833,744	295,920	88,635
Total liabilities	777,188,742	16,283,567	377,444,067	212,698,874	164,170,392	6,591,842
Asset-liability gap	59,505,449	22,183,029	(154,131,630)	(3,379,625)	179,116,859	15,716,816

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2018					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	64,618,759	736,478	63,882,281	–	–	–
Deposits with banks and other financial institutions	16,231,627	165,506	13,374,612	2,691,509	–	–
Placements with banks and other financial institutions	48,454	36	–	48,418	–	–
Financial assets held under resale agreements	100,073	73	100,000	–	–	–
Loans and advances to customers [(1)]	349,110,123	–	28,349,374	83,497,971	234,761,511	2,501,267
Investment [(2)]	392,056,838	3,307,771	41,298,968	121,419,375	221,030,918	4,999,806
Finance lease receivables [(3)]	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	31,150,882	50,248,926	–	7,992,978
Others	20,971,695	4,305,033	6,885,406	9,536,081	245,175	–
Total liabilities	785,159,604	19,234,455	252,270,704	286,334,648	213,278,709	14,041,088
Asset-liability gap	60,763,144	942,080	(104,729,914)	(76,168,506)	247,259,499	(6,540,015)

Notes:

(1) As at the end of the Reporting Period, for loans and advances to customers, the category less than three months includes overdue amounts (net of provision for impairment losses) of RMB23,169 million (31 December 2018: RMB2,801 million).

(2) Investments include financial assets at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. As at the end of the Reporting Period, for investments, the category less than three months includes overdue amounts (net of provision for impairment losses) of RMB18,489 million (31 December 2018: RMB21.14 million).

(3) As at the end of the Reporting Period, for finance lease receivables, the category less than three months includes overdue amounts (net of provision for impairment losses) of RMB316 million (31 December 2018: Nil).

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:

(Expressed in thousands of Renminbi, unless otherwise stated)	**2019**		2018	
	Change of net profit	**Shareholders equity change**	Change of net profit	Shareholders equity change
100 basis points increase	**2,169,683**	**2,561,979**	1,170,944	1,716,494
100 basis points decrease	**(2,180,608)**	**(2,602,271)**	(1,174,404)	(1,750,756)

2. Foreign exchange 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 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 rate 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; 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 Bank's currency exposures as at the end of the relevant period are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019 RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with the central bank	105,025,790	145,905	4,842	105,176,537
Deposits with banks and other financial institutions	7,451,347	729,388	120,857	8,301,592
Placements with banks and other financial institutions	5,643,864	–	–	5,643,864
Loans and advances to customers	452,217,365	463,449	14,697	452,695,511
Others	260,678,389	4,198,298	–	264,876,687
Total assets	831,016,755	5,537,040	140,396	836,694,191
Liabilities				
Borrowing from the central bank	33,079,647	–	–	33,079,647
Deposits from banks and other financial institutions	178,117,754	–	–	178,117,754
Placements from banks and other financial institutions	20,509,117	6,429,754	792,492	27,731,363
Deposits from customers	404,229,437	2,810,880	72,462	407,112,779
Debt securities issued	110,108,837	–	–	110,108,837
Others	21,035,933	2,399	30	21,038,362
Total liabilities	767,080,725	9,243,033	864,984	777,188,742
Net position	63,936,030	(3,705,993)	(724,588)	59,505,449
Off-balance sheet credit commitments	126,830,890	499,868	6,255	127,337,013

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2018 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
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)	As at 31 December 2019 RMB	As at 31 December 2019 USD equivalent	As at 31 December 2018 RMB	As at 31 December 2018 USD equivalent
On-balance-sheet net foreign exchange exposures	**(4,430,581)**	**(635,099)**	(6,363,439)	(927,183)
Off-balance-sheet net foreign exchange exposures	**6,155,886**	**882,412**	13,880,709	2,022,484
Total net foreign exchange exposures	**1,725,305**	**247,313**	7,517,270	1,095,301

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:

(Expressed in thousands of Renminbi, unless otherwise stated) **Type of Currencies**	**Fluctuation of foreign exchange rates**	**2019** **Change of net profit**	**2019** **Shareholders equity change**	2018 Change of net profit	2018 Shareholders equity change
USD	**1%**	**(7,235)**	**(7,235)**	(21,193)	(21,193)
USD	**-1%**	**7,235**	**7,235**	21,193	21,193

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 represents the gain and loss on foreign exchange recognised as a result of the fluctuation of the foreign currency exchange rates against RMB by 1%;

– The fluctuation of exchange rates by 1% is based on the assumption of the fluctuation of exchange rates over the next 12 months;

– The exchange rates against RMB for the US dollars change in the same direction simultaneously. Due to the immaterial proportion of the Bank's total assets and liabilities denominated in currencies other than US dollars, the calculation of the amount of USD equivalent of other foreign currencies in the above sensitivity analysis shall have potential impacts on the Bank's net profit and shareholders' equity;

– 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 Bank.

Due to the assumptions adopted, actual changes in the Bank's net profit and equity resulting from the increase or decrease in foreign exchange rates might vary from the estimated results of this sensitivity analysis.

(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 assets and liabilities management department is responsible for the analysis and monitoring of the Bank's liquidity, while the asset and liability management committee is responsible for implementation of the liquidity management policies.

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 into relevant maturity groupings based on the remaining periods to repayment at the end of the relevant period:

	As at 31 December 2019							
(Expressed in thousands of Renminbi, unless otherwise stated)	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	43,964,829	61,211,708	–	–	–	–	–	105,176,537
Deposits with banks and other financial institutions	128,804	6,021,912	638	2,082,821	67,417	–	–	8,301,592
Placements with banks and other financial institutions	3,161,237	–	–	2,482,627	–	–	–	5,643,864
Loans and advances to customers	35,193,152	1,098,899	8,663,217	15,844,425	120,662,161	260,318,811	10,914,846	452,695,511
Investments	12,774,133	5,734,673	14,800,756	20,919,316	85,315,108	81,337,170	11,985,249	232,866,405
Finance lease receivables	601,709	–	–	902,114	1,986,796	2,917,695	–	6,408,314
Others	25,187,097	100,804	4,196	78,550	222,223	9,098	–	25,601,968
Total assets	121,010,961	74,167,996	23,468,807	42,309,853	208,253,705	344,582,774	22,900,095	836,694,191
Liabilities								
Borrowing from the central bank	–	–	33,039,326	–	40,321	–	–	33,079,647
Deposits from banks and other financial institutions	–	45,739,966	14,298,595	67,458,683	45,971,701	4,648,809	–	178,117,754
Placements from banks and other financial institutions	–	–	17,187,677	5,856,149	4,687,537	–	–	27,731,363
Financial assets sold under repurchase agreements	–	–	3,563,991	6,542,611	–	–	–	10,106,602
Deposit from customers	–	69,156,300	24,708,466	41,549,549	107,202,902	164,486,041	9,521	407,112,779
Debt securities issued	–	–	22,251,421	27,782,897	53,570,944	9,465	6,494,110	110,108,837
Others	–	3,474,918	679,590	1,442,884	4,833,744	298,889	201,735	10,931,760
Total liabilities	–	118,371,184	115,729,066	150,632,773	216,307,149	169,443,204	6,705,366	777,188,742
Asset-liability gap	121,010,961	(44,203,188)	(92,260,259)	(108,322,920)	(8,053,444)	175,139,570	16,194,729	59,505,449

				As at 31 December 2018				
(Expressed in thousands of Renminbi, unless otherwise stated)	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
Investments	5,121,836	–	12,536,693	28,955,311	120,628,561	219,813,482	5,000,955	392,056,838
Finance lease receivables	185,000	–	–	428,541	2,310,522	4,560,779	–	7,484,842
Others	15,966,671	–	70,060	36,954	198,347	–	–	16,272,032
Total assets	84,759,750	12,454,655	29,006,088	48,149,555	206,808,958	456,436,497	8,307,245	845,922,748
Liabilities								
Borrowing from the central bank	–	–	–	29,904	78,465	–	–	108,369
Deposits from banks and other financial institutions	–	170,331	5,820,222	21,013,692	66,914,953	64,661,887	6,048,000	164,629,085
Placements from banks and other financial institutions	–	–	6,870,311	5,076,942	8,813,128	–	–	20,760,381
Financial assets sold under repurchase agreements	–	–	42,244,990	1,200,213	–	–	–	43,445,203
Deposits from customers	–	76,827,398	17,839,737	39,111,107	155,500,884	156,118,094	178,869	445,576,089
Debt securities issued	–	–	10,370,356	15,339,204	51,966,467	3,751,266	8,241,489	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	86,494,893	292,809,978	224,776,422	14,468,358	785,159,604
Asset-liability gap	84,759,750	(68,848,107)	(56,301,103)	(38,345,338)	(86,001,020)	231,660,075	(6,161,113)	60,763,144

At the end of the Reporting Period, as at 30 September 2019 and as at 30 June 2019, the net stable funding ratio of the Bank was 103.13%, 99.94% and 104.61%, respectively.

At the end of the Reporting Period, the stable funds available to the Bank were RMB521.533 billion, and the required stable funds were RMB505.721 billion.

The Bank's liquidity coverage ratio

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019	As at 31 December 2018
Qualified quality current assets	**72,019,040**	27,768,080
Cash outflows in the future 30 days	**96,206,147**	18,231,119
Liquidity coverage ratio (%)	**74.86**	152.31

(V) Information Technology Risk

Information technology risk includes operational risk, legal risk, reputation risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure arising from the Bank's use of information technology.

The Bank established an information technology risk management system and a 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. And 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 and other activities, or due to external events.

During the Reporting Period, the Bank strengthened 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 attaches great importance to anti-money laundering and counter-terrorist financing by earnestly fulfilling its anti-money laundering obligations, constantly improving the effectiveness of anti-money laundering and counter-terrorist financing, continuously deepening the risk control of money laundering and steadily enhancing the standard of anti-money laundering. The Bank will put the regulatory policies in place in a strict manner to complete the works regarding the large-scale transactions and suspicious transactions; the artificial selection of suspicious transactions shall be conducted and effective customer identification measures and risk control initiatives will be adopted to strengthen the identification of actual controllers and beneficiary owners of bank account and to classify reasonable division and adjustment toward customer risk levels; the Bank will also establish the performance assessment mechanism of the anti-money laundering and counter-terrorist financing; the Bank strengthened its internal supervision over anti-money laundering so as to leverage the role of internal inspection, supervision and management.

(VIII) Protection of Consumer Rights

During the Reporting Period, the Bank made incessant efforts into the administration of protection of financial consumers' rights, incorporated the protection of consumers' rights into every aspect of the corporate governance, and strengthened the construction of management system for the protection of consumers' rights to clarify the work responsibilities of the management at all levels responsible for the protection of consumers' rights, rules of procedure for meetings and operation mechanisms. The Bank standardized the management system for protection of consumers' rights and interests, and improved the construction of systems and mechanisms for protection of consumers' rights and interests. The Bank strictly performed its review responsibilities for the protection of consumers' interests and rights during pre-sale, sale and after-sale process, strengthened the sense of responsibility, and effectively safeguarded the legal rights and interests of consumers by performing the duty of information disclosure, regulating marketing activities and strengthening internal management. The Bank established a comprehensive complaint handling system enhance the complaint handling capability, improve the quality and efficiency of complaint handling and solve complaints from consumers in an efficient way. In order to conform to the requirements of regulatory authorities, the Bank developed a series of publicity and education activities concerning financial knowledge so as to enable financial consumers to improve their capability of identifying and avoiding financial risks and earnestly fulfill the principal responsibility for protecting consumers' rights and interests.

Chapter 6 Changes in Ordinary Shares and Particulars of Shareholders

I. Changes in Ordinary Shares of the Bank

(I) Share Capital

There was no change in the share capital of Ordinary Shares of the Bank during the Reporting Period. As at the end of the Reporting Period, the issued Ordinary Shares of the Bank were 7,781,615,684 Shares, comprising of 4,264,295,684 Domestic Shares and 3,517,320,000 H Shares, and the total share capital of the Bank amounted to RMB7,781,615,684.

(II) Chart on Changes in the Number of Shares

		31 December 2018		Changes during the Reporting Period			31 December 2019	
		Number of Shares	Percentage(%)	Issues of New Shares	Others	Sub-Total	Number of Shares	Percentage(%)
1.	Shareholding of Corporate Shareholders of Domestic Shares	4,186,698,558	53.80	–	–	–	**4,186,698,558**	**53.80**
	Of which: (1) Shareholding of State-owned corporate shareholders	14,245,557	0.18	–	1,669,398,951	1,669,398,951	**1,683,644,508**	**21.63**
	(2) Shareholding of Private corporate Shareholders	4,172,453,001	53.62	–	(1,669,398,951)	(1,669,398,951)	**2,503,054,050**	**32.17**
2.	Shareholding of Individual Shareholders of Domestic Shares	77,597,126	1.00	–	–	–	**77,597,126**	**1.00**
3.	H Shares	3,517,320,000	45.20	–	–	–	**3,517,320,000**	**45.20**
Total		7,781,615,684	100.00	–	–	–	**7,781,615,684**	**100.00**

II. Particulars of Shareholders of Ordinary Shares of the Bank

(I) Shareholding of Shareholders

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

As at the end of the Reporting Period, the total number of Shareholders of Domestic Shares of the Bank was 2,222.

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

No.	Name of Shareholders	Nature of Shareholding	Total Number of Shares held	Shareholding Percentage (%)	Pledged Shares
1	ICBC Financial Asset Investment Co., Limited (工銀金融資產投資有限公司)	State-owned	841,822,258	10.82	–
2	Cinda Investment Co., Ltd. (信達投資有限公司)	State-owned	505,093,350	6.49	–
3	China Greatwall Assets Management Co., Ltd. (中國長城資管理股份有限公司)	State-owned	336,728,900	4.33	–
4	Yinchuan 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
5	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
6	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	–
7	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	–
8	Jinzhou Daxing Construction Group Co., Ltd. (錦州大興建設集團有限公司)	Private	110,000,000	1.41	–
9	Kong Sun Yongtai Investment Holdings Limited (江山永泰投資控股有限公司)	Private	107,500,000	1.38	107,500,000
10	Liaoning Lingyun Decoration Engineering Co. Ltd. (遼寧凌雲裝飾裝修工程有限責任公司)	Private	102,000,000	1.31	–
Total			**2,746,652,073**	**35.29**	**507,500,000**

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 executives 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 Share Capital[(1)] of Ordinary Shares of the Bank (%)	Approximate Percentage of the Issued Class of Share Capital[(1)] of Ordinary Shares of the Bank (%)
Domestic Shares					
ICBC Financial Asset Investment Co., Limited[(2)]	Beneficial Owner	Domestic Shares	841,822,258 (L)	10.82	19.74
Industrial and Commercial Bank of China Limited[(2)]	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	10.82	19.74
Central Huijin Investment Ltd. [(2)]	Interest of Controlled Corporation	Domestic Shares	841,822,258 (L)	10.82	19.74
Cinda Investment Co., Ltd.[(3)]	Beneficial Owner	Domestic Shares	505,093,350 (L)	6.49	11.84
China Cinda Asset Management Co., Ltd.[(3)]	Interest of Controlled Corporation	Domestic Shares	505,093,350 (L)	6.49	11.84
China Greatwall Assets Management Co., Ltd.	Beneficial Owner	Domestic Shares	336,728,900 (L)	4.33	7.90
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
Li Dongjun[(5)]	Interest of Controlled Corporation	Domestic Shares	213,507,565 (L)	2.74	5.01
	Interest of Controlled Corporation	Domestic Shares	33,179,021 (L)	0.43	0.78
H Shares					
Wah Li (Hong Kong) Limited[(6)]	Beneficial Owner	H Shares	247,042,000 (L)	3.17	7.02
Zhao Yong[(6)]	Interests of Controlled Corporation	H Shares	247,042,000 (L)	3.17	7.02
Wu Jing[(6)]	Interests of Spouse	H Shares	247,042,000 (L)	3.17	7.02
Grand Fortune Venture Limited[(7)]	Beneficial Owner	H Shares	201,700,000 (L)	2.59	5.73
Xuzhou Zhong'an Mining Services Limited[(7)]	Interests of Controlled Corporation	H Shares	201,700,000 (L)	2.59	5.73
Zhang Yuan[(7)]	Interests of Controlled Corporation	H Shares	201,700,000 (L)	2.59	5.73
Beijing Jingyuan Wanlong Investment Management Company Limited[(8)]	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69
Li Feng[(8)]	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69
Wang Xiaoliang[(8)]	Interests 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 issued 7,781,615,684 Ordinary Shares in aggregate, among which 4,264,295,684 were Domestic Shares and 3,517,320,000 were H Shares. (L) represents long positions and (S) represents short positions.

(2) Such Shares are held by ICBC Financial Asset Investment Co., Limited (工銀金融資產投資有限公司, "**ICBC Financial**"), which is wholly owned by Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司, "**ICBC**"), which is in turn held by Central Huijin Investment Ltd. (中央匯金投資有限責任公司, "**Central Huijin**") as to 34.71%. Under the SFO, ICBC and Central Huijin are deemed to be interested in all the Shares held by ICBC Financial.

(3) Such Shares are held by Cinda Investment Co., Ltd. (中國信達資產管理股份有限公司, "**Cinda Investment**"), which is wholly owned by China Cinda Asset Management Co., Ltd. (信達投資有限公司, "**China Cinda**"). Under the SFO, China Cinda is deemed to be interested in all the Shares held by Cinda Investment.

(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 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 owned by Jinlian Assets Management Co., Ltd. (錦聯資產管理有限公司, "**Jinlian Assets**") as to 99.76%, and Jinlian Assets is owned by Jinlian Holding Group as to 95.00%, Li Dongjun holds 90% equity interests in Jinlian Holding Group. Under the SFO, Li Dongjun is deemed to be interested in all the Shares held by Jincheng Logistics and Changxing Island Green-city.

(6) 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.

(7) 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.

(8) 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, 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, ICBC Financial and Cinda Investment, which held 10.82% and 6.49% of the ordinary shares of the Bank, respectively, are the substantial shareholders of the Bank. China Greatwall Assets Management Co., Ltd., Shanghai Greenland Hongtu Investment Development Co., Ltd. and Beijing Urban Construction Investment Development Co., Ltd., which recommended directors or supervisors to the Bank, are of great significance to the Bank, are also the substantial shareholders of the Bank.

ICBC Financial was established on 26 September 2017 with a registered capital of RMB12.0 billion. The legal representative is Zhang Zhenghua (張正華). The domicile is 19-20/F, Building B, Phase I, Yangzi Science and Innovation Center, Jiangbei New District, 211 Pubin Road, Nanjing City, Jiangsu Province. The business scope includes acquisition of the debt equity held by banks in enterprises for the purpose of debt-to-equity swap, and conversion of debt equity into equity interests for further management; restructuring, transfer and disposal of debt equity failed to be converted into equity interests; investment in equity interests of enterprises for the purpose of debt-to-equity swap, enabling invested enterprises to discharge their existing debt obligations with the equity investment funds; private placement of asset management products to qualified investors to finance the implementation of the debt-to-equity swap according to laws and regulations; offering of financial bonds; financing by means of bond repurchase, inter-bank lending and borrowing and inter-bank loans; necessary investment management of proprietary funds and raised funds, where the proprietary funds can be used to conduct business such as inter-bank deposits and placements, purchase of treasury bonds or other fixed-income securities and the raised funds shall be utilized in accordance with the agreed usage; financial advisory and consulting business on debt-to-equity swap; and other business as approved by the banking regulatory authorities of the State Council. (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 26 September 2017 to long-term. As at the end of the Reporting Period, ICBC Financial held 841,822,258 shares of the Bank, representing 10.82% of the total share capital of the ordinary shares, and no shares of the Bank were pledged. During the Reporting Period, Mr. Zhao Chuanxin (趙傳新), a non-executive director of the Bank, was the deputy general manager of the assets and liabilities management department of ICBC (ICBC Financial is a wholly owned subsidiary of ICBC), Ms. Ning Jie (寧潔), a non-executive director, was the deputy general manager of credit and investment management department of ICBC and Ms. Gu Jihong (顧繼紅), a non-executive director, was an expert and special assigned director of strategic management and investor relationships department of ICBC. Pursuant to the information submitted by ICBC Financial, its controlling shareholder, the de facto controller and the ultimate beneficial owner are ICBC, which was listed on Shanghai Stock Exchange (stock code: 601398) and on the Hong Kong Stock Exchange (stock code: 1398), and there is no person acting in concert.

Cinda Investment was established on 1 August 2000 with a registered capital of RMB2.0 billion; the legal representative is Zhang Jushan (張巨山). The domicile is Building 1, No. 9 Yard, Naoshikou Street, Xicheng District, Beijing. The business scope includes foreign investment; commercial real estate management, hotel management, property management, assets management; assets restructuring; investment consulting; and investment advising. The term of operation is from 1 August 2000 to 31 July 2050. As at the end of the Reporting Period, Cinda Investment held 505,093,350 shares of the Bank, representing 6.49% of the total share capital of the Ordinary Shares, and no shares of the Bank were pledged. During the Reporting Period, Mr. Lyu Fei(呂飛), a non-executive director of the Bank, was the general manager of No. 4 investment department of this company. Pursuant to the information submitted by Cinda Investment, its controlling shareholder is China Cinda Asset Management Co., Ltd., which was listed on the Hong Kong Stock Exchange (stock code: 01359) and the de facto controller and the ultimate beneficial owner is the Ministry of Finance of the People's Republic of China, and there is no person acting in concert.

China Greatwall Assets Management Co., Ltd. was established on 2 November 1999 with a registered capital of RMB51,233,609,796; the legal representative is Shen Xiaoming (沈曉明). The domicile is No.2 Yuetan North Street, Xicheng District, Beijing. The principal business includes acquisition of and being entrusted to manage the non-performing assets of the financial institutions, and management, investment and dispose of the non-performing assets. The term of operation is from 2 November 1999 to long-term. As at the end of the Reporting Period, China Greatwall Assets Management Co., Ltd. held 336,728,900 shares of the Bank, representing 4.33% of the total share capital of the Ordinary Shares, and no shares of the Bank were pledged. During the Reporting Period, Mr. Luo Nan (羅楠), a non-executive director of the Bank, was a party committee member, the head of risk management and secretary of discipline inspection commission of Liaoning subsidiary of this company. Pursuant to the information submitted by China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司), its controlling shareholder, the de facto controller and the ultimate beneficial owner is the Ministry of Finance of the People's Republic of China, and there is no person acting in concert.

Shanghai Greenland Hongtu Investment Development Co., Ltd. was established on 16 July 2003 with a registered capital of RMB1.29 billion; the legal representative is Xu Rongpu (徐榮璞). The domicile is No.249, Building 4, No.555, Lane 3111, West Huancheng Road, Fengxian District, Shanghai. The business scope includes industrial investment, asset management, investment management, business information consulting, development and management of real estate and property management. The term of operation is from 16 July 2003 to 15 July 2028. As at the end of the Reporting Period, Shanghai Greenland Hongtu Investment Development Co., Ltd. held 150,000,000 shares of the Bank, representing 1.93% of the total share capital of the Ordinary Shares, and no shares of the Bank were pledged. During the Reporting Period, Mr. Wu Zhengkui(吳正奎), a shareholder representative supervisor of the Bank, was an executive director of Greenland Hong Kong Holdings Limited, which was listed on the Hong Kong Stock Exchange (stock code: 337). Pursuant to the information submitted by Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司), its controlling shareholder is Greenland Financial Holdings Group Company Limited (綠地金融投資控股集團有限公司), the de facto controller and the ultimate beneficial owner is Greenland Holdings Group Company Limited, which was listed on Shanghai Stock Exchange (stock code: 600606), and there is no person acting in concert.

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 shareholder representative supervisor of the Bank, was the deputy director of the directors and supervisors affairs department of this company. Pursuant to the information submitted by Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), 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.

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

As at the end of the Reporting Period, ICBC Financial held 841,822,258 Domestic Shares of the Bank, representing a shareholding of 10.82% of the total ordinary share capital of the Bank and Cinda Investment held 505,093,350 Domestic Shares of the Bank, representing a shareholding of 6.49% of the total ordinary share capital of the Bank. Save for the above Shareholders, no Shareholders hold more than 5% of Ordinary Shares of the Bank as at the end of the Reporting Period.

(IV) Particulars of Controlling Shareholders and Actual Controller

The Bank has no controlling Shareholder or actual controller.

As at the end of the Reporting Period, ICBC Financial held 841,822,258 Domestic Shares of the Bank, representing a shareholding of 10.82% of the total ordinary share capital of the Bank and Cinda Investment held 505,093,350 Domestic Shares of the Bank, representing a shareholding of 6.49% of the total ordinary share capital of the Bank.

(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 no undertakings by the Bank and the Shareholders holding more than 5% of Ordinary Shares.

(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, 1,247,878,307 Domestic Shares of the Bank were pledged, representing 16.04% of the total issued ordinary shares; 552,766,887 Domestic Shares were frozen, representing 7.10% of the total issued ordinary shares of the Bank.

Chapter 7 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 of the Bank.

2. Since such Offshore Preference Share issuance is non-public and offshore, those appears on the register of offshore preference shareholders are 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 2018	Change during the Reporting Period	**Number of issued Offshore Preference Shares held on 31 December 2019**
US dollar Offshore Preference Shares	74,800,000	–	**74,800,000**

IV. Profit Distribution of Offshore Preference Shares

In accordance with the terms and conditions of the Offshore Preference Shares, as disclosed in the Bank's announcement dated 20 October 2017, any dividend payment of the Offshore Preference Shares shall be subject to (among others) the fulfilment of the relevant regulatory requirements on relevant capital adequacy ratio of the Bank. Due to the relevant capital adequacy ratio of the Bank did not meet the relevant regulatory requirements as at 31 December 2018, on 30 August 2019, the fifth session of the Board of Directors considered and approved the recommendation to cancel the dividend payment of Offshore Preference Shares for the period from 27 October 2018 (inclusive) to 27 October 2019 (not inclusive). On 18 October 2019, the dividend payment of Offshore Preference Shares for the period from 27 October 2018 (inclusive) to 27 October 2019 (not inclusive) has been cancelled upon the consideration and approval at the 2018 annual general meeting.

During the Reporting Period, there was no dividend payment for Offshore Preference Shares in the Bank.

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 2019

As at 31 December 2019, 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 2019 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 2019 amounted to approximately RMB0.96 billion, the basic and diluted losses per share would be diluted to approximately RMB0.11 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 40 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 8 Directors, Supervisors, Senior Management, Employees and Organizations

I. Information on Directors, Supervisors and Senior Management

As at the date of this annual report, the information on Directors, Supervisors and senior management of the Bank were as follows:

Name	Gender	Age	Position
WEI Xuekun	Male	57	Chairman, Executive Director
GUO Wenfeng	Male	48	Vice Chairman, Executive Director, President
KANG Jun	Male	51	Executive Director, Vice President
YANG Weihua	Male	52	Executive Director, Vice President
YU Jun	Male	50	Executive Director, Chief Financial Officer, Head of Finance, Secretary to the Board[1]
ZHAO Chuanxin	Male	55	Non-executive Director
NING Jie	Female	49	Non-executive Director
GU Jihong	Female	49	Non-executive Director
LYU Fei	Male	54	Non-executive Director
LUO Nan	Male	54	Non-executive Director
WU Jun	Male	66	Independent non-executive Director
XIE Taifeng	Male	61	Independent non-executive Director
XIAO Geng	Male	57	Independent non-executive Director
WANG Xiongyuan	Male	47	Independent non-executive Director
SU Mingzheng	Male	40	Independent non-executive Director
ZHANG Tao	Male	55	Chairman of Board of Supervisors, Employee Representative Supervisor
LIU Liguo	Male	41	Employee Representative Supervisor
WU Hai'ou	Female	40	Employee Representative Supervisor
WU Zhengkui	Male	45	Shareholder Representative Supervisor
TANG Fang	Female	42	Shareholder Representative Supervisor
MENG Xuefeng	Male	42	External Supervisor
GUO Limao	Male	35	External Supervisor
HU Guojie	Male	54	External Supervisor

Note:

(1) Mr. Yu Jun's qualification as the secretary to the Board shall be subject to the approval of the regulatory authority.

II. Changes in Directors, Supervisors and Senior Management Members

(I) Changes in Directors

On 21 September 2018, upon the consideration and approval at the 2018 first extraordinary general meeting, Ms. Tang Fang was elected as a non-executive Director of the fifth session of the Board of the Bank. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau regarding the qualification of Ms. Tang Fang as the Director 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 18 October 2019, upon the consideration and approval at the 2018 annual general meeting, the Bank conducted the general election of the sixth session of the Board in advance, and elected Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun as executive Directors for the sixth session of the Board, Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan as non-executive Directors for the sixth session of the Board, Mr. Wu Jun, Mr. Xie Taifeng, Mr. Xiao Geng, Mr. Wang Xiongyuan and Mr. Su Mingzheng as independent non-executive Directors for the sixth session of the Board. The Bank received the approvals from the CBIRC Liaoning Regulatory Bureau regarding the qualification of each of Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua, Mr. Yu Jun, Ms. Gu Jihong, Mr. Lyu Fei, Mr. Luo Nan, Mr. Wu Jun, Mr. Xie Taifeng, Mr. Wang Xiongyuan and Mr. Su Mingzheng as Directors on 30 October 2019, respectively. Their terms of office commenced from 30 October 2019 till the expiry of the term of the sixth session of the Board. The Bank received the approvals from the CBIRC Liaoning Regulatory Bureau regarding the qualification of each of Mr. Zhao Chuanxin and Ms. Ning Jie as the Director on 14 November 2019, respectively. Their terms of office commenced from 14 November 2019 till the expiry of the term of the sixth session of the Board. The Bank received the approvals from the CBIRC Liaoning Regulatory Bureau regarding the qualification of Mr. Xiao Geng as the Director on 21 January 2020. His term of office commenced from 21 January 2020 till the expiry of the term of the sixth session of the Board. At the same time, since 30 October 2019, each of the directors of the fifth session of the Board ceased to perform their duties as Directors and members or chairman (if applicable) of the Board committee. Each of Mr. Zhang Wei, Mr. Huo Lingbo, Mr. Wang Jing, Mr. Sun Jing and Ms. Wang Xiaoning resigned as executive Directors, each of Ms. Liu Hong, Ms. Gu Jie, Ms. Meng Xiao, Mr. Li Dongjun and Ms. Tang Fang resigned as non-executive Directors and each of Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying resigned as independent non-executive Directors since 30 October 2019.

On 15 November 2019, upon the consideration and approval at the first meeting of the sixth session of the Board, Mr. Wei Xuekun were elected as the chairman of the sixth session of the Board of the Bank and Mr. Guo Wenfeng were elected as the vice chairman of the sixth session of the Board of the Bank. The Bank received the approvals from the CBIRC Liaoning Regulatory Bureau regarding the qualification of each of Mr. Wei Xuekun and Mr. Guo Wenfeng as the chairman and vice chairman of the Bank on 12 December 2019. Their terms of office shall commence from 12 December 2019 till the expiry of the term of the sixth session of the Board.

(II) Changes in Supervisors

On 18 October 2019, upon consideration and approval at the 2018 annual general meeting, the Bank completed the re-election of members of the sixth session of the Board of Supervisors in advance, elected Mr. Wu Zhengkui and Ms. Tang Fang as employee representative Supervisors of the sixth session of the Board of Supervisors of the Bank, and elected Mr. Meng Xuefeng, Mr. Guo Limao and Mr. Hu Guojie as external Supervisors of the sixth session of the Board of Supervisors. Their respective terms of service commenced from the date of the approval at the annual general meeting until expiration of the term of the sixth session of the Board of Supervisors. At the same time, upon consideration and approval at the employee representative meeting of the Bank, the Bank elected Mr. Zhang Tao, Mr. Liu Liguo and Ms. Wu Hai'ou as employee representative Supervisors of the sixth session of the Board of Supervisors. Their term of office commenced from 18 October 2019 until the expiration of the term of the sixth session of the Board of Supervisors.

Meanwhile, since 18 October 2019, all Supervisors of the fifth session of the Board of Supervisors ceased to perform their duties as the Supervisors and the members or the chairman of the Board of Supervisors (if applicable). Mr. Cai Hongguang, Mr. Dai Shujun, Ms. Cao Wenqing, Ms. Li Wei and Ms. Li Xiu resigned as the employee representative Supervisors; Mr. He Baosheng, Mr. Chen Tanguang and Ms. He Mingyan resigned as the shareholder representative Supervisors; Mr. Jiang Daxing, Mr. Deng Xiaoyang, Ms. Nie Ying, Ms. Li Tongyu and Ms. Zhao Hongxia resigned as the external Supervisors.

(III) Changes in Senior Management

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 approval 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 commenced 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 continued to act as non-executive Director and perform her duties as a Director. On the same day, upon consideration and approval at the 18th meeting of the fifth session of the Board, Mr. Guo Wenfeng was appointed as the president of the Bank and Mr. Kang Jun and Mr. Yang Weihua 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.

On 2 August 2019, Ms. Wang Xiaoning resigned as the head of finance and Mr. Yu Jun 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.

On 14 November 2019, upon consideration and approval at the first meeting of the sixth session of the Board, Mr. Guo Wenfeng was appointed as the president of the Bank, Mr. Kang Jun and Mr. Yang Weihua were appointed as the vice president of the Bank, and Mr. Yu Jun was appointed as the chief financial officer of the Bank and the head of finance of the Bank. Their terms of office will be until the expiration of the term of the sixth session of the Board.

On 13 December 2019, upon consideration and approval at the second meeting of the sixth session of the Board, Mr. Yu Jun was appointed as the secretary to the Board, whose qualification is subject to the approval of the regulatory authority. His term of office commenced from the date on which his qualification was approved by the relevant authority until the expiration of the term of the sixth session of the Board.

On 20 January 2020, Mr. Sun 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 20 January 2020. On the same day, upon consideration and approval at the third meeting of the sixth session of the Board, the Bank appointed Mr. Yu Jun as a joint company secretary of the Bank. Mr. Yu Jun 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. Yu Jun in discharging his duties and responsibilities as a company secretary of the Bank for the first three years commencing from the appointment of Mr. Yu Jun 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. Yu Jun as a joint company secretary of the Bank during the Waiver Period.

III. Biographies of Directors, Supervisors and Senior Management Members

As at the date of this annual report, biographies of Directors, Supervisors and senior management members of the Bank are as follows:

(I) Biographies of Directors

1. **Mr. WEI Xuekun (魏學坤)**, aged 57, has been the secretary of the party committee of the Bank since August 2019, appointed as the executive director of the Bank since October 2019 and appointed as the chairman of the Bank since December 2019.

   Mr. Wei Xuekun has over 37 years of experience in the banking industry. He successively served as various positions such as the office secretary, vice office chair, office chair and the president and the party committee secretary of Zunyi branch under the Guizhou branch of the ICBC from March 1985 to March 2000. From March 2000 to February 2009, he successively held various positions in China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), which is listed on the Hong Kong Stock Exchange (stock code: 2799), including the general manager of research and development department, the general manager of operation and development department, the general manager of business development department and the general manager of Jinan office. From February 2009 to January 2014, he served as the vice general manager of credit management department of ICBC headquarter. From January 2014 to February 2015, he served as the vice general manager of credit and investment management department and the general manager of the credit supervision center of ICBC headquarter. From February 2015 to August 2019, he served as the general manager of credit and investment management department of ICBC headquarter.

   Mr. Wei Xuekun obtained a bachelor's degree of economics in Southwestern University of Finance and Economics (西南財經大學) in Sichuan, the PRC in July 1983 and has the title of vice researcher.

2. **Mr. GUO Wenfeng (郭文峰)**, aged 48, has been the vice secretary of the party committee and the president of the Bank since August 2019, appointed as the executive director of the Bank since October 2019 and appointed as the vice chairman of the Bank since December 2019.

   Mr. Guo Wenfeng has over 26 years of experience in the banking industry. Since August 1993, Mr. Guo Wenfeng has successively held various positions at ICBC Liaoning branch. From June 2002 to December 2010, he successively served as the vice general manager and vice general manager (chairing the work) of the capital operation department, the vice general manager (chairing the work) and the general manager of the assets and liabilities management department of ICBC Liaoning branch. He worked successively as the party committee secretary and president of Chaoyang branch of ICBC Liaoning branch from December 2010 to March 2016, as the party committee secretary and president of Panjin branch of ICBC Liaoning branch from March 2016 to January 2017, and as the party committee secretary and vice president of ICBC Liaoning branch from December 2016 to August 2019.

   Mr. Guo Wenfeng obtained a master's degree of business administration (international course) in November 2011 from the University of Hong Kong and has the title of senior economist.

3. **Mr. KANG Jun (康軍)**, aged 51, has been a party committee member and the vice president of the Bank since August 2019 and appointed as the executive director of the Bank since October 2019.

   Mr. Kang Jun successively served as vice chair clerk of the international business division, vice general manager of the international business department and vice general manager (chairing the work) of international business department of ICBC Liaoning branch from June 1999 to October 2006. He served as the vice general manager of the corporate business department and the general manager of international business department of ICBC Liaoning branch from October 2006 to December 2012. From December 2012 to March 2018, he served as party committee member of the operation department of ICBC Liaoning branch. From March 2013 to March 2018, he also served as vice general manager of the operation department of ICBC Liaoning branch. From March 2018 to August 2019, he served as the party committee member and vice president of Shenyang branch of ICBC Liaoning branch.

   Mr. Kang Jun obtained a master's degree of business administration from the University of Hong Kong in August 2011 and has the title of senior economist.

4. **Mr. YANG Weihua (楊衛華)**, aged 52, has been a party committee member and the vice president of the Bank since August 2019 and appointed as the executive director of the Bank since October 2019.

   From January 1993 to August 1999, Mr. Yang Weihua worked in Liaoning branch of China Construction Bank Co., Ltd. (中國建設銀行股份有限公司) with various positions including the chief of computer section under business department and the chief of operation section under technology division. From August 1999 to January 2010, he worked in the Shenyang office of China Cinda, which is listed on the Hong Kong Stock Exchange (stock code: 1359), under various departments including manager of integrate management department, senior manager of capital finance department, and senior manager of Dalian business department under Shenyang office of China Cinda. He successively served as a party committee member and chair assistant of the Harbin office of China Cinda from January 2010 to July 2010, as assistant to the general manager, a party committee member, vice secretary of discipline inspection commission, the vice general manager and the secretary of discipline inspection commission of Heilongjiang branch of China Cinda from July 2010 to September 2014 and as the vice general manager, a party committee member and the secretary of discipline inspection commission of Liaoning branch of China Cinda from September 2014 to August 2019.

   Mr. Yang Weihua obtained a master's degree of business administration from Northeastern University (東北大學) in Liaoning, the PRC in September 2003 and has the title of senior engineer.

5. **Mr. YU Jun (余軍)**, aged 50, has been a party committee member, the chief financial officer and the head of finance of the Bank since August 2019, appointed as the executive director of the Bank since October 2019 and appointed as a joint company secretary of the Bank since January 2020.

   Since December 1988, Mr. Yu Jun has held various positions in ICBC. He successively served as the vice chief and chief of the No. 1 finance section of planning finance division under the business department and the chief and deputy director of the finance management section of ICBC Jiangsu branch from November 1999 to November 2006. He successively served as the vice general manager of the finance and accounting division under the business department and the general secretary of supervisory committee of centralized procurement of ICBC Jiangsu branch from November 2006 to May 2012, as the chief of the taxation matters management division of the headquarter of ICBC from May 2012 to December 2017 and as the vice party committee secretary (grassroots service) of ICBC Ma'anshan branch in Anhui from December 2017 to August 2019. He also served as the vice president of ICBC Ma'anshan branch in Anhui from February 2018 to August 2019.

Mr. Yu Jun graduated from the Jiangsu Provincial Party School of the Communist Party of China (中共江蘇省委黨校) in Jiangsu, the PRC with the major of finance in December 2003. He obtained a bachelor's degree of economics from Beijing Normal University (北京師範大學) in Beijing, the PRC in June 2018. He also obtained the Certificate of Cambridge Senior Financial Management and Commercial Management (劍橋高級金融管理及商務管理證書) in November 2018 and has the title of economist.

6. **Mr. ZHAO Chuanxin (趙傳新)**, aged 55, has been appointed as the non-executive director of the Bank since November 2019 and has been the vice general manager of the assets and liabilities management department of ICBC since May 2016.

   Mr. Zhao Chuanxin served as the head of the capital department of ICBC Hancheng branch from October 1997 to March 2000. From March 2000 to September 2005, he successively served as the vice chief and chief of the foreign exchange capital management division under the international business department of ICBC. From September 2005 to June 2006, he served as the vice general manager of the international business department of ICBC. From June 2006 to May 2016, he served as the vice general manager of the financial market department of ICBC.

   Mr. Zhao Chuanxin obtained a bachelor's degree of economics from Nankai University (南開大學) in Tianjin, the PRC in July 1988. He obtained a master's degree of economics from Renmin University of China (中國人民大學) in Beijing, the PRC in May 1996. He also obtained a master's degree of business administration (international course) from the University of Hong Kong (香港大學) and Fudan University (復旦大學) in Shanghai, the PRC in July 2008 and has the title of senior economist.

7. **Ms. NING Jie (寧潔)**, aged 49, has been appointed as the non-executive director of the Bank since November 2019 and has been the deputy general manager of credit and investment management department of ICBC since March 2013.

   Ms. Ning Jie has held various positions in ICBC since November 2002, including the research assistant of Industrial and Commercial East Asia Finance Holdings Ltd (工商東亞金融控股有限公司) of ICBC from November 2002 to August 2003, employee and deputy director of institutional management division of credit management department of ICBC from August 2003 to September 2006 successively, deputy director and director of credit policy division of credit management department and secretariat of credit risk management commission of ICBC from September 2006 to April 2009 successively, overseas credit risk management division of credit management department of ICBC from April 2009 to August 2010, vice party committee secretary and vice president of Tangshan branch, Hebei of ICBC from August 2010 to August 2012 successively, director of division three of industry regional analysis center of credit management department of ICBC from September 2012 to March 2013.

   Ms. Ning Jie obtained a bachelor's degree of economics from Renmin University of China (中國人民大學) in Beijing, the PRC in July 1992, a master's degree in economics from People's Bank of China Financial Research Institute (中國人民銀行總行金融研究所) in July 1999 and a master's degree of business administration from Robert H. Smith School of Business, University of Maryland in May 2002.

8. **Ms. GU Jihong (顧繼紅)**, aged 49, has been appointed as the non-executive director of the Bank since October 2019 and has been working as an expert and special assigned director of strategic management and investor relationships department of ICBC since August 2017, a supervisor of ICBC Financial since September 2017, a director of Industrial and Commercial Bank of China (Europe) S.A. (中國工商銀行(歐洲)有限公司) since February 2018, a director of ICBCAXA Life Insurance Co., Ltd. (工銀安盛人壽保險有限公司) since July 2018, a vice chairman of the Board of Supervisors of ICBC AUSTRIA BANK GmbH (中國工商銀行奧地利有限公司) since May 2019 and a director of Industrial and Commercial Bank Of China Financial Services LLC (工銀金融服務有限責任公司) since February 2020.

   From July 1992 to April 2000, Ms. Gu Jihong successively served at the international business department of Shenyang branch of ICBC and the audit and supervision department of Nanlishilu sub-branch of Beijing branch of ICBC. From May 2000 to July 2017, she worked at the internal audit bureau (or the audit and supervision bureau prior to 2005) of ICBC headquarter as deputy director and director of the foreign exchange and overseas institution audit and supervision department, successively.

   Ms. Gu Jihong obtained a bachelor's degree of economics from Liaoning University (遼寧大學) in Liaoning, the PRC in July 1992 and a master's degree of international business administration from University of Hong Kong (香港大學) in Shanghai, the PRC in November 2014. Ms. Gu Jihong has been accredited as the certified internal auditor (CIA), the certified anti-money laundering specialist (CAMS), the certification in control self-assessment (CCSA) and the certified documentary credit specialist (CDCS) and senior economists.

9. **Mr. LYU Fei (呂飛)**, aged 54, has been appointed as the non-executive director of the Bank since October 2019 and also has been the general manager of No. 4 investment department of Cinda Investment since May 2018.

   Mr. Lyu Fei worked in Pingdingshan Mining Coal Machinery Factory (平頂山煤礦機械廠, currently known as Pingdingshan Mining Coal Machinery Co., Ltd. (平頂山煤礦機械有限責任公司)) and Pingdingshan Mining Bureau (平頂山礦務局, currently known as China Pingmei Shenma Energy & Chemical Group Co., Ltd. (中國平煤神馬能源化工集團有限責任公司)) from July 1984 to December 2000, during which he held positions including the manager of finance department of Pingdingshan Tian An Coal Industry Co., Ltd. (平頂山天安煤業股份有限公司). He worked as deputy chief accountant and finance minister of Beijing Construction Engineering Group Co., Ltd. (北京建工集團有限公司) from December 2000 to March 2009. Mr. Lyu Fei served as the general manager of planning finance department and general manager of asset operation department of Cinda Investment from April 2009 to May 2018.

   Mr. Lyu Fei graduated as an undergraduate majoring in financial accounting from Zhongnan University of Economics (中南財經大學, now known as Zhongnan University of Economics and Law (中南財經政法大學)) in Hubei, the PRC in January 1993, a master's degree of engineering from Tianjin University (天津大學) in Tianjin, the PRC in October 1997 and a doctor's degree of management from Sichuan University (四川大學) in Sichuan, the PRC in June 2016. He has been accredited as a senior accountant, senior international finance manager and senior international chartered finance director.

10. **Mr. LUO Nan (羅楠)**, aged 54, has been appointed as the non-executive director of the Bank since October 2019, has been a party committee member, the head of risk management and secretary of discipline inspection commission of Liaoning subsidiary of China Great Wall Asset Management Co., Ltd. (中國長城資產管理股份有限公司) since August 2015 and has been a vice chairman of Shenyang Jinbei Auto-part Industry Co., Ltd (瀋陽金杯汽車零部件工業有限公司) since April 2015.

    From July 1987 to October 2003, Mr. Luo Nan successively worked at Jilin branch and Shenyang branch of People's Bank of China. From June 2000 to October 2001, he served as the party committee member and vice president of Songyuan City center sub-branch of People's Bank of China. From October 2003 to August 2015, he worked at Liaoning bureau of China Banking Regulatory Committee as the deputy director of the joint stock commercial bank regulatory division, the director of the No. 5 on-site inspection division and the director of the policy bank regulatory division, successively.

    Mr. Luo Nan obtained a bachelor's degree of economics from Jilin University (吉林大學) in Jilin, the PRC in July 1987 and a master's degree of economics from Jilin University in Jilin, the PRC in June 1995.

11. **Mr. WU Jun (吳軍)**, aged 66, has been appointed as the independent non-executive director of the Bank since October 2019 and has been working in University of International Business and Economics (對外經濟貿易大學) as a professor of finance since June 2000, during which time, he was also the dean of school of finance from June 2000 to July 2009. He has been the independent director of Southwest Securities International Securities Limited (西證國際證券股份有限公司) which is listed on the Hong Kong Stock Exchange (stock code: 812) since January 2015, the external supervisor of Jinshang Bank Co., Ltd. (晉商銀行股份有限公司) which is listed on the Hong Kong Stock Exchange (stock code: 2558) since April 2018, the independent director of Shijihengtong Technology Co., Ltd. (世紀恒通科技股份有限公司) since March 2019 and the independent director of New China Asset Management Co., Ltd. since April 2020.

    Mr. Wu Jun served as the independent director of Shenzhen Shenxin Taifeng Group Co.,Ltd. (深信泰豐（集團）股份有限公司) (now known as Digital China Group Co.,Ltd. (神州數碼集團股份有限公司)) which was listed on Shenzhen Stock Exchange (stock code: 000034) from June 2008 to June 2014, and the independent director of Southwest Securities Co., Ltd. (西南證券股份有限公司) which was listed on Shanghai Stock Exchange (stock code: 600369) from March 2009 to March 2017.

    Mr. Wu Jun took successive positions as teaching assistant, lecturer and head of teaching and research office of monetary banking in Yunnan University of Finance and Economics (雲南財經大學) from August 1981 to September 1992, and as associate professor, professor and head of school of finance in China Institute of Finance and Banking (中國金融學院) from October 1992 to June 2000.

    Mr. Wu Jun obtained a master's degree of economics and a doctor's degree of economics from PBC School of Finance, Tsinghua University (清華大學五道口金融學院) in Beijing, the PRC in July 1988 and March 1995, respectively.

12. **Mr. XIE Taifeng (謝太峰)**, aged 61, has been appointed as the independent non-executive director of the Bank since October 2019 and has been an independent non-executive director of Bank of Zhengzhou Co., Ltd. (鄭州銀行股份有限公司), which is listed on the Hong Kong Stock Exchange (stock code: 6196) and on the Shenzhen Stock Exchange (stock code: 002936), since June 2015 and an independent director of Green Fund Management Co., Ltd. (格林基金管理有限公司) since October 2016, and an independent director of China Film Co., Ltd. (中國電影股份有限公司), which is listed on Shanghai Stock Exchange (stock code: 600977) since September 2019. He has also been successively working in Capital University of Economics and Business (首都經濟貿易大學), as associate dean and dean of school of finance and currently a professor since July 2005. Mr. Xie Taifeng is also an executive director of China Financial Forum (中國金融學會), executive director of China Urban Financial Society (中國城市金融學會), executive director of China Institute of Rural Finance (中國農村金融學會), executive director of China International Finance Association (中國國際金融學會), director of China Strategic and Cultural Promotion Association (中國戰略文化促進會), secretary general of Beijing International Finance Association (北京市國際金融學會), district committee government consultant Xicheng District, Beijing, the PRC (北京市西城區區委區政府).

    Mr. Xie Taifeng took successive positions as teaching assistant, associate professor, professor, head of school of finance and associate dean of business school in Zhengzhou University (鄭州大學) from January 1982 to May 1998. He served as general manager of research and development center of Beijing Securities Co., Ltd. (北京證券有限責任公司), currently known as UBS Securities Co., Ltd. (瑞銀証券有限責任公司)) from May 1998 to July 2001. He worked as professor and secretary of the Communist Party of China of school of business administration of Beijing Institute of Machinery Industry (北京機械工業學院) from July 2000 to July 2005.

    Mr. Xie Taifeng obtained a bachelor's degree of economics from Zhengzhou University (鄭州大學) in Henan, the PRC in January 1982, a master's degree of economics from Southwestern University of Finance and Economics (西南財經大學) in Sichuan, the PRC in July 1986 and a doctor's degree of economics from Southwestern University of Finance and Economics (西南財經大學) in Sichuan, the PRC in May 1999.

13. **Mr. XIAO Geng (肖耿)**, aged 57, has been appointed as the independent non-executive director of the Bank since January 2020 and has been a professor of practice in finance at HSBC Business School, Peking University (北京大學滙豐商學院) since August 2018 and is an independent non-executive director of UBS (China) Limited (瑞士銀行（中國）有限公司). He is also the chairman of Hong Kong Institute of International Finance (香港國際金融學會), member of expert committee of Hengqin free trade zone of Zhuhai, Guangdong (廣東珠海橫琴自貿區專家委員會) and member of academic committee of International Monetary Institute of Renmin University of China (中國人民大學國際貨幣研究所學術委員會), and served as an independent director of Tsingtao Brewery Company Limited (listed on the Shanghai Stock Exchange (stock code: 600600) and the Hong Kong Stock Exchange (stock code: 168)) since June 2020.

Mr. Xiao Geng worked as consultant in research department of World Bank from July 1991 to August 1992. From September 1992 to August 2008, he served as lecturer, assistant professor and associate professor in school of economics and finance of University of Hong Kong. From July 1996 to December 1996, he was a visiting scholar at the center of international development at Harvard University (哈佛大學國際發展研究院). From January 2000 to December 2003, he was the advisor to chairman and head of research department of Securities and Futures Committee of Hong Kong. He was senior researcher at John L. Thornton China Center at Brookings Institution (布魯金斯學會約翰•桑頓中國中心) and also head of the Brookings-Tsinghua Center for Public Policy of Tsinghua University from January 2007 to June 2010. He served as head of Columbia University Global Center of Beijing from July 2010 to July 2011. He worked in the Fung Global Institute of Hong Kong (香港經綸國際經濟研究院) as senior researcher, head of research and vice president from August 2011 to June 2015. He was professor of practice in finance and public policy of the business school and school of social science at the University of Hong Kong from July 2015 to June 2018.

Mr. Xiao Geng obtained a bachelor's degree of system science and management science from University of Science and Technology of China (中國科學技術大學) in Anhui, the PRC in June 1985. He obtained a master's degree of economics from University of California, Los Angeles in June 1987 and a doctor's degree of economics from University of California, Los Angeles in June 1991.

14. **Mr. WANG Xiongyuan (王雄元)**, aged 47, has been appointed as the independent non-executive director of the Bank since October 2019 and has been working in school of accounting of Zhongnan University of Economics and Law (中南財經政法大學) since July 1999 and has been a professor and the deputy dean of school of accounting since December 2009 and March 2013, respectively. He was an independent director of Beijing Creative Distribution Automation Co., Ltd. (北京科鋭配電自動化股份有限公司), which was listed on Shanghai Stock Exchange (stock code: 002350), from June 2015 to March 2016, and has been an independent director of Sichuan Kexin Mechanical and Electrical Equipment Co.,Ltd.(四川科新機電股份有限公司), which is also listed on Shanghai Stock Exchange (stock code: 300092), since October 2017.

    Mr. Wang Xiongyuan obtained a bachelor's degree and a master's degree of economics (accounting) from Zhongnan University of Economics and Law (中南財經政法大學) in Hubei, the PRC in July 1994 and July 1999, respectively. He obtained a doctor's degree of management (accounting) from Sun Yat-sen University (中山大學) in Guangdong, the PRC in December 2008.

15. **Mr. SU Mingzheng (蘇明政)**, aged 40, has been appointed as the independent non-executive director of the Bank since October 2019 and has been working in Bohai University (渤海大學) since September 2003 and successively served as teaching assistant, lecturer and associate professor, and has been serving as a professor since December 2019. Mr. Su Mingzheng is also a director of Liaoning Financial Law Society (遼寧省金融法學會), a director of Insurance Society of China (中國保險學會), a member of Liaoning Finance Teaching Guidance Committee (遼寧省金融學專業教學指導委員會). Mr. Su Mingzheng has also been admitted into the Development Program for Liaoning Excellent Talents in University (遼寧省高等院校傑出青年人才成長計劃).

    Mr. Su Mingzheng obtained a bachelor's degree of economics from Xi'an Jiaotong University (西安交通大學) in Shaanxi, the PRC in July 2003, a master's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in January 2009, and a doctor's degree in economics from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in July 2014.

(II) Biographies of Supervisors

1. **Mr. ZHANG Tao (張弢)**, aged 55, has been appointed as the employee representative supervisor of the Bank since October 2019 and acted as the chairman of the Board of Supervisors since November 2019. He also has been the vice secretary of the party committee of the Bank since August 2019 and acted as a secretary of discipline inspection commission of the Bank since January 2020.

   Mr. Zhang Tao worked at the Silver Eagle Sports Association of Liaoning branch of PBOC and at the finance center of Liaoning branch of the PBOC from July 1988 to November 1991 and from November 1991 to January 1999, respectively. He successively served as a cadre and a supervisor (deputy director level) of the currency and credit management division of Shenyang branch of the PBOC from January 1999 to December 2000 and from December 2000 to March 2002, respectively. He was a member of the party committee and the vice president of the Fuxin city center sub-branch of the PBOC from March 2002 to May 2004, the deputy director of the credit information management division of Shenyang branch of the PBOC from May 2004 to December 2007, the secretary of the party committee and the president of Panjin city center sub-branch of the PBOC and the director general of Panjin city center sub-bureau of State Administration of Foreign Exchange from December 2007 to July 2013, and the secretary of the party committee and the president of Anshan city center sub-branch of PBOC and the director general of Anshan city center sub-bureau of the State Administration of Foreign Exchange from July 2013 to August 2019.

   Mr. Zhang Tao obtained an Executive Master of Business Administration degree from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in December 2010 and has the title of senior economist.

2. **Mr. LIU Liguo (劉立國)**, aged 41, has been appointed as the employee representative supervisor of the Bank since October 2019. He has been the director of the office of the Board of Supervisors since January 2016 and the deputy director (chairing the work) of the office and the deputy director (chairing the work) of the party committee office of the Bank since March 2020.

   Mr. Liu Liguo worked at the urban construction sub-branch of Jinzhou City Commercial Bank from July 2002 to June 2003 and at the office of the chairman of the board of directors and the president of Jinzhou City Commercial Bank from June 2003 to April 2009. He served successively as the assistant to the director of the office of the president of the Bank from April 2009 to July 2011 and the deputy director (chairing the work) of the office of the president of the Bank from December 2016 to March 2020.

   Mr. Liu Liguo obtained a bachelor's degree of management from Dongbei University of Finance and Economics (東北財經大學) in Liaoning, the PRC in April 2004 and has the title of intermediate economist.

3. **Ms. WU Hai'ou (吳海鷗)**, aged 40, has been the vice general manager (chairing the work) of the internal audit department of the Bank since August 2016 and has been the employee representative supervisor of the Bank since October 2019.

   She worked at the accounting section of Jinling sub-branch of Jinzhou City Commercial Bank from July 2001 to January 2003 and served successively as an auditor of the audit department of Jinzhou City Commercial Bank and the audit department of the Bank from January 2003 to May 2008 and from May 2008 to April 2009, respectively. She was an auditor of the internal audit and compliance department of the Bank from April 2009 to October 2011 and worked successively as an auditor and the assistant to the general manager of the internal audit department of the Bank from October 2011 to September 2012 and from September 2012 to July 2016, respectively.

   Ms. Wu Hai'ou obtained a bachelor's degree of accounting from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 2001 and has been accredited as a senior accountant and international certified auditor (ICA).

4. **Mr. WU Zhengkui (吳正奎)**, aged 45, has been a supervisor of Orient Securities Company Limited, which is listed on the Shanghai Stock Exchange (stock code: 600958) and on the Hong Kong Stock Exchange (stock code: 3958), since April 2012. He has been as an executive director of Greenland Hong Kong Holdings Ltd, which is listed on the Hong Kong Stock Exchange (stock code: 337) since August 2013 and as the shareholder representative supervisor of the Bank since October 2019.

   From January 2002 to December 2003, Mr. Wu Zhengkui successively served as the chief and the manager of the financial department of Shanghai Greenland Construction Engineering Co., Ltd. (上海綠地建築工程有限公司). He has successively been the manager of financial department, assistant to the general manager of financial department, vice general manager of the financial department and the executive deputy general manager of the auditing center of Greenland Holdings Group Co., Ltd. (綠地控股集團有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600606), since January 2004. He has been a director of Shanghai Yun Feng (Group) Co., Ltd. (上海雲峰（集團）有限公司) since January 2008 and the chief financial officer of Shanghai Xin Hua Publication (Group) Co., Ltd. (上海新華發行（集團）有限公司) since January 2007. From November 2011 to December 2017, he served as a non-executive director of the Bank.

   Mr. Wu Zhengkui obtained a master's degree of accounting from Fudan University (復旦大學) in Shanghai, the PRC in July 2008 and has the title of intermediate accountant.

5. **Ms. TANG Fang (唐芳)**, aged 42, has been the shareholder representative supervisor of the Bank since October 2019.

 Ms. Tang Fang 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 Fang 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. She has been the vice secretary 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 (stock code: 600266), since January 2018, a director of Beijing Shoucheng Land Co.,Ltd. (北京首城置業有限公司) since February 2018, a director of Beijing Urban Construction Investment & Development Co., Ltd. (北京城建興瑞置業開發有限公司) since May 2018 and a director of Beijing Urban Construction Xingye Land Co.,Ltd. (北京城建興業置地有限公司) since July 2018. She served as a non-executive director of the Bank from January 2019 to October 2019.

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

6. **Mr. MENG Xuefeng (孟雪峰)**, aged 42, serves as a member of Chinese People's Political Consultative Conference of Jinzhou City and a guest professor of Bohai University (渤海大學) and Jinzhou Medical University (錦州醫科大學), and has been the external supervisor of the Bank since October 2019.

 Mr. Meng Xuefeng has held various positions, including the chair of Liaoning Rongda Lawyer Office (遼寧戎達律師事務所) since January 2003, a member and the vice general secretary of the law sector of All-China Youth Federation since March 2016, a member of the legal expert tank of the government of Jinzhou City since June 2018, the executive vice president of the Lawyers Association of Jinzhou City (錦州市律師協會) since November 2018 and the lawyer expert for criminal legal matters of Liaoning Province since December 2018 and the managing director of the Lawyers Association of Liaoning Province (遼寧省律師協會) since April 2019.

 Mr. Meng Xuefeng graduated from Liaoning University (遼寧大學) in Liaoning, the PRC as an undergraduate majoring in economic law in July 2001.

7. **Mr. GUO Limao (郭李茂)**, aged 35, has served as a director of Jinzhou City Chuang Shi Investment and Finance Guarantee Co., Ltd. (錦州市創實投融資擔保有限公司) since September 2019, and has been the external supervisor of the Bank since October 2019.

   Mr. Guo Limao served as, among other things, the head of the administration section and vice head of finance section of Jinzhou City Funeral Home (錦州市殯儀館) from August 2008 to October 2018. He has served as the head of the risk control department of Jinzhou City Guarantee Group Co., Ltd. (錦州市擔保集團有限公司) since October 2018. He has also served as a supervisor of Jinzhou City Guarantee Group Co., Ltd. (錦州市擔保集團有限公司) since July 2019.

   Mr. Guo Limao obtained a bachelor's degree of engineering from Shenyang University (瀋陽化工大學) of Chemical Technology in Liaoning, the PRC in July 2007.

8. **Mr. HU Guojie (胡國傑)**, aged 54, serves as a member of the National Think Tank Alliance of Cities along the Route of "the Belt and Road" (全國"一帶一路"沿線城市智庫聯盟), a member of Liaoning Province International Trade Association (遼寧省國際貿易學會) and a member of China Business Statistics Association (中國商業統計學會), and has been the external supervisor of the Bank since October 2019.

   Mr. Hu Guojie has been a professor of the economics and management school of Liaoning University of Technology (遼寧工業大學) since December 2011. He served as a lecturer of Liaoning Province Jinzhou School of Grains (遼寧省錦州糧食學校) from July 1988 to May 1997.

   Mr. Hu Guojie obtained a bachelor degree of science from Liaoning Normal University (遼寧師範大學) in Liaoning, the PRC in July 1988 and a master equivalent in corporate management from Nanjing University of Finance and Economics (南京財經大學) in Jiangsu, the PRC in July 1992.

(III) Biographies of Senior Management Members

1. For biography of Mr. GUO Wenfeng, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations – Biographies of Directors" of this annual report.

2. For biography of Mr. KANG Jun, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations – Biographies of Directors" of this annual report.

3. For biography of Mr. YANG Weihua, please refer to section headed "Directors, Supervisors, Senior Management, Employees and Organizations – Biographies of Directors" of this annual report.

4. For biography of Mr. YU Jun, 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. YU Jun (余軍)**, was appointed as a joint company secretary of the Bank in January 2020. 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 (梁頴嫻)**, 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, who has over 11 year of experience in financing, accounting and company secretary work. Ms. Leung holds degrees of bachelor of business administration in accounting, bachelor of laws, and master of laws in international corporate and financial law. Ms. Leung is a fellow member of the Hong Kong Institute of Chartered Secretaries, The Chartered Governance Institute (formerly known as 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 5,021 full-time employees, of which 3,676 employees or 73.21% had bachelor's degrees or above, with the average age of 36.85.

In addition to full-time employees, as at the end of the Reporting Period, the Bank also had 1,213 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 Training Program

The Bank strives to build a comprehensive study-type bank, values the improvement of employee's overall qualities and skills and sets up scientific training system based on "leading by party building, hierarchical classification, comprehensive coverage". Our annual training program thoroughly considered actual circumstance of the Bank and employees' needs, combined innovative training, management training and business training 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, and the lecture tour effectively promotes the dissemination of normative knowledge in the Bank. The multi-dimensional training model online and offline enriched the training system and ensured the full coverage of the training work. The Bank will continue to focus on the training and cultivating of key groups, improve the cadre management ability, to ensure the reserve of talents and young staff team construction.

(III) Employee Incentive Policies

The Bank has always been committed to the research and formulation of employee incentive policies throughout the Bank. By applying the advanced management tool, 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

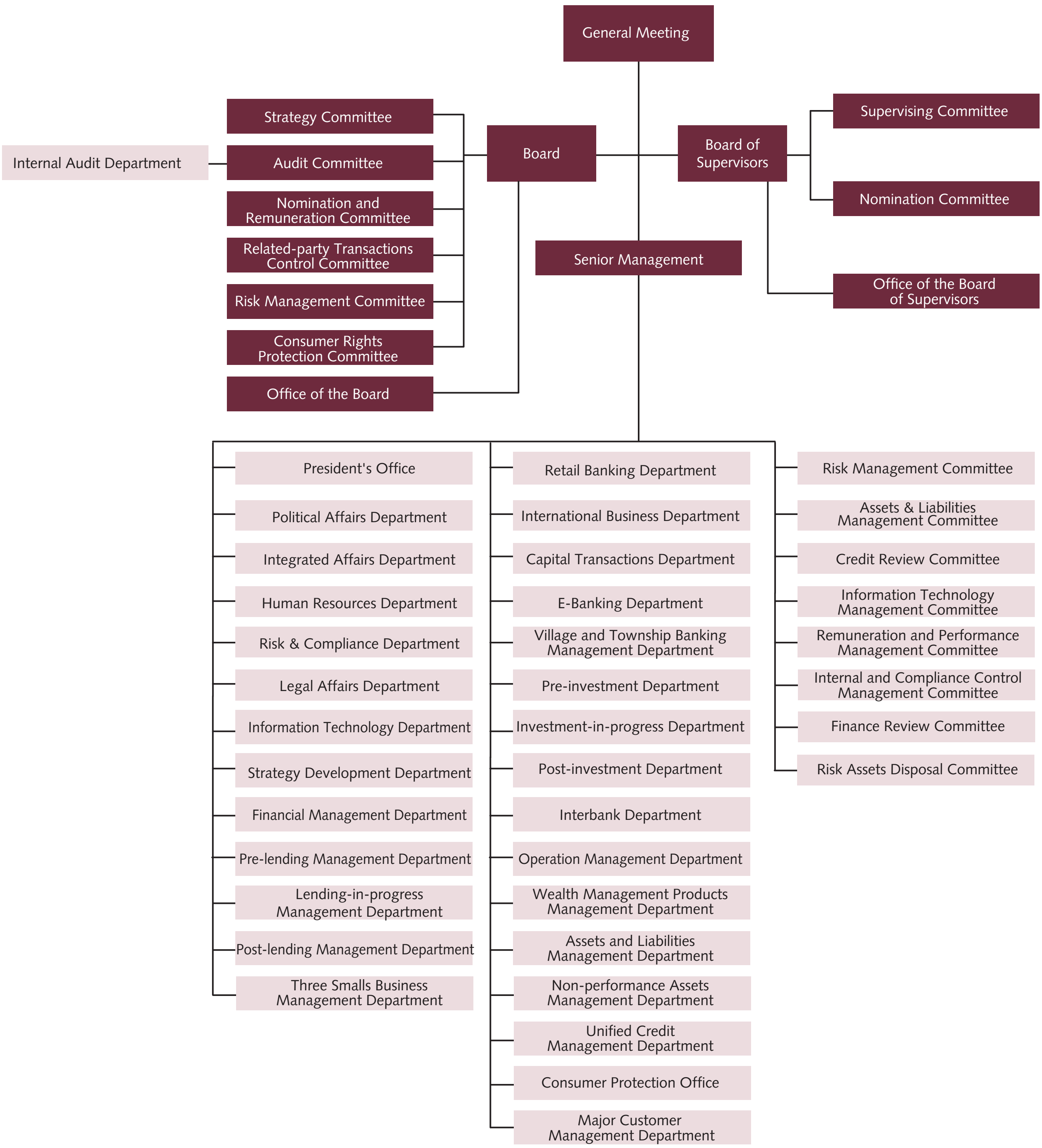
According to applicable laws in China, the Bank's male employees, cadre female employees and non-cadre female employees reaching the age of 60, 55 and 50, respectively, shall retire. The salary of retired employees will be suspended and paid by the social insurance fund agency to their basic pension 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 2 sub-branches
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 end of the Reporting Period, the organization chart of the Bank was as follows. According to the overall institutional reformation plan of the Bank, the departments in headquarters have been integrated and optimized by the Bank in 2020, reflecting the fine management, empowering the operation and development and promoting the Bank's development mode of high-quality with internal driver.



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 independent 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, save as disclosed below, the Bank has fully complied with all code provisions contained in the Corporate Governance Code and the Board is not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Corporate Governance Code:

According to the code provision A.5.1 of Corporate Governance Code, issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director, and independent non-executive directors shall form the majority of the committee. On 18 October 2019, the sixth session of the Board was elected on annual general meeting for 2018 of the Bank, and the Directors of the the sixth session of the Board have successively received their approvals from regulatory authority during the period from 30 October 2019 to 21 January 2020. Each of their terms of office took into effect from the date receiving the approvals from the regulatory authority. On 15 November 2019, the Bank convened the Board meeting for approval and appointment, among other things, the members of the Nomination and Remuneration Committee. Therefore, from 30 October 2019 (when the sixth session of the Board commenced to perform its duties) to 15 November 2019 (when the Bank convened the Board meeting to appoint the members of various committees and the qualifications of all members of the Nomination and Remuneration Committee for serving as the Directors were approved by the regulatory authority), the Bank's Nomination and Remuneration Committee had no member. Since 15 November 2019, the members of the the Bank's Nomination and Remuneration Committee have complied with the code provision A.5.1 of Corporate Governance Code.

III. General Meeting

During the Reporting Period, the Bank convened one annual general meeting, one domestic Shareholders' class meeting and one H Shareholders' class meeting. The Bank convened the 2018 annual general meeting, the 2019 first domestic Shareholders' class meeting and the 2019 first H Shareholders' class meeting on 18 October 2019.

The following ordinary resolutions were considered and approved at the 2018 annual general meeting: the annual report of the Bank for the financial year ended 31 December 2018, the report of the board of directors of the Bank for the year ended 31 December 2018, the report of the board of supervisors of the Bank for the year ended 31 December 2018, the appraisal report on directors' performance of duties in 2018, the appraisal report on supervisors' performance of duties in 2018, the Bank's final financial accounts for the year ended 31 December 2018, the Bank's financial budget plan for the year ending 31 December 2019, the Bank's profit distribution plan for the year ended 31 December 2018, the Bank's dividend distribution plan of the offshore preference shares for the year 2018, the re-appointment of Crowe (HK) CPA Limited as the Bank's auditor, the election of members of the sixth session of the Board of the Bank, the election of members of the sixth session of the shareholder representative supervisors and external supervisors, and the authorization plans for write-offs of bad debts.

The following special resolutions were considered and approved at the 2018 annual general meeting: the proposed amendments to the rules for the equity management of the Bank, general mandate to issue new shares, the amendments on the Articles of Association, the proposal on the private placement of domestic shares of the Bank under a specific mandate, the proposal on the authorization to the Board and the persons authorized by the Board to implement the private placement of domestic shares of the Bank and the consequential amendments to the Articles of Association.

The following special resolutions were considered and approved at the 2019 first domestic Shareholders' class meeting: the proposed amendments to the rules for the equity management of the Bank, general mandate to issue new shares, the proposal on the private placement of domestic shares of the Bank under a specific mandate, the proposal on the authorization to the Board and the persons authorized by the Board to implement the private placement of domestic shares of the Bank and the consequential amendments to the Articles of Association.

The following special resolutions were considered and approved at the 2019 first H Shareholders' class meeting: the proposed amendments to the rules for the equity management of the Bank, general mandate to issue new shares, the proposal on the private placement of domestic shares of the Bank under a specific mandate, the proposal on the authorization to the Board and the persons authorized by the Board to implement the private placement of domestic shares of the Bank and the consequential amendments to the Articles of Association.

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 strictly execute the resolutions of the general meetings and complete the change of session of the Board of Directors.

(II) Composition of the Board of Directors

As at the end of the Reporting Period, the Board of Directors of the Bank consists of 14 Directors, including 5 executive Directors who are Mr. Wei Xuekun (chairman), Mr. Guo Wenfeng (vice chairman), Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun; 5 non-executive Directors who are Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan; and 4 independent non-executive Directors who are Mr. Wu Jun, Mr. Xie Taifeng, Mr. Wang Xiongyuan and Mr. Su Mingzheng.

The Bank received the approval from the CBIRC Liaoning Regulatory Bureau on qualification of Mr. Xiao Geng as a Director on 21 January 2020, and his term of office commenced from 21 January 2020 until the expiration of the sixth 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, Audit Committee, Nomination and Remuneration Committee, Related-party Transactions Control Committee, Risk Management 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. A director shall abstain from discussion and voting at a meeting of the Board of Directors on any resolution in which he is materially interested, and shall not be counted in the quorum for such resolution.

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 verify the Bank's compliance with the Corporate Governance Code in the Listing Rules of the Hong Kong Stock Exchange 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.

Prior to making decision on any major issue of the Bank, the Board shall listen to the opinions of the Party committee in advance.

(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. However, the consecutive term of office of the independent non-executive Directors shall not exceed six years.

(VIII) Meetings of the Board of Directors

During the Reporting Period, the Bank has convened 12 meetings (including teleconference) of the Board of Directors, 68 resolutions have been considered and approved which include the consideration and approval of matters for the work report of the Board of Directors for 2018, final financial accounts for 2018 and financial budget plan for 2019, the annual report for 2018, profit distribution plan for 2018 and amendments to the Articles of Association, and 3 resolutions regarding work report on consumer rights protection for 2018 and others have been listened.

During the Reporting Period, 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							
Name 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	General Meeting
WEI Xuekun	2/0/2							
GUO Wenfeng	1/1/2						0/1/1	
KANG Jun	2/0/2		1/0/1				1/0/1	
YANG Weihua	1/1/2		1/0/1	1/0/1				
YU Jun	2/0/2				1/0/1			
ZHAO Chuanxin	2/0/2				1/0/1			
NING Jie	1/1/2		1/0/1	1/0/1		1/0/1		
GU Jihong	1/1/2					1/0/1	1/0/1	
LYU Fei	2/0/2		1/0/1				1/0/1	
LUO Nan	1/1/2						1/0/1	
WU Jun	2/0/2			1/0/1	1/0/1			
XIE Taifeng	2/0/2		1/0/1	1/0/1	1/0/1			
WANG Xiongyuan	2/0/2					1/0/1		
SU Mingzheng	2/0/2				1/0/1	1/0/1		
ZHANG Wei	10/0/10	3/0/3						3/0/3
HUO Lingbo	8/2/10							3/0/3
WANG Jing	9/1/10			1/0/1				3/0/3
SUN Jing	10/0/10						1/0/1	3/0/3
WANG Xiaoyu	9/1/10							3/0/3
LIU Hong	8/2/10	3/0/3	1/0/1		1/0/3		1/0/1	3/0/3
GU Jie	9/1/10							3/0/3
MENG Xiao	6/4/10					6/0/6		3/0/3
LI Dongjun	5/5/10							3/0/3
TANG Fang	10/0/10							3/0/3
CHOON Yew Khee	8/2/10		1/0/1	1/0/1				3/0/3
LIN Yanjun	7/3/10	2/0/3			2/0/3			3/0/3
CHANG Peng'ao	8/2/10			1/0/1	3/0/3			3/0/3
PENG Taoying	8/2/10					6/0/6		3/0/3
TAN Ying	10/0/10					6/0/6	1/0/1	3/0/3

Notes:

(1) On 18 October 2019, as considered and approved at the 2018 annual general meeting, the Bank elected the sixth session of the board of directors in advance. On 30 October 2019, Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua, Mr. Yu Jun, Ms. Gu Jihong, Mr. Lyu Fei, Mr. Luo Nan, Mr. Wu Jun, Mr. Xie Taifeng, Mr. Wang Xiongyuan and Mr. Su Mingzheng obtained the approvals for their qualifications from the relevant regulatory authorities and commenced their performance of duties as Directors. On 14 November 2019, Mr. Zhao Chuanxin and Ms. Ning Jie obtained the approvals for their qualifications from the relevant regulatory authorities and commenced their performance of duties as Directors.

(2) On 30 October 2019, Mr. Zhang Wei, Mr. Huo Lingbo, Mr. Wang Jing, Mr. Sun Jing, Ms. Wang Xiaoyu, Ms. Liu Hong, Ms. Gu Jie, Ms. Meng Xiao, Mr. Li Dongjun, Ms. Tang Fang, Mr. Choon Yew Khee, Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying ceased to perform their duties as Directors and members or the chairmen of board committees (if applicable).

(IX) Independent Non-executive Directors

As at the date of this annual report, 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 term of office of shall not be more than six years on an consecutive basis.

During the Reporting Period, the independent non-executive Directors earnestly participated in the meetings of the Board of Directors and meetings of all special committees, and provided independent and objective 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 a deep understanding on the operation and management of the Bank by deepening the communication with the senior management, specialized authorities and external auditor. The independent non-executive Directors have duly performed the integrity and diligence obligations, and provided strong support to the scientific decisions of the Board of Directors and duly protected the interests of the Bank and all Shareholders.

(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 2019. 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 2019, 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 Bank has provided latest updates of Listing Rules and other applicable regulatory rules from time to time to Mr. Zhang Wei, Mr. Huo Lingbo, Mr. Wang Jing, Mr. Sun Jing and Ms. Wang Xiaoyu as executive directors and Ms. Liu Hong, Ms. Gu Jie, Ms. Meng Xiao, Mr. Li Dongjun and Ms. Tang Fang as non-executive directors and Mr. Choon Yew Khee, Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying as independent non-executive directors, of the fifth session of the Board. The above fifth session of the Board has ceased to perform its duties when the sixth session of the Board commenced to perform its duties in accordance with the relevant laws, regulations and rules. In addition, Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun, as executive Directors; Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan as non-executive Directors; and Mr. Xiao Geng, Mr. Wu Jun, Mr. Xie Taifeng, Mr. Wang Xiongyuan and Mr. Su Mingzheng, as independent non-executive Directors of the sixth session of the Board, also participated in training sessions provided by legal advisers engaged by the Bank on continuing obligations of the issuer and its directors in Hong Kong, connected transactions under the Listing Rules, the Corporate Governance Code, and the disclosure requirements of inside information. The Bank has provided briefings on the latest developments of the Listing Rules and other applicable regulatory requirements to the Directors from time to time, 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 six Directors, including Mr. Wei Xuekun, an executive Director and the chairman of the Board of Directors, who is the chairman of the committee, and an executive Director and vice chairman Mr. Guo Wenfeng, an executive Director Mr. Yu Jun, a non-executive Director Mr. Zhao Chuanxin, an independent non-executive Director Mr. Wang Xiongyuan and an independent non-executive Director Mr. Su Mingzheng, 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 three meetings for the consideration of 4 proposals, including the additional establishment of Major Customer Management Department and 2019-2021 Capital Management Plan.

2. Audit Committee

As at the end of the Reporting Period, the Audit Committee consists of four Directors, including Mr. Wang Xiongyuan, an independent non-executive Director, who is the chairman of the committee, Ms. Ning Jie, a non-executive Director, Ms. Gu Jihong, a non-executive Director and Mr. Su Mingzheng, an independent non-executive Director, who are members of the committee. Mr. Xiao Geng, an independent non-executive Director, had performed his duties as a member of the committee since 21 January 2020.

The primary duties of the Audit Committee include: examining the accounting policies, financial condition and financial reporting procedures of the Bank; examining the status of risk and compliance; coordinating on the annual audit work, proposing the appointment or replacement of the accounting firm; preparing report with judgement on whether the financial information audited is true, complete, timely and accurate and make proposals to the Board of Directors; overseeing the internal control system and conducting audit for material related party transactions; and other matters authorised by the Board of Directors.

During the Reporting Period, the Audit Committee has convened seven meetings for the consideration of 13 resolutions, including annual report for 2018, review of interim report for 2019 by engaged accounting firm and interim report for 2019, at which the report on the overall audit progress of our auditor was listened to by the Audit Committee at one time.

3. Nomination and Remuneration Committee

As at the end of the Reporting Period, the Nomination and Remuneration Committee consists of five Directors, including Mr. Wu Jun, an independent non-executive Director, who is the chairman of the committee, executive Director Mr. Yu Jun, non-executive Director Mr. Zhao Chuanxin, independent non-executive Director Mr. Xie Taifeng and independent non-executive Director Mr. Su Mingzheng, who are members of the committee.

The primary duties of the Nomination and Remuneration Committee include: reviewing the remuneration management system and policy, formulating the remuneration plan for the directors and senior management of the Bank and make proposal of remuneration to the Board of Directors and supervising its implementation; formulating the criteria and procedures for the election and appointment of directors and senior management personnel; conducting preliminary review of qualification and conditions of directors and senior management personnel and make recommendations to the Board of Directors; formulating assessment standards of directors and senior management personnel, conducting the above mentioned assessment and make recommendations to the Board of Directors; seeking for qualified candidates of directors and senior management personnel; other matters authorised by the Board of Directors.

During the Reporting Period, the Nomination and Remuneration Committee has convened four meetings for the consideration of seven resolutions, including appointment of Guo Wenfeng as the president of the Bank, appointment of Yu Jun as the chief financial officer of the Bank and nomination of the candidates for directors.

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. For more details, please refer to the section headed "Board of Directors" of the Articles of Association.

The candidates of directors shall have the necessary professional knowledge and work experience to perform their duties, meet the qualifications stipulated by the CBIRC, and their qualifications shall be approved by the banking regulatory authorities of the State Council.

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 2 female persons, 1 person who is regular resident in Hong Kong. The Board of Directors considered that it has achieved diversification in terms of sex, 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 four Directors, including an executive Director Mr. Yang Weihua, Ms. Ning Jie, a non-executive Director, an independent non-executive Director, Mr. Wu Jun and an independent non-executive Director, Mr. Xie Taifeng, who are members of the committee. Mr. Xiao Geng, an independent non-executive Director, had performed his duties as the chairman of the committee since 21 January 2020.

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 two meetings for the consideration of 2 resolutions, including the election of the chairman.

5. Risk Management Committee

As at the end of the Reporting Period, the Risk Management Committee consists of five Directors, including Mr. Xie Taifeng, an independent non-executive Director, who is the chairman of the committee, and Mr. Kang Jun, an executive Director, Mr. Yang Weihua, an executive Director, Ms. Ning Jie, a non-executive Director and Mr. Lyu Fei, a non-executive Director, who are members of the committee. Mr. Xiao Geng, an independent non-executive Director, has been discharging his duties as the member since 21 January 2020.

The primary duties of the Risk Management Committee include: supervising the risk control in terms of the credit, floating, market, operation, compliance and reputations; making regular assessment of the risk policy, management status and risk status; making assessment on the working procedure and working results of internal audit department of the Bank and putting forward a sound risk management advice; determining the strategy on the overall management of the risk and the cap of the overall risk; reviewing the asset and liability management policies of the Bank; and other matters authorised by the Board of Directors.

During the Reporting Period, the Risk Management Committee has convened two meetings for the consideration of 4 resolutions, including the 2018 case prevention work report of the Bank of Jinzhou the 2018 compliance risk management report of the Bank of Jinzhou and administrative measures of the Bank of Jinzhou for interest rate risks of accounts.

6. Consumer Rights Protection Committee

As at the end of the Reporting Period, consumer rights protection committee consists of five Directors, including executive Director and vice chairman Mr. Guo Wenfeng who is the chairperson of the committee, and executive Director Mr. Kang Jun, non-executive Director Ms. Gu Jihong, non-executive Director Mr. Lyu Fei and non-executive Director Mr. Luo Nan who 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.

During the Reporting Period, the consumer rights protection committee has convened two meetings for the consideration of 2 resolutions, including 2018 consumer rights protection work report of the Bank of Jinzhou for 2018 and the election of chairman.

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 8 Supervisors, including 3 employee representative Supervisors, being Mr. Zhang Tao (chairman of Board of Supervisors), Mr. Liu Liguo and Ms. Wu Hai'ou; 2 Shareholder representative Supervisors, namely Mr. Wu Zhengkui and Ms. Tang Fang; 3 external Supervisors, being Mr. Meng Xuefeng, Mr. Guo Limao and Mr. Hu Guojie.

(II) Chairman of the Board of Supervisors

Mr. Zhang Tao 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 10 meetings of the Board of Supervisors (including communication meetings), primarily for the consideration and approval of 43 resolutions, including the Work Report of the Board of Supervisors for 2018, Annual Report for 2018, 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
ZHANG Tao	1/0/1		
LIU Liguo	1/0/1	1/0/1	
WU Hai'ou	1/0/1		1/0/1
WU Zhengkui	0/1/1		
TANG Fang	1/0/1		
MENG Xuefeng	1/0/1	1/0/1	
GUO Limao	1/0/1	1/0/1	1/0/1
HU Guojie	1/0/1		1/0/1
CAI Hongguang	9/0/9		
DAI Shujun	9/0/9		
CAO Wenqing	6/3/9		
LI Wei	9/0/9		6/0/6
LI Xiu	9/0/9	3/0/3	
HE Baosheng	9/0/9		
CHEN Tanguang	4/5/9		
HE Mingyan	4/5/9		
JIANG Daxing	6/3/9	3/0/3	
DENG Xiaoyang	6/3/9		6/0/6
NIE Ying	9/0/9		6/0/6
LI Tongyu	8/1/9		
ZHAO Hongxia	8/1/9	3/0/3	

Notes:

(1) On 18 October 2019, as considered and approved at the 2018 annual general meeting, the Bank elected the sixth session of the Board of Supervisors in advance. Mr. Wu Zhengkui and Ms. Tang Fang were elected as shareholder representative Supervisors of the Bank; Mr. Meng Xuefeng, Mr. Guo Limao and Mr. Hu Guojie were elected as external Supervisors of the sixth session of the Board of Supervisors. Also, as considered and approved at the employee representative meeting of the Bank, Mr. Zhang Tao, Mr. Liu Liguo and Ms. Wu Hai'ou were elected as employee representative Supervisors of the sixth session of the Board of Supervisors for their respective term of office commencing from 18 October 2019 till the end of the sixth session of the Board of Supervisors.

(2) On 18 October 2019, Mr. Cai Hongguang, Mr. Dai Shujun, Ms. Cao Wenqing, Ms. Li Wei, Ms. Li Xiu, Mr. He Baosheng, Mr. Chen Tanguang, Ms. He Mingyan, Mr. Jiang Daxing, Mr. Deng Xiaoyang, Ms.Nie Ying, Ms. Li Tongyu and Ms. Zhao Hongxia ceased to serve as Supervisors of the Bank.

(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 Nomination Committee and the Supervising Committee. The committees will operate in accordance with the terms of reference formulated by the Board of Supervisors.

1. Nomination Committee

As at the end of the Reporting Period, the Nomination Committee consists of three Supervisors, being external Supervisor Mr. Meng Xuefeng as chairman of the committee, external Supervisor Mr. Guo Limao and employee representative Supervisor Mr. Liu Liguo as members of the committee.

The primary duties of the Nomination Committee include: making proposal to the Board of Supervisors on the scale and composition of the Board of Supervisors; preparing the conditions of service, criteria and selection procedures for Supervisors; making preliminary assessment on the service qualifications and conditions of the candidate Supervisors, and making recommendations to the Board of Supervisors; supervising the selection procedure of directors; conducting comprehensive assessment on the performance of Directors, Supervisors and senior management and report to the Board of Supervisors; Supervising on whether the compensation system and policy of the Bank and the compensation plan of the senior management are scientific and reasonable; other matters authorised by the Board of Supervisors.

During the Reporting Period, the Nomination Committee has convened four meetings for the consideration of 7 resolutions, including nomination of the candidates for Supervisor and election of chairman for the Nomination Committee under the Board of Supervisors.

2. Supervising Committee

As at the end of the Reporting Period, the Supervising Committee consists of three Supervisors, being external Supervisor Mr. Hu Guojie as the chairman of the committee, external Supervisor Mr. Guo Limao and employee representative Supervisor Ms. Wu Hai'ou as the members of the committee.

The primary duties of the Supervising Committee include: formulating the supervision plan on the Bank's financial activities and conduct inspections; supervising the Board of Directors to form views, value principle on stable operation and formulate the development strategy which suitable to the Bank; formulating and implementing the off-office auditing programme on senior management personnel of the Bank; formulating audit plans for the operational decisions, risk management and internal control of the Bank; supervising and inspecting operational decisions, risk management and internal control of the Bank; other matters authorised by the Board of Supervisors.

During the Reporting Period, the Supervising Committee has convened seven meetings for the consideration of 31 resolutions, including 2018 Annual Report and 2018 Work Report of Supervising Committee of Bank of Jinzhou engagement of audit institution of the financial statements for 2019 and interim report of Bank of Jinzhou for 2019.

(VI) Work Performed by External Supervisors

During the Reporting Period, external Supervisors performed their duties according to the relevant requirements of the regulations and the Articles of Association, which is 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.

Remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2019 is set out below:

Remuneration bands	Number of Persons
Below RMB1,000,000 (inclusive)	4
RMB1,000,001 – RMB2,000,000	0
RMB2,000,001 – 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.

As at the end of the Reporting Period, Mr. Wei Xuekun, an executive Director, is the chairman of the Board of Directors (appointed as the chairman of the Board of Directors on 12 December 2019, prior to which, Mr. Zhang Wei acted as 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. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau for Mr. Wei Xuekun's qualifications of serving as the chairman of the Board of Directors of the Bank on 12 December 2019. His term of service commenced from 12 December 2019 until expiration of the term of the sixth session of the Board.

As at the end of the Reporting Period, Mr. Guo Wenfeng, an executive Director, is the president of the Bank (appointed as the president of the Bank on 2 August 2019, prior to which, Ms. Liu Hong was the president) and is responsible for business development and overall business operation and management of the Bank. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau for Mr. Guo Wenfeng's 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 sixth 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 its Directors and Supervisors, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries to all Directors and Supervisors by the Bank, each Directors and Supervisors have confirmed that he/she has complied with such code of conduct during the Reporting Period.

X. External Auditors and Remuneration of Auditors

Upon the consideration and approval at the 2018 annual general meeting of the Bank, the Bank has re-appointed Crowe (HK) CPA Limited ("**Crowe**") as an auditor of the Bank for 2019. During the Reporting Period, the Bank has paid RMB1.82 million to Crowe for the review of financial statements for the period ended 30 June 2019 without other fees incurred from non-audit service, and has agreed to pay RMB4.00 million to Crowe for the audit service of financial statements for the year ended 31 December 2019.

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 macroeconomic 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 great 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 continuous risk management efforts and fine-tuning of the internal control structure, a risk management and internal control management system with well-defined duties and responsibilities 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. The following 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 kept strengthening system management and promptly and appropriately disclosed relevant information in accordance with regulatory requirements of the domestic and offshore regulatory authorities 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 has formulated the Provisional Measures for Internal Control Appraisal of the Bank of Jinzhou (《錦州銀行內部控制評價辦法》) and the Internal Control System of the Bank of Jinzhou (《錦州銀行內部控制制度》) according to the Guidelines for Internal Control of Commercial Banks (《商業銀行內部控制指引》) and other laws and regulations as well as the relevant requirements of the Hong Kong Stock Exchange, so as to improve a sound internal control system and adopt internal control and supervisory measures.

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

The Board of Directors continues to supervise the risk management and internal control system. No significant defects in the design or implementation of the Bank's internal controls were identified. 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.

XII. Joint Company Secretaries

At the end of the Reporting Period, Mr. Sun Jing from the Bank and Ms. Leung Wing Han Sharon from SWCS Corporate Services Group (Hong Kong) Limited have been the joint company secretaries of the Bank. The key contact person between the Bank and Ms. Leung 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.

On 20 January 2020, Mr. Sun 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 20 January 2020. On the same day, upon consideration and approval at the third meeting of the sixth session of the Board, the Bank appointed Mr. Yu Jun as a joint company secretary of the Bank.

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 18 October 2019, the Bank convened the 2018 annual general meeting and approved the amendments to the relevant articles of the Articles of Association. For details, please refer to the circular of the Bank dated 8 October 2019. As at the date of this annual report, the Bank received the approval from the CBIRC Liaoning Regulatory Bureau, and these amendments have been effective.

The Board of the Bank made proposed revisions on certain articles of the Articles of Association on 15 November 2019 and 13 December 2019, respectively. Please refer to the circular of the Bank dated 27 December 2019 for details. Such amendments shall become effective subject to the approval from shareholders and the relevant regulatory authorities.

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 total voting 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 total voting 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 10 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 2019.

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 2019 (for the year ended 31 December 2018: Undistributed).

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

Expressed in thousands of Renminbi, unless otherwise stated	2018	2017	2016
Cash dividend (tax inclusive)	0	1,085,059	1,017,242
As a percentage of profit for the year (%)	0.0	11.9	12.4

(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 at the Reporting Period is set out in "Financial Highlights" of this annual report.

V. Donations

The Bank made charity and other donation of RMB77,000 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 24 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 33 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 by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders and issuing new Shares to specific persons, by way of capitalisation of capital reserve or by any other ways permitted by laws and administrative regulations.

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

The proceeds of the Bank are used pursuant to the utilization as disclosed in the prospectus of the Bank i.e. consolidating the capital of the Bank to support continuous growth of the Bank's business.

XIII. Share Capital

During the Reporting Period, the Bank did not issue Ordinary 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 39 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) (%)
Liu Liguo	Employee Representative Supervisor	Domestic Shares	Beneficial owner	10,000 (L)	0.00023	0.00013
Wu Hai'ou	Employee Representative Supervisor	Domestic Shares	Beneficial owner	10,000 (L)	0.00023	0.00013

Note:

(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.

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 48 to the financial statements also constitute fully exempted 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 (collectively "**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. As considered and approved by the 2018 annual general meeting, the Bank re-appointed Crowe as the auditor of the Bank for 2019.

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 RMB836.694 billion, representing a year-on-year decrease of 1.1%; the net loans and advances to customers amounted to RMB452.696 billion, representing a year-on-year increase of 29.7%; the non-performing loan ratio was 7.70%; the balance of deposits from customers of the Bank amounted to RMB407.113 billion, representing a year-on-year decrease of 8.6%. During the Reporting Period, operating income of the Bank amounted to RMB23.170 billion, representing a year-on-year increase of 8.9%; and the net loss amounted to RMB1.110 billion.

XXXII. Environmental Protection Policy and Implementation

The Bank actively advocates the concept of environmental protection in the course of operation, 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)" to support the environmentally sustainable development, and 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 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.

During the Reporting Period, the Bank failed to comply with the following requirements:

During the Reporting Period, the Bank conducted the election and reappointment of the sixth session of the Board. The Directors of the sixth session of the Board successively received approvals from regulatory authority during the period from 30 October 2019 to 21 January 2020, and each of their terms of office took into effects from the respective date of the receipt of approvals from regulatory authority. As of 15 November 2019, 14 out of a total of 15 Directors of the sixth session of the Board had received approvals from the regulatory authority. Mr. Xiao Geng, an independent non-executive Director, obtained the approval from the regulatory authority on 21 January 2020 and was formally appointed and began performing duties from that day. Therefore, from 15 November 2019 to 21 January 2020, the Bank failed to comply with the requirement under Rule 3.10A of the Listing Rules for having independent non-executive Directors representing at least one-third of the Board. Since 21 January 2020 when Mr. Xiao Geng began to formally perform his duties, the number of the Board members has complied with the Rule 3.10A of the Listing Rules.

On 15 November 2019, the Bank convened the Board meeting for approval and appointment of, among other things, the members of the Audit Committee and Nomination and Remuneration Committee. From 30 October 2019 when the sixth session of the Board commenced to perform its duties to 15 November 2019 when the Bank convened the Board meeting to appoint the members of committees, the Bank's Audit Committee and Nomination and Remuneration Committee had no member. The Bank failed to comply with the requirements under Rules 3.21 and 3.25 of the Listing Rules for members of the Audit Committee and the Remuneration Committee. Since 15 November 2019 when the members of the Bank's Audit Committee and Nomination Committee were appointed, the members of the Bank's Audit Committee and Nomination Committee have complied with the Rule 3.21 and Rule 3.25 of the Listing Rules.

Also, please refer to the Corporate Governance Report of this annual report for details of failure to comply with the provisions as set out in the corporate governance code.

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 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 120 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate balance of RMB103.454 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 micro enterprises in an aggregate principal amount of up to RMB10.0 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 micro 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 micro 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 micro enterprises and the relevant authorization matters, the other details on bonds specialized for small and micro enterprises disclosed in the circular of the Bank dated 13 May 2016 remain unchanged and will continue to be effective. On 19 May 2020, given that the matter in relation to the issue of bonds of small and micro enterprises was in the process, the Board recommended that the term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters would be extended for 24 months, i.e. from 29 June 2020 to 28 June 2022, which shall become effective upon consideration and approval by Shareholders at the general meeting. For details, please refer to the announcement of the Bank dated 19 May 2020.

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 RMB2.0 billion of green financial bonds will be distributed to members of the interbank 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 RMB6.0 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 RMB4.0 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.

On 19 May 2020, as resolved by the Board, the Bank shall issue following bonds upon the approval from the Shareholders, PBOC and CBIRC:

The Bank shall issue the financial bonds with nominal value of no more than RMB14.0 billion in one or more tranches for a term of no more than five years to the members in the national interbank bond market (excluding the subscribers as prohibited by the China's laws and regulations), at a coupon rate determined through the book building method for centralized placement or in accordance with the results of public tendering on the bonds issuance system of the PBOC according to the market conditions before the issuance. The raising funds shall be utilized in line with the laws and regulation, the approval from the regulatory authorities and bond types.

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 and Insurance 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

For details of the subsequent events, please refer to "Subsequent Events" in this annual report.

CHAPTER 11 SUPERVISORS' REPORT

I. Report on Major Work

Convening of the Meetings: During the Reporting Period, the Bank convened 10 Board of Supervisors meetings, at which 43 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 as well as the appraisal report on the performance of Directors and Supervisors; 11 meetings of the supervising committee and the nomination committee under the Board of Supervisors were called in total to consider 38 resolutions, including nomination of supervisor candidates, 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, research on branches 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 strengthened information transmission and communication, 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.

Re-election of the Board of Supervisors: According to the requirements of laws and regulations, the Board of Supervisors formulated the re-election scheme to perform election procedures of shareholder representative supervisors and external supervisors and supervise the election of a new session of employee representative supervisors at the employee representative meeting. On 18 October 2019, as considered and approved at the general meeting, the sixth session of the Board of Supervisors was set up, at the first meeting of which the president of the Board of Supervisors was appointed. Also, the member composition of special committee was determined by reference to expertise and business experience of supervisors, and the re-election of the Board of Supervisors was accomplished.

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 implemented 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 Bank and Shareholders were found.

(III) True Status of Financial Reporting

The 2019 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 2019.

(IV) Use of Proceeds

The proceeds of the Bank are used pursuant to the utilization as disclosed in the prospectus of the Bank i.e. consolidating the capital of the Bank to support continuous growth of the Bank's business.

(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 2019. 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 12 Social Responsibility Report

The Bank has always taken "serving the community and benefiting the hometown" as its mission, insisting on the market positioning of serving the local economy, serving small and micro enterprises, and serving urban and rural residents. With adherence to legal operations and with a market-orientated and customer-centered approach, the Bank has been providing the community with high-quality financial services. The Bank stays true to its aspiration and returns to its origin, continuously enhancing its value creation, service quality, and general support capabilities through closely combination of social responsibility management with its own operation and development. The Bank takes the initiative to take responsibilities courageously, actively serving the society, contributing to the society, and giving back to the society. The Bank publishes environmental, social and governance report on an annual basis in accordance with the requirements of the Hong Kong Stock Exchange and publicly discloses to the society.

Responsibilities towards the State

The Bank has been adhered to its "Three Service" positioning, continuously implemented the requirements of the strategic deployment for rural revitalization, to promote the development of inclusive financial services and continuously improve its financial service capabilities for small and micro enterprises, agriculture, rural areas and farmers, and to facilitate the development of regional economy and support real economy.

Responsibilities towards the Shareholders

The Bank attaches great importance to the protection of the Shareholders' legitimate rights and interests. By continuously optimizing the operation mechanism of the Board, enhancing corporate governance capability, and strengthening investor relations management, the Bank has provided ongoing services for its Shareholders. Moreover, the Bank has established various communication channels with stakeholders in the ordinary course of business, striving to give feedback to all stakeholders with commitments of compliance and integrity, and sound operation. The Bank has gradually improved its risk management system and standardized its internal control management system by increasing its efforts on prevention and control of credit risks and disposal of non-performing assets.

Responsibilities towards the Customers

The Bank has always adhered to the philosophy of "serving the public and benefiting the public", striving to provide customers with high-quality financial services, promote the construction of rural financial service stations, support the construction of community financial infrastructure, strictly perform its duties of protecting consumers' rights and interests, effectively protect consumers' right to know, and earnestly discharge its obligations in anti-money laundering and combating terrorist financing. The Bank has promoted the scenario-based payment system and broadened customer service channels to improve its functions on handy services for the public. Furthermore, the Bank has proactively carried out financial literacy activities to safeguard the rights and interests of customers and strengthen its efforts on protection of customer' personal financial information.

Responsibilities towards the Employees

The Bank has always abided by the theory that business will thrive on talents, and by continuously improving its human resources management, safeguarded and protected the legitimate rights and interests of employees. To strengthen cadres building, the Bank has established a more reasonable talent selection and recruitment mechanism to promote talent cultivation and development. The Bank cares for the healthy development of employees by building more diversified learning and development channels for employees. The Bank has carried out a wide range of recreational and sports activities to enrich the cultural life of employees during the spare time and improve the overall quality of employees, so as to enhance the cohesion and solidarity of the Bank. The Bank made great efforts to provide employees with a safe and stable working environment and create a good development space, to enhance the sense of belonging and cohesion of employees, and motivate their enthusiasm for work.

Responsibilities towards the Environment

The Bank has always stuck to the concept of environmental protection. To strengthen and implement the concept of green finance, the Bank has carried out various public benefit activities on environmental protection, provided customers with online reconciliation and e-billing services. In addition, the Bank implemented paperless office and electronic documents by actively utilizing its OA office system, practicing energy conservation and environmental protection in the ordinary course of business. Awareness of environmental protection was raised to finally realize sustainable and coordinated development.

Responsibilities towards the Community

The Bank has formed a long-term mechanism on participation in public welfare activities by continuously deepening its ways of participating in public benefit activities and service areas. It has established the "Guo Mingyi Caring Team" (郭明義愛心團隊) and volunteer service teams, and set up "Lei Feng Posts" (雷鋒崗) and "Inclusive Finance Posts" (普惠金融崗), etc. to deliver positive energy and assume social responsibilities in popularizing financial expertise, serving urban and rural people, and fulfilling social responsibilities. The Bank has supported and encouraged employees to participate in social welfare activities, to strengthen their social awareness, sense of responsibility and dedication, and to fulfill social responsibilities of the Bank.

Since the outbreak of the novel coronavirus pneumonia epidemic in the early 2020, the Bank has proactively performed its responsibilities of serving local economic development by launching "Chunjin Initiative" (春錦計劃) to support the epidemic prevention and control and the resumption of operation and production, promoting regional economic development.

Chapter 13 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 bankwide 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 2019, 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. 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 noncompliance" 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 an improved internal audit system by adapting to its own current development conditions and adhering to risk-oriented audit vision. The concept of "circular auditing (循環審計)" has been implemented consistently and management effectiveness considerations were explored. Audit projects are conducted seriously 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, and the implementation of rectifications will be continuously tracked 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, optimizing the management model audit project on key areas in risk business lines and regulatory departments and strictly enforcing discipline in auditing work, 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. The Bank made use of the auditing system platform to increase off-site analysis, and provided data support for the development of audit work. On the basis of high quality and efficient completion of the annual auditing task, the Internal Audit Department of the Bank carried out special self-examinations of "consolidating the results of disorder management and promoting compliance construction" and relevant rectification tracking work throughout the Bank in accordance with the supervision requirements and the business situation of the Bank, so as to keep the internal audit work highly consistent with the supervision guidance, deepen the supervision and examination linkage, capture the key of regulatory and guidance, try the best to standardise business behavior, and earnestly guard against financial risks.

Chapter 14 Important Events

I. Private Placement of Domestic Shares

Upon consideration and approval in the 2018 annual general meeting, the domestic Shareholders' class meeting and the H Shareholders' class meeting of the Bank held on 18 October 2019, the Bank intended to issue not more than 6.2 billion new domestic shares in aggregation at a par value of RMB1.00 per shares, representing approximately 44.34% of the enlarged issued share capital of the Bank after the completion of issuance (without taking into account of the conversion of the Offshore Preference Shares). The actual number of shares to be issued shall be subject to the approval of the regulatory authorities. The Bank will disclose further details and updates regarding the issuance of new domestic shares in due course.

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 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 120 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate balance of RMB103.454 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 micro enterprises in an aggregate principal amount of up to RMB10.0 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 micro 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 micro 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 micro enterprises and the relevant authorization matters, the other details on bonds specialized for small and micro enterprises disclosed in the circular of the Bank dated 13 May 2016 remain unchanged and will continue to be effective. On 19 May 2020, given that the matter in relation to the issue of bonds of small and micro enterprises was in the process, the Board recommended that the term of validity of the bonds specialized for small and micro enterprises and the relevant authorization matters would be extended for 24 months, i.e. from 29 June 2020 to 28 June 2022, which shall become effective upon consideration and approval by Shareholders at the general meeting. For details, please refer to the announcement of the Bank dated 19 May 2020.

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 RMB2.0 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 RMB6.0 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 RMB4.0 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.

On 19 May 2020, as resolved by the Board, the Bank shall issue following bonds upon the approval from the Shareholders, PBOC and CBIRC:

The Bank shall issue the financial bonds with nominal value of no more than RMB14.0 billion in one or more tranches for a term of no more than five years to the members in the national interbank bond market (excluding the subscribers as prohibited by the China's laws and regulations), at a coupon rate determined through the book building method for centralized placement or in accordance with the results of public tendering on the bonds issuance system of the PBOC according to the market conditions before the issuance. The raising funds shall be utilized in line with the laws and regulation, the approval from the regulatory authorities and bond types.

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 RMB37,385,377. The abovementioned litigation would not materially and adversely affect the business operations of the Bank.

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

During the Reporting Period, none of the Bank, or all its 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 18 October 2019, the Bank convened the 2018 annual general meeting and approved the amendments to the relevant articles of the Articles of Association. For details, please refer to the circular of the Bank dated 8 October 2019. As at the date of this annual report, the Bank received the approval from the CBIRC Liaoning Regulatory Bureau, and these amendments have been effective.

The Board of the Bank made proposed revisions on certain articles of the Articles of Association on 15 November 2019 and 13 December 2019, respectively, and please refer to the circular of the Bank dated 27 December 2019 for details. Such amendments shall become effective subject to the approval from the relevant regulatory authorities.

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 of this annual report.

X. Engagement and Dismissal of Auditors

Upon consideration and approval at 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 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. Upon the consideration and approval at the 2018 annual general meeting, the Bank has re-appointed Crowe as the auditor of the Bank for 2019.

XI. Appropriation of Profits During the Reporting Period

In accordance with the resolution of the Bank's Board meeting on 26 June 2020, the proposed profit appropriations for the year ended 31 December 2019 is listed as follows:

- In view of the loss for 2019, the appropriation of general reserve will not be conducted.
- The Board resolved not to declare any dividends.

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

In accordance with the resolution of the Bank's annual general meeting on 18 October 2019, the proposed profit appropriations for the year ended 31 December 2018 is listed as follows:

- Appropriate general reserve amounted to RMB1,984 million.
- In view of the loss for 2018, the dividend for 2018 will not be declared.
- In view of that the capital adequacy ratio for 2018 failed to meet with the regulatory requirements, thus the dividend of Offshore Preference Shares for 2018 will not be declared.

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:

- Appropriation 10% of profit after tax to statutory surplus reserve fund, totaling RMB894 million.
- Appropriation of general reserves of 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.

In accordance with the resolution of the Bank's Board meeting on 28 August 2018, the Bank's Offshore Preference Shares distribution plan, which was distributed on 27 October 2018, is listed as follows:

- Declaration of preference share dividend to holders of overseas preference shares of USD91 million, 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.

I. Proposed Private Placement and Substantial Disposal in Relation to Disposal of Assets

1. Proposed Private Placement of New Domestic Shares Under the Specific Mandate

Reference is made to the announcement of the Bank dated 10 March 2020 (the "**Announcement dated 10 March**"), in relation to the Proposed Private Placement. Unless otherwise defined herein, the capitalized terms used in the section headed "Proposed Private Placement of New Domestic Shares Under the Specific Mandate" shall have same meanings as those defined in the Announcement dated 10 March.

On 23 January 2020, the Bank and the Subscribers entered into the Subscription Agreement, pursuant to which the Bank has conditionally agreed to issue and allot and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 6.2 billion Subscription Shares at the subscription price of RMB1.950 per Subscription Share. Net proceeds from the issuance of the Subscription Shares are expected to be approximately RMB12.09 billion and are intended to be used to replenish the core tier-one capital of the Bank. The Subscription Shares will be issued under the Specific Mandate granted at the AGM and the 2019 Class Meetings.

Chengfang Huida will subscribe for an aggregate of 5,270 million Subscription Shares, with an aggregate nominal value of RMB5,270 million, representing approximately 67.72% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 37.69% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement. Liaoning Financial Holding will subscribe for an aggregate of 930 million Subscription Shares, with an aggregate nominal value of RMB930 million, representing approximately 11.95% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 6.65% of the total enlarged issue share capital of the Bank after the completion of the Proposed Private Placement. The Subscription Shares consist of 6.2 billion New Domestic Shares, representing approximately 79.67% of the total existing issued share capital of the Bank before the completion of the Proposed Private Placement, and approximately 44.34% of the total enlarged issued share capital of the Bank after the completion of the Proposed Private Placement; and representing approximately 145.39% of the existing issued Domestic Shares of the Bank before the completion of the Proposed Private Placement, and approximately 59.25% of the enlarged issued Domestic Shares of the Bank after the completion of the Proposed Private Placement (without taking into account the conversion of the Offshore Preference Shares).

Information of Chengfang Huida

Chengfang Huida is a limited liability company incorporated in the PRC on 15 May 2019, which is wholly-owned by Huida Asset Management. Each of Huida Asset Management and Chengfang Huida is managed by the PBOC in which all its economic benefits and voting power are held and controlled by the PBOC.

Information of Liaoning Financial Holding

Liaoning Financial Holding is a limited liability company incorporated in the PRC on 18 December 2019, which is wholly-owned by the Liaoning Province Finance Department.

Effect on the shareholding structure

The following table illustrates the shareholding structure of the Bank as at the date of the Announcement dated 10 March and immediately after the completion of the Proposed Private Placement (assuming no other changes to the issued share capital of the Bank prior to the completion of the Proposed Private Placement):

	As at the date of this annual report		Immediately after the completion of the Proposed Private Placement	
	Number of Shares	%	Number of Shares	%
Domestic Shares				
Non-public Domestic Shareholders				
– ICBC Financial (1)	841,822,258	10.82	–	–
– Chengfang Huida and parties acting in concert with it	–	–	5,270,000,000	37.69
	841,822,258	10.82	5,270,000,000	37.69
Public Domestic Shareholders				
– ICBC Financial (1)	–	–	841,822,258	6.02
– Cinda Investment (2)	505,093,350	6.49	505,093,350	3.61
– Liaoning Financial Holding and parties acting in concert with it	–	–	930,000,000	6.65
– Other public Domestic Shareholders	2,917,380,076	37.49	2,917,380,076	20.87
	3,422,473,426	43.98	5,194,295,684	37.15
	4,264,295,684	54.80	10,464,295,684	74.84
H Shares	3,517,320,000	45.20	3,517,320,000	25.16
Total	7,781,615,684	100.00	13,981,615,684	100.00

Notes:

(1) Such Domestic Shares are directly held by ICBC Financial. Upon completion of the Proposed Private Placement, the effective interest of ICBC Financial in the total issued share capital of the Bank will be diluted from 10.82% to 6.02%. Accordingly, it will no longer be a substantial shareholder of the Bank and shall be deemed as a public Domestic Shareholder (as defined under the Listing Rules) upon the completion of the Proposed Private Placement.

(2) Such Domestic Shares are directly held by Cinda Investment, a wholly-owned subsidiary of China Cinda. China Cinda indirectly held all the equity interests in Huida Asset Management and Chengfang Huida.

Effects on the financial data and indicators

After the completion of the Proposed Private Placement, the key financial data and indicators of the Bank change as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	After the completion	As at 31 December 2019 (Before the completion)	After the completion VS before the completion	
Asset/liability key indicators			**Change**	**Rate of Change (%)**
Total assets	848,784,191	**836,694,191**	12,090,000	1.4
Total liabilities	777,188,742	**777,188,742**	–	–
Total equity	71,595,449	**59,505,449**	12,090,000	20.3
Share capital	13,981,616	**7,781,616**	6,200,000	79.7
Capital Adequacy Indicators (%)			**Change**	
Core tier-one capital adequacy ratio	6.89	**5.15**	1.74	
Tier-one capital adequacy ratio	8.20	**6.47**	1.73	
Capital adequacy ratio	9.81	**8.09**	1.72	
Total equity to total assets	8.44	**7.11**	1.33	

Upon the completion of the Proposed Private Placement, the total equity interest of the Bank will increase by RMB12.09 billion to RMB71.595 billion. The capital adequacy ratio is expected to amount to 9.81%, representing an increase of 1.72 percentage points as compared with that before the completion of the Proposed Private Placement. Through the above Proposed Private Placement, the Bank will introduce strong strategic investors to supplement capital strength, optimize the shareholding structure, improve the capital adequacy ratio and increase development momentum and profitability, so as to enhance the comprehensive competition and achieve stable, healthy and sustainable development of the Bank.

2. Very Substantial Disposal in Relation to the Disposal of Assets of the Bank

Reference is made to the announcement of the Bank dated 3 April 2020 (the "**Announcement dated 3 April**") in relation to disposal of assets. Unless otherwise defined herein, the capitalized terms used in the section headed "Very Substantial Disposal in Relation to the Disposal of Assets of the Bank" shall have same meanings as those defined in the Announcement dated 3 April.

On 31 March 2020 (after trading hours), the Bank and the purchaser entered into the Framework Disposal Agreement, pursuant to which the Bank has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Disposal Assets for the Consideration of RMB45.0 billion.

Pursuant to the Framework Disposal Agreement, the Bank has conditionally agreed to sell, and Chengfang Huida has conditionally agreed to purchase the Disposal Assets, being certain credit assets and other assets held by the Bank, including corporate loans and beneficial interest transfer plans (comprising beneficial interests in trust plans and asset management plans issued by trust companies, securities companies, insurance companies and asset management companies). The original book value of the debt principal amount of the disposed assets is approximately RMB150.0 billion and the consideration paid by Chengfang Huida to the Bank for the Disposal is RMB45.0 billion.

Also, the Bank entered into an agreement to subscribe for a directional debt instrument in the principal amount of RMB75 billion issued by Jinzhou Jinyin Management Partnership (Limited Partnership)(錦州錦銀管理合夥企業（有限合夥）), being an entity set up by corporations controlled by Liaoning Financial Holding Group Corporation limited and the Deposit Insurance Fund Management Co., Ltd. (存款保險基金管理有限責任公司), pursuant to which, among other things, (a) the obligation of the Bank to make payment for such subscription amount by the Bank shall be waivered; and (b) the Bank will obtain from the issuer the repayment of premium and the interest at the rate of 2.25% per annum, totaling to no less than RMB5 billion per year in principle (the "**Debt Instrument Subscription**").

Pursuant to the Disposal, (i) the deposit of the Bank at central bank will increase by approximately RMB45.0 billion; (ii) taking into consideration that the Debt Instrument Subscription and the Disposal are a series of transactions under the reorganization plan of the Bank, and as such the Bank's debt investment will increase by approximately RMB75.0 billion; and (iii) disposal of assets of approximately RMB150.0 billion, leading to an overall unaudited impairment reserve expense of approximately RMB30.0 billion. The net proceeds from the Disposal after deduction of expenses are estimated to be approximately RMB45 billion, which are intended to be used for the general working capital of the Bank.

Upon completion of the Disposal and the Debt Instrument Subscription, the movements of the key financial data and indicators are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	After the completion	As at 31 December 2019 (Before the completion)	After the completion VS before the completion	
Asset/liability key indicators			**Change**	**Rate of Change (%)**
Total assets	783,859,070	**836,694,191**	(52,835,121)	(6.3)
Total liabilities	724,934,336	**777,188,742**	(52,254,406)	(6.7)
Total equity	58,924,734	**59,505,449**	(580,715)	(1.0)
Share capital	7,781,616	**7,781,616**	–	–
Capital Adequacy Indicators (%)			**Change**	
Core tier-one capital adequacy ratio	6.96	**5.15**	1.81	
Tier-one capital adequacy ratio	8.49	**6.47**	2.02	
Capital adequacy ratio	10.67	**8.09**	2.58	
Total equity to total assets	7.52	**7.11**	0.41	
Assets Quality Indicators (%)				
Non-performing loan ratio	1.95	**7.70**	(5.75)	
Provision coverage ratio	227.94	**115.01**	112.93	
Provision to loans ratio	4.44	**8.86**	(4.42)	

Upon the completion of the Disposal of Assets and Debt Instrument Subscription, it will enhance the quality of the Bank's assets and the refined management of assets internally, to reduce the misappropriation of capital, to improve the capital adequacy ratio and liquidity of the Bank and to enhance the sustainability.

3. Benefits of Proposed Asset Reorganization

After the completion of the above Proposed Private Placement, Disposal and the Debt Instrument Subscription (the "**Proposed Asset Reorganization**"), the key financial data and indicators change as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	After the completion of Proposed Asset Reorganization	As at 31 December 2019 (Before the completion of Proposed Asset Reorganization)	After the completion of Proposed Asset Reorganization to before the completion of Proposed Asset Reorganization	
Asset/liability key indicators			**Change**	**Rate of Change (%)**
Total assets	795,949,070	**836,694,191**	(40,745,121)	(4.9)
Total liabilities	724,934,336	**777,188,742**	(52,254,406)	(6.7)
Total equity	71,014,734	**59,505,449**	11,509,285	19.3
Share capital	13,981,616	**7,781,616**	6,200,000	79.7
Capital Adequacy Indicators (%)			**Change**	
Core tier-one capital adequacy ratio	8.85	**5.15**	3.70	
Tier-one capital adequacy ratio	10.38	**6.47**	3.91	
Capital adequacy ratio	12.56	**8.09**	4.47	
Total equity to total assets	8.92	**7.11**	1.81	
Assets Quality Indicators (%)				
Non-performing loan ratio	1.95	**7.70**	(5.75)	
Provision coverage ratio	227.94	**115.01**	112.93	
Provision to loans ratio	4.44	**8.86**	(4.42)	

The profit and loss resulted from the Proposed Asset Reorganization is not reflected in the consolidated financial statements for the year ended 31 December 2019.

Upon the completion of the Proposed Asset Reorganization, the total equity interest of the Bank will increase by RMB11.509 billion to RMB71.015 billion; the share capital will increase by RMB6.200 billion to RMB13.982 billion; the capital adequacy ratio is expected to amount to 12.56%, representing an increase of 4.47 percentage points as compared to that before the Proposed Asset Reorganization; the non-performing loan ratio is expected to amount to 1.95%, representing a decrease of 5.75 percentage points as compared to that before the Proposed Asset Reorganization; the provision coverage ratio is expected to amount to 227.94%, representing an increase of 112.93 percentage points as compared to that before the Proposed Asset Reorganization.

Through the Proposed Asset Reorganization, it's expected that the Bank's capital adequacy indicators will increase and the non-performing loan ratio will decrease, thus the shareholding structure will be improved. The Proposed Asset Reorganization will strengthen its corporate governance level, which provides the foundation for the Bank to establish a healthy internal governance mechanism and realize the overall stable operation and so as to further improve its comprehensive competitiveness and promote its sustainable development.

II. Issues Concerning the Effect of Novel Coronavirus Pneumonia

Since the outbreak of novel coronavirus pneumonia in January 2020, the Bank has earnestly studied the spirit conveyed in various national documents and thoroughly implemented the work arrangements of government departments at all levels to satisfy additional capital needs for epidemic prevention and control and resumption of work and production for enterprises. The Bank specially formulated the "Chunjin Plan" (春錦計劃), comprehensively practiced the policy guidelines of "Five Specifics" (五特), namely specific time, specific mechanism, specific policies, specific products and specific scale, and provided increased credit support for areas relating to epidemic prevention and control to properly mitigate difficulties facing enterprises affected by the epidemic. With rational support measures, the Bank provided increased credit support to the real economy, improved the efficiency of examination and approval, optimized the credit facilities program for epidemic prevention, reduced and exempted the cost from the use of funds for epidemic prevention by enterprises, and spared no effort to support the resumption of work and production for enterprises. At the same time, the inclusive financial and credit service policy specific for epidemic prevention was launched to support the production and operation of enterprises fighting against the epidemic, care for small and micro enterprises and individuals affected by the epidemic, and implemented "three major policies" regarding offering support for the fight against the epidemic, namely "anti-epidemic green channel, support for enterprises falling into difficulties, care for individuals affected by the epidemic".

The epidemic is expected to have certain impact on the overall macro economy and the production and operations of some enterprises, which will, to a certain extent, affect the income level and assets quality of the Bank's credit assets and investment assets. The extent of such impact will be dependent upon the duration, prevention and control of the epidemic, the extent by which customers in different regions and industries are affected, and the implementation and effectiveness of various regulatory policies. The Bank will continue to pay attention to the development of the epidemic, and continuously evaluate and actively respond to its impact on the Bank's financial position and operating results.

III. Subsequent Changes on Directors

On 21 January 2020, the Bank received the approval from the Liaoning Regulatory Bureau of the CBIRC, regarding the qualification of Mr. Xiao Geng as the Director of the Bank. The term of office of Mr. Xiao Geng shall commence from 21 January 2020 till the expiry of the term of the sixth session of the Board.

Chapter 16 Independent Auditor's Report And Financial Statements

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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 164 to 305, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019 and its consolidated financial performance and 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 18 and note 21 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 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 18 and note 21 to the consolidated financial statements and the accounting policies stated in note 2(f).

The Key Audit Matter

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 documentary 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 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 assets measured at amortised cost *(continued)*

Refer to note 18 and note 21 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 and advance granted and the financial investments at amortized cost has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired. 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, considered 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)*

Consolidation of structured entities

Refer to note 45 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 45 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 disclosure requirements of the prevailing accounting standards.

Key audit matters *(continued)*

Valuation of the fair value of financial instruments

Refer to note 51 to the consolidated financial statements.

The Key Audit Matter

Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of the Group's financial instruments at fair value 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.

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,

26 June 2020

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 2019

	Notes	For the year ended 31 December 2019	2018
Interest income		**47,820,476**	46,002,674
Interest expense		**(28,475,443)**	(26,901,602)
Net Interest Income	3	**19,345,033**	19,101,072
Fee and commission income		**422,292**	842,123
Fee and commission expense		**(190,578)**	(84,595)
Net fee and commission income	4	**231,714**	757,528
Net trading gains	5	**3,372,617**	1,491,100
Dividend income		**1,200**	880
Net gains arising from investment securities	6	**240,556**	100,234
Net foreign exchange losses		**(42,008)**	(183,660)
Other net operating income		**20,587**	16,045
Operating income		**23,169,699**	21,283,199
Operating expenses	7	**(3,761,683)**	(3,586,646)
Operating profit before impairment		**19,408,016**	17,696,553
Impairment losses on assets	10	**(20,846,120)**	(23,683,718)
Loss before tax		**(1,438,104)**	(5,987,165)
Income tax credit	11	**327,858**	1,449,054
Loss for the year		**(1,110,246)**	(4,538,111)
Attributable to:			
Equity shareholders of the Bank		**(958,545)**	(4,593,447)
Non-controlling interests		**(151,701)**	55,336
Loss for the year		**(1,110,246)**	(4,538,111)
Basic and diluted losses per share (in RMB)	12	**(0.12)**	(0.77)

The notes on pages 171 to 305 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 2019

	Notes	For the year ended 31 December 2019	2018
Loss for the year		**(1,110,246)**	(4,538,111)
Other comprehensive loss for the year:			
Items that will be reclassified subsequently to profit or loss:			
– Debt instruments measured at fair value through other comprehensive income:			
– Change in fair value		**48,535**	1,212,698
– Change in impairment provision		**(4,717)**	(25,522)
– Reclassified to profit or loss upon disposal		**(214,664)**	(64,666)
– Related income tax effect	25(b)	**48,825**	(286,155)
Items that will not subsequently be reclassified to profit or loss:			
– Remeasurement of defined benefit obligation	33(b)	**(976)**	(6,721)
– Equity instruments at fair value through other comprehensive income:			
– Change in fair value		**(24,452)**	22,110
Other comprehensive (loss)/income for the year		**(147,449)**	851,744
Total comprehensive loss for the year		**(1,257,695)**	(3,686,367)
Attributable to:			
Equity shareholders of the Bank		**(1,105,994)**	(3,741,703)
Non-controlling interests		**(151,701)**	55,336
Total comprehensive loss for the year		**(1,257,695)**	(3,686,367)

The notes on pages 171 to 305 form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	At 31 December 2019	2018
Assets			
Cash and deposits with the central bank	13	**105,176,537**	64,618,759
Deposits with banks and other financial institutions	14	**8,301,592**	16,231,627
Placements with banks and other financial institutions	15	**5,643,864**	48,454
Positive fair value of derivatives	16	**84,969**	305,361
Financial assets held under resale agreements	17	**–**	100,073
Loans and advances to customers	18	**452,695,511**	349,110,123
Financial assets at fair value through profit or loss	19	**55,157,171**	66,062,880
Financial assets at fair value through other comprehensive income	20	**12,559,843**	42,857,583
Financial assets measured at amortised cost	21	**165,149,391**	283,136,375
Finance lease receivables	22	**6,408,314**	7,484,842
Property and equipment	24	**7,015,575**	6,601,413
Deferred tax assets	25	**11,841,585**	7,473,418
Other assets	26	**6,659,839**	1,891,840
Total assets		**836,694,191**	845,922,748
Liabilities and equity			
Liabilities			
Borrowing from the central bank	28	**33,079,647**	108,369
Deposits from banks and other financial institutions	29	**178,117,754**	164,629,085
Placements from banks and other financial institutions	30	**27,731,363**	20,760,381
Financial liabilities at fair value through profit or loss		**6,282,210**	16,512,712
Negative fair value of derivatives	16	**100,011**	153,950
Financial assets sold under repurchase agreements	31	**10,106,602**	43,445,203
Deposits from customers	32	**407,112,779**	445,576,089
Accrued staff costs	33	**334,976**	302,747
Other taxes payable	34	**412,966**	378,689
Income tax payable	34	**1,622,478**	587,080
Debt securities payable	35	**110,108,837**	89,668,782
Provisions	36	**613,313**	1,728,410
Other liabilities	37	**1,565,806**	1,308,107
Total liabilities		**777,188,742**	785,159,604

The notes on pages 171 to 305 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 2019

		At 31 December	
	Notes	**2019**	2018
Equity			
Share capital	39	**7,781,616**	7,781,616
Other equity instruments including:			
Offshore preference shares	40	**9,897,363**	9,897,363
Capital reserve	41	**20,583,321**	20,730,770
Surplus reserve	42	**2,994,679**	2,994,679
General reserve	42	**11,800,217**	11,802,132
Retained earnings	43	**2,614,222**	3,570,852
Total equity attributable to equity shareholders of the Bank		**55,671,418**	56,777,412
Non-controlling interests		**3,834,031**	3,985,732
Total equity		**59,505,449**	60,763,144
Total liabilities and equity		**836,694,191**	845,922,748

Approved and authorised for issue by the board of directors on 26 June 2020.

Wei Xuekun	**Guo Wenfeng**	**Yu Jun**	**Company chop**
Chairman	*President*	*Chief Financial Officer*	

The notes on pages 171 to 305 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 2019

		Attributable to shareholders of the Bank								
	Notes	Share Capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings	Subtotal	Non-controlling interests	Total equity
Balance at 1 January 2019		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
Changes in equity for the year:										
Loss for the year		–	–	–	–	–	(958,545)	(958,545)	(151,701)	(1,110,246)
Other comprehensive loss	41	–	–	(147,449)	–	–	–	(147,449)	–	(147,449)
Total comprehensive loss		–	–	(147,449)	–	–	(958,545)	(1,105,994)	(151,701)	(1,257,695)
Appropriation of profits	43									
– Reversal of general reserve		–	–	–	–	(1,915)	1,915	–	–	–
Balance at 31 December 2019		7,781,616	9,897,363	20,583,321	2,994,679	11,800,217	2,614,222	55,671,418	3,834,031	59,505,449
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	41	–	–	851,744	–	–	–	851,744	–	851,744
Total comprehensive loss		–	–	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	43									
– 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

The notes on pages 171 to 305 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 2019

	Note	For the year ended 31 December 2019	2018
Cash flows from operating activities			
Loss for the years		**(1,110,246)**	(4,538,111)
Adjustments for:			
Impairment losses on assets		**20,846,120**	23,683,718
Depreciation and amortisation		**556,207**	427,286
Interest expense on lease liabilities		**18,499**	–
Unwinding of discount		**–**	(330,732)
Dividend income		**(1,200)**	(880)
Unrealised foreign exchange losses		**61,363**	98,929
Net gains on derivative financial instruments		**(226)**	(116)
Net gains arising from investment securities		**(240,556)**	(100,234)
Net gains on disposal of trading securities		**(159,461)**	(41,183)
Revaluation gains on financial instruments at fair value through profit or loss		**(3,212,930)**	(1,449,801)
Interest expense on debts securities issued		**3,282,233**	3,923,616
Net losses on disposal of property and equipment and other long term assets		**2,326**	1,052
Income tax credit		**(327,858)**	(1,449,054)
Subtotal		**19,714,271**	20,224,490
Changes in operating assets			
Net decrease/(increase) in deposits with the central bank, banks and other financial institutions		**14,950,979**	(5,573,473)
Net increase in placements with banks and other financial institutions		**(5,651,582)**	(48,418)
Net increase in loans and advances to customers		**(68,879,251)**	(156,012,322)
Decrease/(increase) in finance lease receivables		**675,187**	(847,115)
Net increase in other operating assets		**(10,666,872)**	(249,635)
Subtotal		**(69,571,539)**	(162,730,963)
Changes in operating liabilities			
Net increase/(decrease) in borrowing from central bank		**32,931,953**	(199,500)
Net increase in deposits from banks and other financial institutions		**14,662,756**	27,478,562
Net increase in placements from banks and other financial institutions		**6,918,901**	7,121,319
Net (decrease)/increase in financial assets sold under repurchase agreements		**(33,306,708)**	4,322,305
Net (decrease)/increase in deposits from customers		**(37,457,909)**	89,848,054
Income tax paid		**(2,950,815)**	(3,752,126)
Net decrease in other operating liabilities		**(1,841,831)**	(2,915,459)
Subtotal		**(21,043,653)**	121,903,155
Net cash flows used in operating activities		**(70,900,921)**	(20,603,318)

The notes on pages 171 to 305 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 2019

	Note	For the year ended 31 December 2019	2018
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		**223,408,842**	291,159,316
Dividend received		**1,200**	880
Proceeds from disposal of property and equipment and other assets		**1,404**	26,526
Payments on acquisition of investments		**(120,834,638)**	(264,100,797)
Payments on acquisition of property and equipment, intangible assets and other assets		**(935,351)**	(820,237)
Net cash flows generated from investing activities		**101,641,457**	26,265,688
Cash flows from financing activities			
Proceeds from capital contribution by equity shareholders		**–**	7,232,540
Proceeds from issue of debt securities		**182,834,970**	128,996,076
Repayment of debts securities issued		**(165,090,000)**	(132,440,000)
Interest paid on debts securities issued		**(587,148)**	(502,200)
Dividend paid		**(86,554)**	(1,568,258)
Payment of lease liabilities		**(102,185)**	–
Net cash flows generated from financing activities		**16,969,083**	1,718,158
Effect of foreign exchange rate changes on cash and cash equivalents		**(61,364)**	36,154
Net increase in cash and cash equivalents	47(a)	**47,648,255**	7,416,682
Cash and cash equivalents as at 1 January		**19,886,632**	12,469,950
Cash and cash equivalents as at 31 December	47(b)	**67,534,887**	19,886,632
Interest received		**39,180,312**	47,377,546
Interest paid (excluding interest expense on debts securities issued)		**(27,313,186)**	(20,661,534)

The notes on pages 171 to 305 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 and 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 Wei Xuekun 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 2019, 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 of 31 December 2019, 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 disclosure requirements 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 2019 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 55.

The measurement basis used in the preparation of the financial statements is historical cost basis, with the exception of certain financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(f).

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, are as follows:

IFRS 16, Lease

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to accounts for all leases under a single on-balance sheet model. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

New definition of a lease

Under IFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of buildings, parking spaces and billboards, and has land use right for multiple plots of land. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date.

(Expressed in thousands of Renminbi, unless otherwise stated)

2. Significant accounting policies *(continued)*

b) Change in accounting policies *(continued)*

As a lessee – Leases previously classified as operating leases *(continued)*

Impacts on transition (continued)

The impacts arising from the adoption of IFRS 16 at 1 January 2019 are as follows:

Assets	
Increase in right-of-use assets	638,457
Decrease in other assets:	
– Deferred expenses	(40,365)
– Long-term deferred expenses	(271,007)
– Land use right	(79,047)
Increase in total assets	248,038
Liabilities	
Increase in lease liabilities	389,458
Decrease in other liabilities:	
– Other payables	(141,420)
Increase in total liabilities	248,038

The lease liabilities at 1 January 2019 reconciled to the operating lease commitments at 31 December 2018 are as follows:

Operating lease commitments at 31 December 2018	461,670
Weighted average incremental borrowing rate at 1 January 2019	4.33%
Discounted operating lease commitments at 1 January 2019	389,458
Lease liabilities at 1 January 2019	389,458

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 consolidated profit or loss 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.

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 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 financial investments which are recognised in capital reserve.

2. Significant accounting policies *(continued)*

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.

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).

The Group applies a 'three-stage model' for measuring ECL. For the measurement and segmentation of ECL of financial instruments of the Group, see Note 50(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.

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

The Group has adopted IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. If the details of the accounting policies under IAS 17 and IFRIC 4 are different from those under IFRS 16, they are disclosed separately.

Policies applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group, as a lessor or lessee, assesses whether:

– the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

– the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

– the lessee has the right to direct the use of the asset. The lessee has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the lessee has the right to direct the use of the asset if either:

– the lessee has the right to operate the asset; or

– the lessee designed the asset in a way that predetermines how and for what purpose it will be used.

IFRS 16 is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policies applicable before 1 January 2019

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.

2. Significant accounting policies *(continued)*

l) Leases *(continued)*

Policies applicable before 1 January 2019 *(continued)*

(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

– right-of-use assets

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 refer to all forms of consideration and other related expenditure given by the Group in exchange for services rendered by employees. The benefits payable are recognised as liabilities during the period in which the employees have rendered services to the Group. If the effect of discounting on the benefits payable which are payable after one year from the end of the reporting period is significant, the Group will present them at their present value.

(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

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income is accrued in accordance with the actual progress. For other services, fee and commission income is recognised when the transactions are completed.

(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	
	2019	2018
Interest income arising from		
Deposits with the central bank	**783,992**	899,102
Deposits with banks and other financial institutions	**274,390**	296,894
Placements with banks and other financial institutions	**378,505**	100,178
Loans and advances to customers		
– Corporate loans	**27,649,787**	17,022,624
– Personal loans	**635,024**	683,785
– Discounted bills	**460,055**	390,376
Financial assets held under resale agreements	**75,467**	60,172
Financial assets at fair value through other comprehensive income	**1,102,253**	1,450,002
Financial assets measured at amortised cost	**15,816,158**	24,559,231
Finance lease receivables	**644,845**	540,310
Subtotal	**47,820,476**	46,002,674
Interest expense arising from		
Borrowing from the central bank	**666,284**	3,394
Deposits from banks and other financial institutions	**7,239,261**	6,741,064
Placements from banks and other financial institutions	**1,175,230**	567,146
Deposits from customers		
– Corporate customers	**4,158,425**	6,730,515
– Individual customers	**11,196,591**	7,370,366
Financial assets sold under repurchase agreements	**757,419**	1,565,501
Debt securities issued	**3,282,233**	3,923,616
Subtotal	**28,475,443**	26,901,602
Net interest income	**19,345,033**	19,101,072
Of which		
Interest income arising from impaired financial assets identified	**–**	330,732

(Expressed in thousands of Renminbi, unless otherwise stated)

4. Net fee and commission income

	For the year ended 31 December	
	2019	2018
Fee and commission incomes		
Agency services fees	**56,579**	211,284
Settlement and clearing fees	**84,912**	231,747
Wealth management service fees	**172,926**	251,683
Underwriting and advisory fees	**49,422**	86,970
Bank card service fees	**11,683**	13,002
Others	**46,770**	47,437
Subtotal	**422,292**	842,123
Fee and commission expenses		
Settlement and clearing fees	**41,826**	42,938
Others	**148,752**	41,657
Subtotal	**190,578**	84,595
Net fee and commission income	**231,714**	757,528

5. Net trading gains

	For the year ended 31 December	
	2019	2018
Trading financial instruments		
– Debt securities issued	**3,324,615**	1,261,231
– Derivative financial instruments	**(382)**	725
– Precious metals	**1**	–
Subtotal	**3,324,234**	1,261,956
Financial instruments designated at fair value through profit or loss	**48,383**	229,144
Total	**3,372,617**	1,491,100

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	
	2019	2018
Net revaluation gains reclassified from other comprehensive income on disposal	**214,664**	64,666
Net revaluation gains from financial assets at fair value through other comprehensive income on disposal	**25,907**	39,551
Net gains on disposal of financial assets measured at amortised cost	**(15)**	(3,983)
Total	**240,556**	100,234

7. Operating expenses

	For the year ended 31 December	
	2019	2018
Staff costs		
– Salaries and bonuses	**1,350,363**	1,263,408
– Social insurance	**262,470**	261,511
– Housing allowances	**110,868**	97,165
– Staff welfares	**54,435**	71,386
– Supplementary retirement benefits	**2,425**	1,961
– Other long-term staff welfares	**24,032**	38,529
– Others	**52,848**	49,704
Subtotal	**1,857,441**	1,783,664
Premises and equipment expenses		
– Depreciation of property and equipment	**361,496**	324,116
– Depreciation of right-of-use assets	**150,493**	–
– Rental and property management expenses	**4,225**	112,512
– Amortisation of other long-term assets	**1,847**	66,625
– Amortisation of intangible assets	**42,371**	36,545
Subtotal	**560,432**	539,798
Tax and surcharges	**281,934**	200,414
Interest expense on lease liabilities	**18,499**	-
Other general and administrative expenses (Note)	**1,043,377**	1,062,770
Total	**3,761,683**	3,586,646

Note: Auditors' remuneration for the year ended 31 December 2019 was RMB5 million (2018: RMB6.52 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 2019						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Executive directors							
Wei Xuekun (Note i)	–	156	–	156	27	45	228
Guo Wenfeng (Note i)	–	156	–	156	27	37	220
Kang Jun (Note i)	–	80	–	80	15	30	125
Yu Jun (Note i)	–	80	–	80	15	36	131
Yang Weihua (Note i)	–	–	–	–	–	–	–
Non-executive directors							
Zhao Chuanxin (Note i)	–	–	–	–	–	–	–
Ning Jie (Note i)	–	–	–	–	–	–	–
Gu Jihong (Note i)	–	–	–	–	–	–	–
Lyu Fei (Note i)	–	–	–	–	–	–	–
Luo Nan (Note i)	–	–	–	–	–	–	–
Independent directors							
Wu Jun (Note i)	–	–	–	–	–	–	–
Xie Taifeng (Note i)	–	–	–	–	–	–	–
Wang Xiongyuan (Note i)	–	–	–	–	–	–	–
Su Mingzheng (Note i)	–	–	–	–	–	–	–
Supervisors							
Zhang Tao (Note ii)	–	99	–	99	18	29	146
Liu Liguo (Note ii)	–	113	308	421	72	80	573
Wu Hai'ou (Note ii)	–	113	308	421	72	80	573
Wu Zhengkui (Note ii)	–	–	–	–	–	–	–
Tang Fang (Note i, ii)	–	–	–	–	–	–	–
External supervisors							
Meng Xuefeng (Note ii)	–	–	–	–	–	–	–
Guo Limao (Note ii)	–	–	–	–	–	–	–
Hu Guojie (Note ii)	–	–	–	–	–	–	–

(Expressed in thousands of Renminbi, unless otherwise stated)

8. Directors' and supervisors' emoluments *(continued)*

	For the year ended 31 December 2019						
	Fees	Salaries	Discretionary bonus	Subtotal	Contributions to social pension schemes	Other welfares	Total
Former executive directors							
Zhang Wei (Note i)	–	468	1,440	1,908	369	186	2,463
Huo Lingbo (Note i)	–	468	1,200	1,668	327	204	2,199
Wang Jing (Note i)	–	360	480	840	164	133	1,137
Sun Jing (Note i)	–	306	446	752	143	169	1,064
Wang Xiaoyu (Note i)	–	113	308	421	72	79	572
Former non-executive directors							
Li Dongjun (Note i)	–	–	–	–	–	–	–
Liu Hong (Note i)	–	468	1,200	1,668	327	204	2,199
Gu Jie (Note i)	–	–	–	–	–	–	–
Meng Xiao (Note i)	–	–	–	–	–	–	–
Tang Fang (Note i, ii)	–	–	–	–	–	–	–
Former independent non-executive directors							
Choon Yew Khee (Note i)	–	–	–	–	–	–	–
Lin Yanjun (Note i)	–	–	–	–	–	–	–
Chang Peng'ao (Note i)	–	–	–	–	–	–	–
Peng Taoying (Note i)	–	–	–	–	–	–	–
Tan Ying (Note i)	–	–	–	–	–	–	–
Former supervisors							
Cai Hongguang (Note ii)	–	468	1,200	1,668	327	169	2,164
Dai Shujun (Note ii)	–	240	563	803	160	130	1,093
Cao Wenqing (Note ii)	–	132	1,084	1,216	250	344	1,810
Li Wei (Note ii)	–	170	485	655	118	122	895
Li Xiu (Note ii)	–	113	434	547	101	101	749
He Baosheng (Note ii)	–	–	–	–	–	–	–
Chen Tanguang (Note ii)	–	–	–	–	–	–	–
He Mingyan (Note ii)	–	–	–	–	–	–	–
Former external supervisors							
Jiang Daxing (Note ii)	–	–	–	–	–	–	–
Deng Xiaoyang (Note ii)	–	–	–	–	–	–	–
Nie Ying (Note ii)	–	–	–	–	–	–	–
Li Tongyu (Note ii)	–	–	–	–	–	–	–
Zhao Hongxia (Note ii)	–	–	–	–	–	–	–
Total	–	4,103	9,456	13,559	2,604	2,178	18,341

(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
Executive directors							
Zhang Wei (Note i)	–	468	1,440	1,908	382	184	2,474
Wang Jing (Note i)	–	360	480	840	175	131	1,146
Wang Xiaoyu (Note i)	–	113	344	457	96	84	637
Huo Lingbo (Note i)	–	468	1,200	1,668	341	201	2,210
Liu Hong (Note i)	–	468	1,200	1,668	341	201	2,210
Sun Jing (Note i)	–	306	376	682	143	131	956
Non-executive directors							
Gu Jie (Note i)	–	–	–	–	–	–	–
Li Dongjun (Note i)	–	–	–	–	–	–	–
Meng Xiao (Note i)	–	–	–	–	–	–	–
Tang Fang (Note i, ii)	–	–	–	–	–	–	–
Independent directors							
Choon Yew Khee (Note i)	210	–	–	210	–	–	210
Lin Yanjun (Note i)	210	–	–	210	–	–	210
Chang Peng'ao (Note i)	–	–	–	–	–	–	–
Peng Taoying (Note i)	–	–	–	–	–	–	–
Tan Ying (Note i)	–	–	–	–	–	–	–
Supervisors							
Li Xiu (Note ii)	–	113	478	591	124	104	819
He Baosheng (Note ii)	–	–	–	–	–	–	–
Cai Hongguang (Note ii)	–	440	600	1,040	215	148	1,403
Dai Shujun (Note ii)	–	260	97	357	78	90	525
Cao Wenqing (Note ii)	–	226	1,989	2,215	449	408	3,072
Li Wei (Note ii)	–	170	292	462	98	97	657
Chen Tanguang (Note ii)	–	–	–	–	–	–	–
He Mingyan (Note ii)	–	–	–	–	–	–	–

(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 ii)	210	–	–	210	–	–	210
Li Tongyu (Note ii)	210	–	–	210	–	–	210
Zhao Hongxia (Note ii)	210	–	–	210	–	–	210
Jiang Daxing (Note ii)	210	–	–	210	–	–	210
Deng Xiaoyang (Note ii)	210	–	–	210	–	–	210
Former non-executive directors							
Wang Jinsong (Note iii)	–	–	–	–	–	–	–
Zhang Caiguang (Note iv)	–	–	–	–	–	–	–
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

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 18 October 2019, as considered and approved by the 2018 annual general meeting, the Bank conducted early general election of the sixth session of the Board, in which Mr. Wei Xunkun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun were elected as executive directors of the sixth session of the Board; Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan as non-executive directors of the sixth session of the Board; Mr. Wu Jun, Mr. Xie Taifeng, Mr. Xiao Geng, Mr. Wang Xiongyuan and Mr. Su Mingzheng as independent non-executive directors of the sixth session of the Board. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau for the qualifications of Mr. Wei Xunkun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua, Mr. Yu Jun Ms. Gu Jihong, Mr. Lyu Fei, Mr. Luo Nan, Mr. Wu Jun, Mr. Xie Taifeng, Mr. Wang Xiongyuan and Mr. Su Mingzheng serving as the directors of the Bank on 30 October 2019. Their terms of service commenced from 30 October 2019 until expiration of the term of the sixth session of the Board. The Bank received the approval from the CBIRC Liaoning Regulatory Bureau for the qualifications of Mr. Zhao Chuanxin and Ms. Ning Jie serving as the directors of the Bank on 14 November 2019. Their terms of service commenced from 14 November 2019 until expiration of the term of the sixth session of the Board. Mr. Zhang Wei, Mr. Huo Lingbo, Mr. Wang Jing, Mr. Sun Jing and Ms. Wang Xiaoyu retired as executive directors on 30 October 2019; Ms. Liu Hong, Ms. Gu Jie, Ms. Meng Xiao, Mr. Li Dongjun and Ms. Tang Fang retired as non-executive directors on 30 October 2019; Mr. Choon Yew Khee, Mr. Lin Yanjun, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying retired as independent non-executive directors on 30 October 2019.

(ii) On 18 October 2019, as considered and approved by the 2018 annual general meeting. Mr. Wu Zhengkui and Ms. Tang Fang were elected as the shareholder representative supervisors of the sixth session of the Board of Supervisors; and Mr. Meng Xuefeng, Mr. Guo Limao and Mr. Hu Guojie were elected as the external supervisors of the sixth session of the Board of Supervisors. Terms of office of the said supervisors commenced from the date of approval at the annual general meeting until expiration of the term of the sixth session of the Board of the Supervisors. Also, on 18 October 2019, Mr. Zhang Tao, Mr. Liu Liguo and Ms. Wu Hai'ou were elected as the employee representative supervisors of the sixth session of the Board of the Supervisors at the meeting of employee representatives of the Bank. Terms of office of the said employee representative supervisors commenced from 18 October 2019 until expiration of the term of the sixth session of the Board of the Supervisors. Meanwhile, Mr. Cai Hongguang, Mr. Dai Shujun, Ms. Cao Wenqing, Ms. Li Wei and Ms. Li Xiu ceased to serve as the employee representative supervisors of the Bank; Mr. He Baosheng, Mr. Chen Tanguang and Ms. He Mingyan ceased to serve as the shareholder representative supervisors of the Bank; and Mr. Jiang Daxing, Mr. Deng Xiaoyang, Ms. Nie Ying, Ms. Li Tongyu and Ms. Zhao Hongxia ceased to serve as the external Supervisors of the Bank.

(iii) Mr. Wang Jinsong submitted his resignation to the Bank due to work adjustment to resign as a non-executive director of the Bank. The resignation of Mr. Wang Jinsong took effect on 7 August 2018.

(iv) 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.

(v) At the Bank's Second Extraordinary General Meeting held on 29 December 2017, Mr. Chang Peng'ao, Ms. Peng Taoying and Ms. Tan Ying were elected as independent non-executive directors of the Bank. The CBRC Liaoning regulatory authority has approved the election. The tenure of them began on 11 February 2018. According to the Articles of Association, Mr. Niu Sihu and Ms. Jiang Jian ceased to serve as the independent non-executive directors on 11 February 2018.

(Expressed in thousands of Renminbi, unless otherwise stated)

9. Individuals with highest emoluments

One of the five individuals with the highest emoluments is director (2018: one supervisor). The aggregate of the emoluments of the five highest paid individuals are as follows:

	For the year ended 31 December	
	2019	**2018**
Salaries and other emoluments	**1,733**	1,321
Discretionary bonuses	**8,066**	11,431
Contributions to pension schemes	**1,838**	2,168
Others	**1,628**	2,208
Total	**13,265**	17,128

The emoluments of the remaining individuals with the highest emoluments are within the following bands:

	2019	**2018**
HKD2,500,001 – 3,000,000	**3**	–
HKD3,000,001 – 3,500,000	**1**	–
HKD3,500,001 – 4,000,000	**–**	3
HKD4,000,001 – 4,500,000	**–**	–
HKD4,500,001 – 5,000,000	**–**	–
HKD5,000,001 – 5,500,000	**–**	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 2019	For the year ended 2018
Loans and advances to customers		
– ECL over the next 12 months	**2,756,326**	2,344,237
– Lifetime ECL – not credit-impaired loans	**(1,268,789)**	5,005,797
– Lifetime ECL – credit-impaired loans	**19,694,520**	10,139,895
Subtotal	**21,182,057**	17,489,929
Deposits and placements with banks and other financial institutions	**366,436**	37,920
Financial assets held under resale agreements	**–**	(47)
Financial assets at fair value through other comprehensive income	**(4,717)**	(25,522)
Financial assets measured at amortised cost	**3,879**	4,768,271
Finance lease receivables	**401,341**	202,614
Credit commitments	**(1,117,372)**	1,185,636
Others	**14,496**	24,917
Total	**20,846,120**	23,683,718

(Expressed in thousands of Renminbi, unless otherwise stated)

11. Income tax credit

(a) Income tax credit:

	Note	Year ended 31 December 2019	2018
Current income tax		**3,991,484**	3,522,024
Deferred income tax	25(b)	**(4,319,342)**	(4,971,078)
Total		**(327,858)**	(1,449,054)

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

	Year ended 31 December 2019	2018
Loss before tax	**(1,438,104)**	(5,987,165)
Statutory tax rate	**25%**	25%
Income tax calculated at statutory tax rate	**(359,526)**	(1,496,791)
Non-deductible expenses		
– Staff costs	**153**	325
– Others	**44,578**	106,785
Subtotal	**44,731**	107,110
Non-taxable income		
– Interest income from the PRC government bonds	**(28,036)**	(34,481)
– Others	**(29,097)**	(23,574)
Underprovision of tax in prior years	**44,750**	–
Utilisation of tax loss	**(680)**	(1,318)
Total	**(327,858)**	(1,449,054)

12. Basic and diluted losses per share

	Year ended 31 December	
	2019	**2018**
Net loss attributable to equity shareholders of the Bank	**(958,545)**	(4,593,447)
Less: Net profit attributable to other equity holders of the Bank	**–**	(632,891)
Net loss attributable to equity shareholders of the Bank	**(958,545)**	(5,226,338)
Weighted average number of ordinary shares (in thousands)	**7,781,616**	6,809,013
Basic and diluted losses per share attributable to equity shareholders of the Bank (in RMB)	**(0.12)**	(0.77)

The Bank issued non-cumulative preference shares on 27 October 2017 under the terms and conditions as detailed in Note 40. 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 2019 and 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 per share as there were no potentially dilutive shares outstanding during the relevant years.

	Year ended 31 December	
Weighted average number of ordinary shares	**2019**	**2018**
Number of ordinary shares as at 1 January (in thousands)	**7,781,616**	6,781,616
Effect of ordinary shares issue (in thousands)	**–**	27,397
Weighted average number of ordinary shares (in thousands)	**7,781,616**	6,809,013

(Expressed in thousands of Renminbi, unless otherwise stated)

13. Cash and deposits with the central bank

	Notes	At 31 December 2019	2018
Cash on hand		**945,499**	708,592
Deposits with the central bank			
– Statutory deposit reserves	(a)	**43,799,399**	54,947,473
– Surplus deposit reserves	(b)	**60,266,060**	8,763,764
– Fiscal deposits		**144,081**	171,044
Subtotal		**104,209,540**	63,882,281
Interests receivable		**21,498**	27,886
Total		**105,176,537**	64,618,759

Notes:

(a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at 31 December 2019 and 2018, the statutory deposit reserve ratios applicable to the Bank were follows:

	At 31 December 2019	2018
Reserve ratio for RMB deposits	**11.00%**	12.50%
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	
	2019	**2018**
Deposits in Mainland China		
– Banks	**7,676,255**	7,985,254
– Other financial institutions	**3,111**	3,124
Subtotal	**7,679,366**	7,988,378
Deposits outside Mainland China		
– Banks	**660,943**	8,118,749
Interests receivable	**177,381**	165,506
Impairment provision	**(216,098)**	(41,006)
Total	**8,301,592**	16,231,627

(b) Movements of provision for impairment losses

	Year ended 31 December	
	2019	**2018**
As at 1 January 2019	**(41,006)**	(3,086)
Net charge for the year	**(174,662)**	(37,920)
Other movements	**(430)**	–
As at 31 December 2019	**(216,098)**	(41,006)

(Expressed in thousands of Renminbi, unless otherwise stated)

15. Placements with banks and other financial institutions

(a) Analysed by type and location of counterparty

	At 31 December 2019	2018
Placements in Mainland China		
– Banks	**–**	48,418
– Other financial institutions	**5,700,000**	–
Subtotal	**5,700,000**	48,418
Interests receivable	**135,638**	36
Impairment provision	**(191,774)**	–
Total	**5,643,864**	48,454

(b) Movements of provision for impairment losses

	Year ended 31 December 2019
As at 1 January 2019	**–**
Net charge for the year	**(191,774)**
As at 31 December 2019	**(191,774)**

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 2019		
	Notional	Fair value	
	amount	assets	liabilities
Derivatives			
– Foreign exchange swap	**11,159,955**	**84,969**	**(100,011)**
Total	**11,159,955**	**84,969**	**(100,011)**

	At 31 December 2018		
	Notional	Fair value	
	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)

(b) Analysed by credit risk-weighted amounts

	At 31 December	
	2019	2018
Derivatives		
– Foreign exchange forward	**–**	10,240
– Foreign exchange swap	**27,900**	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 2019	2018
In Mainland China		
– Other financial institutions	–	100,000
Interests receivable	–	73
Total	–	100,073

(b) Analysed by type of security held

	At 31 December 2019	2018
Debt securities		
– Financial bonds	–	100,000
Subtotal	–	100,000
Interests receivable	–	73
Total	–	100,073

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers

(a) Analysed by nature

	At 31 December 2019	At 31 December 2018
Measured at amortised cost:		
Corporate loans and advances	**478,058,240**	352,315,497
Personal loans and advances		
– Personal business loans	**8,844,841**	9,976,346
– Residential and commercial properties mortgage loans	**1,349,141**	1,302,895
– Personal consumption loans	**468,807**	630,907
– Credit card overdrafts	**169,203**	155,385
– Others	**288**	326
Subtotal	**10,832,280**	12,065,859
Gross loans and advances to customers measured at amortised cost	**488,890,520**	364,381,356
Measured at fair value through other comprehensive income:		
– Discounted bills	**226,427**	6,344,375
Gross loans and advances to customers measured at fair value through other comprehensive income	**226,427**	6,344,375
Gross loans and advances to customers	**489,116,947**	370,725,731
Add: Interests receivable	**6,916,601**	1,276,467
Less: Provision for impairment losses		
– Loans and advances to customers measured at amortised cost	**(43,338,037)**	(22,892,075)
Net loans and advances to customers	**452,695,511**	349,110,123
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(5,134)**	(11,586)

As at 31 December 2018, part of discounted bills of the loans and advances to customers was pledged for repurchase agreements (Note 27(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(b) Analysed by industry sector

	At 31 December 2019		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	227,296,037	46.47%	67,526,296
Manufacturing	97,315,189	19.90%	50,304,240
Leasing and commercial services	43,653,896	8.92%	22,007,189
Real estate	35,035,141	7.16%	32,815,081
Transportation, storage and postal services	10,793,156	2.21%	3,417,106
Scientific research and technical services	7,298,272	1.49%	3,777,272
Education	7,197,553	1.47%	1,727,440
Electricity, gas and water production and supply	6,600,856	1.35%	2,685,356
Mining	5,139,382	1.05%	2,157,570
Construction	4,541,158	0.93%	2,642,606
Public management and social organisation	4,146,060	0.85%	35,000
Water, environment and public utility management	3,602,950	0.74%	1,851,550
Agriculture, forestry, animal husbandry and fishery	1,166,923	0.24%	979,663
Others	24,271,667	4.96%	10,840,922
Subtotal of corporate loans and advances	478,058,240	97.74%	202,767,291
Personal loans and advances	10,832,280	2.21%	8,765,554
Discounted bills	226,427	0.05%	–
Gross loans and advances to customers	489,116,947	100.00%	211,532,845
Add: Interests receivable	6,916,601		
Less: Provision for impairment losses			
– Provision for impairment losses on loans and advances to customers measured at amortised cost	(43,338,037)		
Net loans and advances to customers	452,695,511		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(5,134)		

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(b) Analysed by industry sector *(continued)*

	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
Scientific research and technical services	3,833,122	1.03%	3,730,926
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	20,949,308	5.65%	8,944,616
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)		
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)

18. Loans and advances to customers *(continued)*

(c) Analysed by type of collateral

	At 31 December 2019	At 31 December 2018
Unsecured loans	**17,138,867**	20,654,552
Guaranteed loans	**260,445,235**	165,361,842
Secured loans		
– By tangible assets other than monetary assets	**147,589,293**	106,011,207
– By monetary assets	**63,943,552**	78,698,130
Subtotal	**211,532,845**	184,709,337
Gross loans and advances to customers	**489,116,947**	370,725,731
Add: Interests receivable	**6,916,601**	1,276,467
Less: Provision for impairment losses		
– Loans and advances to customers measured at amortised cost	**(43,338,037)**	(22,892,075)
Net loans and advances to customers	**452,695,511**	349,110,123
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	**(5,134)**	(11,586)

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(d) Overdue loans analysed by overdue period

	At 31 December 2019				
	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	**551,916**	**32,080**	**3,935**	**1,802**	**589,733**
Guaranteed loans	**6,096,839**	**22,711,811**	**2,741,570**	**439,291**	**31,989,511**
Secured loans					
– By tangible assets other than monetary assets	**8,563,339**	**16,506,968**	**2,318,019**	**484,868**	**27,873,194**
– By monetary assets	**1,455,077**	**5,251,258**	**448,573**	**123,629**	**7,278,537**
Total	**16,667,171**	**44,502,117**	**5,512,097**	**1,049,590**	**67,730,975**
As a percentage of gross loans and advances to customers	**3.41%**	**9.10%**	**1.13%**	**0.21%**	**13.85%**

	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%

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)

18. Loans and advances to customers *(continued)*

(e) Loans and advances and provision for impairment losses

As at 31 December 2019, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 31 December 2019			
	Expected credit losses over the next 12 months	Lifetime expected credit loss that are not impaired	Lifetime expected credit loss that are impaired	Total
Gross loans and advances to customers	**374,981,556**	**57,756,195**	**56,379,196**	**489,116,947**
Add: Interests receivable	**6,916,601**	**–**	**–**	**6,916,601**
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortised cost	**(12,151,110)**	**(4,314,052)**	**(26,872,875)**	**(43,338,037)**
Net loans and advances to customers	**369,747,047**	**53,442,143**	**29,506,321**	**452,695,511**

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			
	Expected credit losses over the next 12 months	Lifetime expected credit loss that are not impaired	Lifetime expected credit loss that are impaired	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)

18. 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 2019			
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	Total
At 1 January	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Transferred:				
– to ECL over the next 12 months	(4,182,527)	3,342,190	840,337	–
– to lifetime ECL- not credit-impaired	113,521	(3,826,601)	3,713,080	–
– to lifetime ECL- credit-impaired	345,649	1,186,374	(1,532,023)	–
Net (charge)/release for the year	(2,756,326)	1,268,789	(19,694,520)	(21,182,057)
Write-offs	–	–	736,095	736,095
As at 31 December 2019	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)

	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				(6,036,277)
Impact of adopting IFRS9				31,555
As at 1 January	(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 2019, 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 RMB347,241 million. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired to lifetime ECL-not credit-impaired were RMB117,892 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 RMB29,347 million.

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

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

(i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost: *(continued)*

Notes: *(continued)*

(b) 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. The loan principal from ECL over the next 12 months and lifetime ECL-credit-impaired to lifetime ECL-not credit-impaired were RMB19,488 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.

(c) 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.

(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 2019			
	ECL over the next 12 months	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January	**(11,586)**	**–**	**–**	**(11,586)**
Net release for the year	**6,452**	**–**	**–**	**6,452**
As at 31 December	**(5,134)**	**–**	**–**	**(5,134)**

	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	(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.

(Expressed in thousands of Renminbi, unless otherwise stated)

18. Loans and advances to customers *(continued)*

(g) Analysed by geographical sector

	At 31 December 2019		
	Loan balance	**Percentage**	**Loans and advances secured by collaterals**
Jinzhou Region	**256,030,958**	**52.35%**	**120,415,009**
Other Northeastern China Region	**140,285,894**	**28.68%**	**65,840,195**
Northern China Region	**92,800,095**	**18.97%**	**25,277,641**
Gross loans and advances to customers	**489,116,947**	**100.00%**	**211,532,845**

	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

(Expressed in thousands of Renminbi, unless otherwise stated)

18. 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 2019	
	Impaired loans and advances	**Provision for impairment losses**
Jinzhou Region	**19,531,593**	**(10,320,561)**
Other Northeastern China Region	**22,179,586**	**(9,829,628)**
Northern China Region	**14,668,017**	**(6,722,686)**

	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)

The definitions of the regional distributions are set out in Note 49(b).

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Financial assets at fair value through profit or loss

	Notes	At 31 December 2019	2018
Debt instruments held for trading	(a)	**5,560,214**	5,713,274
Certificates of deposit		**397,037**	2,974,136
Beneficial interest transfer plans	(b)	**42,307,325**	32,778,216
Bond funds		**–**	7,558,886
Balance with a bank		**405,214**	200,581
Wealth management products		**200,129**	251,000
Subtotal		**48,869,919**	49,476,093
Financial assets designated at fair value through profit or loss	(c)	**6,287,252**	16,586,787
Total		**55,157,171**	66,062,880

Notes:

(a) Debt instruments held for trading

	At 31 December 2019	2018
Issued by institutions in Mainland China		
– Banks and other financial institutions	**3,232,894**	3,423,652
Issued by institutions outside Mainland China		
– Banks and other financial institutions	**2,327,320**	2,289,622
Total	**5,560,214**	5,713,274
Listed	**3,232,894**	3,415,253
Unlisted	**2,327,320**	2,298,021
Total	**5,560,214**	5,713,274

As at years ended 31 December 2019 and 2018, some of the debt instruments held for trading are used for the pledge of the repurchase agreement (Note 27(a)).

(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 debt investments offered by the Group from principal-guaranteed wealth management programs managed and measured at fair value. The Group accounts for the corresponding investment funds of the above assets under financial liabilities designated at fair value through profit or loss. The gains from movements on fair value of these investments was RMB143 million in 2019 (2018: RMB468 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

20. Financial assets at fair value through other comprehensive income

		At 31 December 2019	At 31 December 2018
Debt instruments issuers in Mainland China			
– Government		**2,747,714**	2,208,490
– Banks and other financial institutions		**7,975,166**	38,524,754
– Corporations		**473,621**	712,079
Subtotal		**11,196,501**	41,445,323
Equity investments			
– Listed		**66,469**	–
– Unlisted	(i)	**1,165,027**	609,330
Add: Interests receivable		**131,846**	802,930
Total		**12,559,843**	42,857,583

(i) The Group designated the investments shown in the table below as equity instruments that are measured at FVOCI, as the Group intended to hold the equity instruments for a long term. The details are as follows:

	31 December 2019	**Dividend income recognized for the year ended 31 December 2019**	31 December 2018	Dividend income recognized for the year ended 31 December 2018
China UnionPay Co.,Ltd.* (中國銀聯股份有限公司)	**8,000**	**1,200**	8,000	880
Clearing Centre For City Commercial Banks	**250**	**–**	250	–
Bank Of Liaoyang Co.,Ltd. * (遼陽銀行股份有限公司)	**78,791**	**–**	106,665	–
Yingkou Port Liability Co.,Ltd. * (營口港務集團有限公司)	**494,415**	**–**	494,415	–
Northern Heavy Industries Group Co.,Ltd. * (北方重工集團有限公司)	**266,659**	**–**	–	–
Bohai Steel Group Co., Ltd. * (天津渤鋼三號企業管理合夥企業(有限合夥))	**316,912**	**–**	–	–
Total	**1,165,027**	**1,200**	609,330	880
Unlisted	**1,165,027**	**1,200**	609,330	880
Total	**1,165,027**	**1,200**	609,330	880

As at 31 December 2019 and 2018, some of the investments of debt securities in Mainland China are used for the pledge of repurchase agreements (Note 27(a)).

* *English name for identification purpose only*

(Expressed in thousands of Renminbi, unless otherwise stated)

20. Financial assets at fair value through other comprehensive income *(continued)*

The movements of impairment provision for financial assets at fair value through other comprehensive income during the year are as follows:

	For the year ended 31 December 2019			
	ECL over the next 12 months	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
As at 1 January	**(457)**	**–**	**–**	**(457)**
Net charge for the year	**(1,735)**	**–**	**–**	**(1,735)**
As at 31 December	**(2,192)**	**–**	**–**	**(2,192)**

	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	(753)	–	–	(753)
Net release for the year	296	–	–	296
As at 31 December	(457)	–	–	(457)

Notes:

(a) Provision for impairment of financial investments of 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 2019, all the financial assets at fair value through other comprehensive income and debt securities of the Group are in Stage 1.

(c) The Group designates non-trading equity investments as at financial assets at fair value through other comprehensive income. As at 31 December 2019, the amount for these non-trading equity investments was RMB1,231.50 million (2018: RMB609.33 million). For the year ended 31 December 2019, the dividend income from these non-trading equity investments amounted to RMB1.20 million (2018: RMB0.88 million) and was included in profit or loss. During the year ended 31 December 2019, 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 loss on these investments were RMB24.45 million during the year ended 31 December 2019 (2018: gain of RMB22.11 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

21. Financial assets measured at amortised cost

	At 31 December 2019	At 31 December 2018
Debt securities issued by the following institutions in Mainland China		
– Government	**1,989,281**	4,069,833
– Banks and other financial institutions	**1,240,000**	1,340,000
– Corporations	**19,956**	19,897
Subtotal	**3,249,237**	5,429,730
Issuers outside Mainland China		
– Corporate	**1,744,050**	1,715,800
Beneficial interest transfer plans	**165,999,362**	283,324,352
Add: Interests receivable	**3,389,639**	1,895,511
Less: Provision for impairment losses	**(9,232,897)**	(9,229,018)
Total	**165,149,391**	283,136,375

As at 31 December 2019 and 2018, certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of repurchase agreements (Note 27(a)).

(Expressed in thousands of Renminbi, unless otherwise stated)

21. 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 2019			
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)
Transferred				
– to ECL over the next 12 months	(136,579)	136,579	–	–
– to lifetime ECL – not credit-impaired	196,247	(1,735,926)	1,539,679	–
– to lifetime ECL – credit-impaired	–	21,858	(21,858)	–
Net release/(charge) for the year	405,245	(1,392,559)	983,435	(3,879)
As at 31 December	(3,149,459)	(4,734,250)	(1,349,188)	(9,232,897)

	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	(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 2019, 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 lifetime ECL-not credit-impaired was transferred to ECL over the next 12 months of RMB7,263 million. The financial assets measured at amortised cost principal from ECL over the next 12 months and lifetime ECL-credit-impaired to lifetime ECL-not credit-impaired was RMB12,896 million. The financial assets measured at amortised cost principal from lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB1,180 million.

(b) 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 of RMB44,344 million. The financial assets measured at amortised cost principal from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB7,565 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.

(c) 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.

(Expressed in thousands of Renminbi, unless otherwise stated)

22. Finance lease receivables

	At 31 December	
	2019	2018
Minimum finance lease receivables	**7,837,218**	8,712,023
Less: Unearned finance lease income	**(645,047)**	(844,665)
Present value of finance lease receivables	**7,192,171**	7,867,358
Less: Provision for impairment losses	**(783,857)**	(382,516)
Net balance	**6,408,314**	7,484,842

	At 31 December 2019			
	12-month ECL	**Lifetime ECL-not credit-impaired**	**Lifetime ECL-credit-impaired**	**Total**
Total finance lease receivables	**4,690,019**	**1,613,718**	**888,434**	**7,192,171**
Less: Provision for impairment losses	**(96,942)**	**(294,316)**	**(392,599)**	**(783,857)**
Finance lease receivables, net	**4,593,077**	**1,319,402**	**495,835**	**6,408,314**

	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

(Expressed in thousands of Renminbi, unless otherwise stated)

22. Finance lease receivables *(continued)*

Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remained period are listed as follows:

	At 31 December					
	2019			2018		
	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	**3,238,746**	**(349,836)**	**2,888,910**	3,316,391	(389,915)	2,926,476
1 year to 2 years	**2,812,300**	**(176,780)**	**2,635,520**	2,843,943	(280,776)	2,563,167
2 years to 3 years	**1,089,146**	**(32,295)**	**1,056,851**	1,801,141	(129,955)	1,671,186
3 years to 4 years	**95,317**	**(3,291)**	**92,026**	655,034	(26,133)	628,901
4 years to 5 years	**–**	**–**	**–**	95,514	(17,886)	77,628
More than 5 years	**–**	**–**	**–**	–	–	–
Indefinite *	**601,709**	**(82,845)**	**518,864**	–	–	–
Total	**7,837,218**	**(645,047)**	**7,192,171**	8,712,023	(844,665)	7,867,358

* The indefinite period amount represents the balances being impaired or overdue for more than one month.

The movement of Provision for impairment losses is as follows:

	For the year ended 31 December 2019			
	ECL over the next 12 months	**Lifetime ECL-not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
As at 1 January	**(53,031)**	**(121,791)**	**(207,694)**	**(382,516)**
– Transferred to lifetime ECL – not credit-impaired	**10,208**	**(10,208)**	**–**	**–**
– Transferred to lifetime ECL – credit-impaired	**976**	**125,672**	**(126,648)**	**–**
Net charge for the year	**(55,095)**	**(287,989)**	**(58,257)**	**(401,341)**
As at 31 December	**(96,942)**	**(294,316)**	**(392,599)**	**(783,857)**

	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	(179,902)	–	–	(179,902)
– Transferred to lifetime ECL – not credit-impaired	41,024	(41,024)	–	–
– Transferred to lifetime ECL – credit-impaired	13,750	–	(13,750)	–
Net reverse/(charge) for the year	72,097	(80,767)	(193,944)	(202,614)
As at 31 December	(53,031)	(121,791)	(207,694)	(382,516)

(Expressed in thousands of Renminbi, unless otherwise stated)

23. Investments in subsidiaries

	Notes	At 31 December 2019	2018
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.

(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 RMB100.47 million. 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 2019, the Bank holds 30.61% of equity interest and 100% voting rights of Jinyin Leasing.

(Expressed in thousands of Renminbi, unless otherwise stated)

24. Property and equipment

	Premises	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Cost						
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
As at 1 January 2019	7,451,841	170,551	78,546	210,083	811,917	8,722,938
Additions	710,269	26,622	4,763	24,703	60,948	827,305
Transfers in/(out) of construction in progress	108,721	(108,721)	–	–	–	–
Transfers out to other assets	–	(51,240)	–	–	–	(51,240)
Disposals	–	(44)	(2,516)	–	(3,058)	(5,618)
As at 31 December 2019	8,270,831	37,168	80,793	234,786	869,807	9,493,385
Accumulated Depreciation						
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)
As at 1 January 2019	(1,397,050)	–	(64,575)	(111,169)	(548,731)	(2,121,525)
Charge for the year	(257,603)	–	(5,873)	(22,995)	(75,025)	(361,496)
Disposals	–	–	2,390	–	2,821	5,211
As at 31 December 2019	(1,654,653)	–	(68,058)	(134,164)	(620,935)	(2,477,810)
Net book value						
As at 31 December 2018	6,054,791	170,551	13,971	98,914	263,186	6,601,413
As at 31 December 2019	6,616,178	37,168	12,735	100,622	248,872	7,015,575

As at 31 December 2019, title deeds were not yet finalised for the premises with a carrying amount of RMB1,799 million (31 December 2018: RMB1,343 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 RMB1,020 million (31 December 2018: RMB1,002 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

24. 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 land leases as follows:

	At 31 December 2019	2018
Held in Mainland China		
– Long-term leases (over 50 years)	**118,405**	120,597
– Medium-term leases (10 – 50 years)	**6,478,274**	5,913,879
– Short-term leases (less than 10 years)	**19,499**	20,315
Total	**6,616,178**	6,054,791

25. Deferred tax assets and liabilities

(a) Analysed by nature

	At 31 December 2019	2018
Deferred tax assets	**11,841,585**	7,473,418

(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
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)
1 January 2019	7,635,954	72,425	(259,091)	24,130	7,473,418
Recognised in profit or loss	4,680,665	7,665	(312,570)	(56,418)	4,319,342
Recognised in other comprehensive income	1,179	–	47,646	–	48,825
31 December 2019	12,317,798	80,090	(524,015)	(32,288)	11,841,585

(Expressed in thousands of Renminbi, unless otherwise stated)

25. 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 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.

26. Other assets

	Note	At 31 December 2019	2018
Interests receivable	(a)	**3,806,744**	209,762
Repossessed assets	(b)	**1,196,377**	737,461
Intangible assets		**255,880**	197,896
Long-term deferred expense		**7,623**	279,134
Deferred expense		**42,468**	88,976
Value-added tax		**135,078**	131,451
Land use right		**–**	79,047
Other receivables		**195,436**	100,500
Right-of-use assets	(c)	**524,549**	–
Other assets		**495,684**	67,613
Total		**6,659,839**	1,891,840

Notes:

(a) Interests receivable

As at 31 December 2019, all of the interests receivable are classified as Stage 1 under the ECL model and there was no transfer to/from the other stages.

(Expressed in thousands of Renminbi, unless otherwise stated)

26. Other assets *(continued)*

Notes: *(continued)*

(b) Repossessed assets

	At 31 December	
	2019	2018
Commercial properties	**1,172,900**	676,078
Residential properties	**5,576**	7,804
Others	**17,901**	53,579
Total	**1,196,377**	737,461

The total book value of repossessed assets disposed of during the year ended 31 December 2019 amounted to RMB4.40 million (2018: RMB6.92 million). The Group plans to dispose of the repossessed assets held at 31 December 2019 by auction, bidding or transfer.

(c) Right-of-use assets

	Leased properties and buildings
Cost	
As at 1 January 2019	638,457
Additions for the year	36,585
Decrease for the year	(2,792)
As at 31 December 2019	672,250
Accumulated Depreciation	
As at 1 January 2019	–
Charge for the year	(150,493)
Decrease for the year	2,792
As at 31 December 2019	(147,701)
Book value	
As at 31 December 2019	524,549
As at 1 January 2019	638,457

(Expressed in thousands of Renminbi, unless otherwise stated)

27. Pledged assets

(a) Assets pledged as collateral

	Notes	At 31 December 2019	2018
For repurchase agreements:			
– Discounted bills	18(a)	**–**	3,749,261
– Financial assets at fair value through profit or loss	19	**2,621,000**	5,067,200
– Financial assets at fair value through other comprehensive income	20	**5,245,900**	32,015,000
– Financial assets measured at amortised cost	21	**2,317,800**	3,711,500
Total		**10,184,700**	44,542,961

(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.

28. Borrowing from the central bank

	At 31 December 2019	2018
Borrowing (Note)	**33,040,300**	108,347
Interests payable	**39,347**	22
Total	**33,079,647**	108,369

Note: Borrowing from the central bank mainly represents the standing lending facility.

(Expressed in thousands of Renminbi, unless otherwise stated)

29. Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	At 31 December	
	2019	2018
Deposits in Mainland China		
– Banks	**50,154,053**	69,997,464
– Other financial institutions	**126,524,695**	92,018,528
Interests payable	**1,439,006**	2,613,093
Total	**178,117,754**	164,629,085

30. Placements from banks and other financial institutions

Analysed by type and location of counterparty

	At 31 December	
	2019	2018
Placements in Mainland China		
– Banks	**27,506,346**	19,214,805
Placements outside Mainland China		
– Banks	**–**	1,372,640
Interests payable	**225,017**	172,936
Total	**27,731,363**	20,760,381

(Expressed in thousands of Renminbi, unless otherwise stated)

31. Financial assets sold under repurchase agreements

(a) Analysed by type and location of counterparty

	At 31 December 2019	2018
In Mainland China		
– Banks	**5,081,027**	29,099,045
– Other financial institutions	**4,999,000**	14,287,690
Interests payable	**26,575**	58,468
Total	**10,106,602**	43,445,203

(b) Analysed by collateral

	At 31 December 2019	2018
Debt securities	**10,080,027**	37,168,664
Discounted Bills	**–**	3,749,261
Interbank certificates of deposit	**–**	2,468,810
Interests payable	**26,575**	58,468
Total	**10,106,602**	43,445,203

(Expressed in thousands of Renminbi, unless otherwise stated)

32. Deposits from customers

	At 31 December 2019	2018
Demand deposits		
– Corporate customers	**42,252,845**	52,878,368
– Individual customers	**24,407,499**	19,850,460
Subtotal	**66,660,344**	72,728,828
Time deposits		
– Corporate customers	**31,596,252**	83,880,675
– Individual customers	**226,239,705**	192,669,516
Subtotal	**257,835,957**	276,550,191
Pledged deposits		
– Acceptances	**38,031,473**	48,801,542
– Letters of guarantees	**166,813**	3,159,174
– Letters of credit	**1,265,223**	4,383,370
– Others	**8,302**	25,724
Subtotal	**39,471,811**	56,369,810
Inward and outward remittances	**176,341**	195,992
Structured deposits		
– Corporate customers	**5,640,000**	5,861,020
– Individual customers	**26,525,933**	22,062,453
Subtotal	**32,165,933**	27,923,473
Interests payable	**10,802,393**	11,807,795
Total	**407,112,779**	445,576,089

(Expressed in thousands of Renminbi, unless otherwise stated)

33. Accrued staff costs

	Notes	At 31 December 2019	2018
Salary and welfare payable		**164,224**	136,090
Pension payable	(a)	**29,817**	30,001
Supplementary retirement benefits payable	(b)	**38,847**	36,129
Other long-term staff welfare payable	(c)	**102,088**	100,527
Total		**334,976**	302,747

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 2019	2018
Present value of SRB obligation	**38,847**	36,129

(Expressed in thousands of Renminbi, unless otherwise stated)

33. 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	
	2019	2018
As at 1 January	**36,129**	28,043
Service cost	**1,172**	780
Interest cost	**1,253**	1,181
Actuarial losses	**976**	6,721
Payments made	**(683)**	(596)
As at 31 December	**38,847**	36,129

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	
	2019	2018
Discount rate	**3.50%**	3.50%
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			
	2019		2018	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(6,536)**	**8,621**	(6,140)	8,108
Demission rate (1% movement)	**(2,470)**	**2,877**	(2,297)	2,676

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)

33. 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	
	2019	2018
Present value of other long-term staff welfare payable obligation	**102,088**	100,527

(ii) Movements of other long-term staff welfare of the Group are as follows:

	For the year ended 31 December	
	2019	2018
As at 1 January	**100,527**	84,362
Interest cost	**2,769**	2,851
Actuarial losses	**21,263**	35,678
Payments made	**(22,471)**	(22,364)
As at 31 December	**102,088**	100,527

(Expressed in thousands of Renminbi, unless otherwise stated)

33. 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	
	2019	2018
Discount rate	**3.00%**	3.00%
Mortality	**CL5/CL6**	CL5/CL6
Early retirement wage growth rate	**4.00%**	4.00%

(iv) Sensitivity analysis:

	At 31 December			
	2019		2018	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(4,913)**	**5,446**	(4,706)	5,198
Early retirement wage growth rate (1% movement)	**4,782**	**(4,405)**	4,541	(4,198)

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.

34. Taxes payable

	At 31 December	
	2019	2018
Income tax payable	**1,622,478**	587,080
Value-added tax and surcharge payable	**364,782**	329,469
Others	**48,184**	49,220
Total	**2,035,444**	965,769

(Expressed in thousands of Renminbi, unless otherwise stated)

35. Debt securities issued

	Notes	At 31 December 2019	2018
Tier two capital bonds issued	(a)	**6,494,110**	7,992,978
Negotiable certificates of deposit issued	(b)	**103,454,484**	81,399,808
Interests payable		**160,243**	275,996
Total		**110,108,837**	89,668,782

Notes:

(a) Tier two capital bonds issued

	Notes	At 31 December 2019	2018
Fixed rate tier two capital bonds maturing in January 2024	(i)	**–**	1,500,000
Fixed rate tier two capital bonds maturing in December 2026	(ii)	**2,497,937**	2,496,613
Fixed rate tier two capital bonds maturing in March 2028	(iii)	**3,996,173**	3,996,365
Total		**6,494,110**	7,992,978

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 redeemed 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 2019, the fair value of the total tier two capital bonds issued amounts to RMB6,803 million (2018: RMB7,983 million).

(b) Negotiable certificates of deposit issued

At 31 December 2019, 120 (2018: 212) negotiable certificates of deposit were issued by the Group at a total cost of RMB103,454 million (2018: RMB81,400 million). The fair value of the negotiable certificates of deposit mentioned above approximates to RMB102,767 million (2018: RMB80,571 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

36. Provisions

	Note	At 31 December 2019	2018
Expected credit loss of credit commitments	(a)	**611,038**	1,728,410
Litigation provisions		**2,275**	–
Total		**613,313**	1,728,410

Note:

(a) Expected credit loss of credit commitments

	For the year ended 2019 ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	Total
As at 1 January	**1,150,031**	**456,939**	**121,440**	**1,728,410**
Release for the year	**(538,993)**	**(456,939)**	**(121,440)**	**(1,117,372)**
As at 31 December	**611,038**	**–**	**–**	**611,038**

	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
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

(Expressed in thousands of Renminbi, unless otherwise stated)

37. Other liabilities

	Note	At 31 December 2019	2018
Asset backed security payable		**76,958**	186,710
Payment and collection clearance accounts		**36,373**	21,531
Dividend payable		**345,999**	432,553
Deferred income		**9,363**	7,310
China Value-added tax payable		**282,522**	71,112
Other payable		**467,076**	588,891
Lease liabilities	(a)	**347,515**	–
Total		**1,565,806**	1,308,107

Note:

(a) Lease liabilities

	At 31 December 2019
Within one year	**86,473**
One to two years	**74,245**
Two to three years	**62,797**
Three to five years	**83,519**
More than five years	**89,396**
Total undiscounted lease liabilities	**396,430**
Balance of lease liabilities	**347,515**

Note:

Details of the maturity analysis of the Group's lease liabilities are set out in Note 50(c).

(Expressed in thousands of Renminbi, unless otherwise stated)

38. 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 1 January 2019	**7,781,616**	**9,897,363**	**20,730,293**	**2,994,679**	**11,719,119**	**3,555,897**	**56,678,967**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(780,383)**	**(780,383)**
Other comprehensive loss	**–**	**–**	**(147,449)**	**–**	**–**	**–**	**(147,449)**
Total comprehensive loss	**–**	**–**	**(147,449)**	**–**	**–**	**(780,383)**	**(927,832)**
Appropriation of profits							
– Appropriation to surplus reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– Appropriation to general reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**
– Appropriation to shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2019	**7,781,616**	**9,897,363**	**20,582,844**	**2,994,679**	**11,719,119**	**2,775,514**	**55,751,135**

	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	–	–	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

39. Share capital

Share capital of the Group as at 31 December 2019 and 2018 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	
	2019	2018
Number of shares authorised, issued and fully paid at par value of RMB1 per share (in thousands):		
At 1 January	**7,781,616**	6,781,616
Shares issued	**–**	1,000,000
At 31 December	**7,781,616**	7,781,616

40. Preference shares

a) Preference shares outstanding at the end of the year

Financial Instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Issued number of shares (thousand shares)	In original currency (thousand)	In RMB (thousand)	Maturity	Conversion condition	Conversion
US dollar Offshore 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			

40. 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.

As considered and approved at the annual general meeting of the Bank convened on 18 October 2019, pursuant to the terms and conditions of the offshore preference shares (the "Offshore Preference Shares") of the Bank, any distribution of dividends of the Offshore Preference Shares shall be conditional upon (among other things) satisfaction of the capital adequacy ratio of the Bank with the relevant regulatory requirements as disclosed in the announcement of the Bank dated 20 October 2017. Distribution of the dividends of the Offshore Preference Shares in respect of the period from 27 October 2018 (inclusive) to 27 October 2019 (exclusive) was cancelled due to dissatisfaction of the capital adequacy ratio with the relevant regulatory requirements as at 31 December 2018.

(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.

40. 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 CBIRC 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 CBIRC 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)

41. Capital reserve

	At 31 December	
	2019	2018
Share premium	**20,484,617**	20,484,617
Other comprehensive income:		
– Fair value changes on financial assets at fair value through other comprehensive income	**94,881**	237,819
– Impairment of financial assets at fair value through other comprehensive income	**5,494**	9,030
– Changes on remeasurement of defined benefit liabilities	**(9,820)**	(8,845)
Others	**8,149**	8,149
Total	**20,583,321**	20,730,770

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	Changes on remeasurement of defined benefit liabilities	Total
1 January 2018	(611,616)	(2,124)	(613,740)
Changes in amount for the previous year	858,464	(6,720)	851,744
31 December 2018	246,848	(8,844)	238,004
Changes in amount for the year	(146,473)	(976)	(147,449)
31 December 2019	**100,375**	**(9,820)**	**90,555**

(Expressed in thousands of Renminbi, unless otherwise stated)

41. Capital reserve *(continued)*

Accrual amount of other comprehensive income:

	At 31 December	
	2019	2018
Items that may be reclassified subsequently to profit or loss:		
Debt instruments measured at fair value through other comprehensive income:		
– Change in fair value	**48,535**	1,212,698
– Change in impairment provision	**(4,717)**	(25,522)
– Reclassified to the profit or loss upon disposal	**(214,664)**	(64,666)
– Related income tax effect	**48,825**	(286,155)
Subtotal	**(122,021)**	836,355
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit obligation	**(976)**	(6,721)
Equity instruments at fair value through other comprehensive income		
– Change in fair value	**(24,452)**	22,110
Subtotal	**(25,428)**	15,389
Total	**(147,449)**	851,744

(Expressed in thousands of Renminbi, unless otherwise stated)

42. Surplus reserve and general reserve

(a) Surplus reserve

	Statutory surplus reserve	Discretionary surplus reserve	Total
1 January 2018	2,982,653	12,026	2,994,679
Appropriation during the year	–	–	–
31 December 2018 and 1 January 2019	2,982,653	12,026	2,994,679
Appropriation during the year	–	–	–
31 December 2019	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.

43. Appropriation of profits

(a) In accordance with the resolution of the Bank's Board of directors meeting on 26 June 2020, the proposed profit appropriations for the year ended 31 December 2019 is listed as follows:

– In view of the loss for 2019, the appropriation of general reserve will not be conducted.

– The Board resolved not to declare any dividend for 2019.

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 18 October 2019, the proposed profit appropriations for the year ended 31 December 2018 is listed as follows:

– Appropriate general reserve amounted to RMB1,984 million.

– In view of that the capital adequacy ratio for 2018 failed to meet with the regulatory requirements, thus the dividend of Offshore Preference Shares for 2018 will not be declared.

– In view of the loss for 2018, the dividend for 2018 will not be declared.

(c) 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 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.

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

– Declaration of preference share dividend to holders of offshore preference shares of USD91 million, approximately RMB633 million.

44. 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 2019 and 2018, 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 2019, 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 RMB0 million as at 31 December 2019 (31 December 2018: RMB508.4 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

45. 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 2019 and 2018:

	At 31 December 2019		
	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Maximum exposure
Investment management products managed by securities companies	32,161,648	49,402,896	81,564,544
Investment management products under trust scheme	4,141,543	109,750,198	113,891,741
Wealth management products issued by financial institutions	200,129	–	200,129
Total	36,503,320	159,153,094	195,656,414

	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

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.

45. 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 2019, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB21,886.19 million (31 December 2018: RMB24,235.51 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 2019, the balances of these asset-backed securities held by the Group are RMB0 million (31 December 2018: RMB8.40 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 which fell due during the year ended 31 December 2019. The amount of such asset-backed securities held by the Group on 31 December 2019 was RMB0 million (31 December 2018: 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 structured entities sponsored by the Group in 2019 and 2018 which the Group does not have an interest in as at 31 December 2019 and 2018

The aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January 2019 but matured before 31 December 2019 amounted to RMB13,869.64 million (2018: RMB11,383.05 million).

(d) In 2019, the amount of fee and commission income received from the above mentioned structured entities by the Group amounted to RMB172.93 million (2018: RMB251.68 million).

46. 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 CBIRC 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)

46. Capital management *(continued)*

	At 31 December	
	2019	2018
Total core tier-one capital		
– Share capital	**7,781,616**	7,781,616
– Qualifying portion of capital reserve	**20,578,189**	20,719,184
– Surplus reserve	**2,994,679**	2,994,679
– General reserve	**11,800,217**	11,802,132
– Retained earnings	**2,614,222**	3,570,852
– Qualifying portions of non-controlling interests	**583,418**	602,666
Core tier-one capital deductions		
– Other intangible assets other than land use right	**(255,880)**	(197,896)
– Other net deferred tax assets that depend on future bank earnings	**(7,231,939)**	(2,746,095)
Net core tier-one capital	**38,864,522**	44,527,138
Other tier-one capital	**9,975,152**	9,977,719
Net tier-one capital	**48,839,674**	54,504,857
Tier two capital		
– Instruments issued and share premium	**6,500,000**	8,000,000
– Surplus provision for loan impairment	**5,553,557**	4,281,808
– Qualifying portions of non-controlling interests	**146,726**	160,711
Net capital base	**61,039,957**	66,947,376
Total risk weighted assets	**754,499,591**	734,050,677
Core tier-one capital adequacy ratio	**5.15%**	6.07%
Tier-one capital adequacy ratio	**6.47%**	7.43%
Capital adequacy ratio	**8.09%**	9.12%

As at 31 December 2019 and 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)

47. Notes to consolidated cash flow statement

(a) Net increase in cash and cash equivalents

	For the year ended 31 December	
	2019	2018
Cash and cash equivalents as at 31 December	**67,534,887**	19,886,632
Less: Cash and cash equivalents as at 1 January	**(19,886,632)**	(12,469,950)
Net increase in cash and cash equivalents	**47,648,255**	7,416,682

(b) Cash and cash equivalents

	At 31 December	
	2019	2018
Cash on hand	**945,499**	708,592
Deposits with the central bank	**60,266,060**	8,763,764
Deposits with banks and other financial institutions	**6,323,328**	10,314,203
Financial assets held under resale agreements	**–**	100,073
Total	**67,534,887**	19,886,632

(Expressed in thousands of Renminbi, unless otherwise stated)

47. Notes to consolidated cash flow statement *(continued)*

(c) Reconciliation of liabilities arising from financing activities

	Debt securities (Note 35)	Dividend payable (Note 37)	Lease Liabilities (Note 37)	Interests payable of debt securities (Notes 35)	Total
At 31 December 2018	**89,392,786**	**432,553**	**–**	**275,996**	**90,101,335**
Impact on initial application of IFRS 16	**–**	**–**	**389,458**	**–**	**389,458**
At 1 January 2019	**89,392,786**	**432,553**	**389,458**	**275,996**	**90,490,793**
Changes from financing cash flows:					
Proceeds from issue of debt securities	**182,834,970**	**–**	**–**	**–**	**182,834,970**
Repayment of debt securities issued	**(165,090,000)**	**–**	**–**	**–**	**(165,090,000)**
Dividend paid	**–**	**(86,554)**	**–**	**–**	**(86,554)**
Payment for lease liabilities	**–**	**–**	**(102,185)**	**–**	**(102,185)**
Interest paid on debt securities issued	**–**	**–**	**–**	**(587,148)**	**(587,148)**
Total changes from financing cash flows	**17,744,970**	**(86,554)**	**(102,185)**	**(587,148)**	**16,969,083**
Other changes:					
Interest expenses arising from debt securities issued (Note 3)	**2,810,838**	**–**	**–**	**471,395**	**3,282,233**
Interest expenses (Note 7)	**–**	**–**	**18,499**	**–**	**18,499**
Recognition on lease liabilities	**–**	**–**	**41,743**	**–**	**41,743**
At 31 December 2019	**109,948,594**	**345,999**	**347,515**	**160,243**	**110,802,351**
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

48. 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

Jinlian Investment Group Co., Ltd.("錦聯控股集團有限公司")
Jincheng Logistics International Group Co., Ltd. ("錦程國際物流集團股份有限公司")
Dalian Changxing Island Green-city Development Co., Ltd. ("大連長興島綠城發展有限公司")
Jincheng International Air Cargo Co., Ltd. ("錦程國際航空貨運服務有限公司")
Shenyang Longxi Real Estate Development Co., Ltd. ("瀋陽龍璽房地產開發有限公司")
Panjin Jialun Zhiye Co., Ltd. ("盤錦加倫置業有限公司")
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 Jinlian Environmental Development. Co., Ltd. ("瀋陽錦聯生態科技園發展有限公司")
Shenyang Development of New Economic Industrial Region Co., Ltd. ("瀋陽新經濟產業園開發有限公司")
Yingkou Jialun Real Estate Co., Ltd. ("營口加倫置業有限公司")
Jincheng Logistics International Online Service Group Co., Ltd. ("錦程國際物流在線服務有限公司")
Shenyang New Economic Industrial Park Development Co., Ltd. ("瀋陽錦聯新經濟工業園開發有限公司")
Jincheng Logistics Industry Development Co., Ltd. ("錦程國際物流服務有限公司")
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 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")
Shenyang Jinlian Microcredit Co., Ltd. ("瀋陽市渾南新區錦聯小額貸款有限公司")

(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")
Jinzhou Jinhua Co., Ltd. ("錦州錦華股份有限公司")
Beijing Urban Construction Investment Development Co., Ltd. ("北京城建投資發展股份有限公司")
Beijing Urban Construction (Wuhu) Equity Investment Management Co., Ltd. ("北京城建(蕪湖)股權投資管理有限公司")

(Expressed in thousands of Renminbi, unless otherwise stated)

48. 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 consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and other related parties

	For the year ended 31 December	
	2019	2018
Transactions during the year:		
Interest income	**180,974**	167,393
Interest expense	**26**	20

	At 31 December	
	2019	2018
Balances at end of the year:		
Loans and advances to customers	**–**	2,828,373
Interests receivable	**–**	6,266
Deposits from customers	**1,907**	7,388
Interests payable	**–**	2

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	
	2019	2018
Transactions during the year:		
Interest income	**135**	18
Interest expense	**8,987**	8,055

(Expressed in thousands of Renminbi, unless otherwise stated)

48. Related party relationships and transactions *(continued)*

(c) Key management personnel *(continued)*

(i) Transactions between the Group and key management personnel *(continued)*

	At 31 December 2019	2018
Balances at end of the year:		
Loans and advances to customers	**6,923**	363
Deposits from customers	**30,331**	333,319
Principal-guaranteed wealth management products	**5,350**	1,750
Non-principal-guaranteed wealth management products	**20,060**	6,950
Interests payable	**8,022**	19,220

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 2019	2018
Short-term staff benefits	**22,012**	23,553
Retirement benefits		
– Basic social pension insurance	**3,644**	3,575

(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 2019	2018
Aggregate amount of relevant loans outstanding at the end of the year	**719**	363
Maximum aggregate amount of relevant loans outstanding during the reporting period	**1,268**	2,632

49. 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 services, 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)

49. Segment reporting *(continued)*

(a) Segment results, assets and liabilities

	For the year ended 31 December 2019				
	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Operating income					
External net interest income/(expense)	23,948,114	(10,381,692)	5,778,611	–	19,345,033
Internal net interest (expense)/income	(11,096,764)	11,875,749	(778,985)	–	–
Net interest income	12,851,350	1,494,057	4,999,626	–	19,345,033
Net fee and commission income	44,131	178,984	8,599	–	231,714
Net trading gains	–	–	3,372,617	–	3,372,617
Dividend income	–	–	1,200	–	1,200
Net gains arising from investment securities	–	–	240,556	–	240,556
Foreign exchange losses	(13)	(4)	(41,991)	–	(42,008)
Other net operating income	–	–	–	20,587	20,587
Total operating income	12,895,468	1,673,037	8,580,607	20,587	23,169,699
Operating expenses	(1,082,988)	(1,219,707)	(1,107,908)	(351,080)	(3,761,683)
Operating profit/(loss) before impairment	11,812,480	453,330	7,472,699	(330,493)	19,408,016
Impairment losses on assets	(20,041,678)	(418,506)	(377,017)	(8,919)	(20,846,120)
Segment (loss)/profit before tax	(8,229,198)	34,824	7,095,682	(339,412)	(1,438,104)
Segment assets	450,446,832	10,995,608	350,691,133	12,719,033	824,852,606
Deferred tax asset					11,841,585
Total assets					836,694,191
Segment liabilities	164,813,489	246,595,913	364,358,588	1,074,753	776,842,743
Dividend payable	–	–	–	345,999	345,999
Total liabilities	164,813,489	246,595,913	364,358,588	1,420,752	777,188,742
Other segment information					
– Depreciation and amortisation	(171,212)	(78,938)	(225,127)	(80,930)	(556,207)
– Capital expenditure	492,115	20,235	388,207	34,794	935,351

(Expressed in thousands of Renminbi, unless otherwise stated)

49. Segment reporting *(continued)*

(a) Segment results, assets and liabilities *(continued)*

	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 of segments 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 asset					7,473,418
Total assets					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 cost	(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)

49. 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, intangible assets and right-of-use 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 of Jinzhou, 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	
	2019	2018
Jinzhou Region	**17,368,117**	16,871,441
Other Northeastern China Region	**3,416,561**	2,382,459
Northern China Region	**2,385,021**	2,029,299
Total	**23,169,699**	21,283,199

	Non-current Assets At 31 December	
	2019	2018
Jinzhou Region	**3,206,652**	2,801,676
Other Northeastern China Region	**3,700,122**	3,381,635
Northern China Region	**889,230**	695,045
Total	**7,796,004**	6,878,356

50. 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.

50. 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.

(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 the year are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Measurement of ECL *(continued)*

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

50. 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 at the end of the reporting period 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.

50. 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 internal 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.

50. 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 at the end of the reporting period 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)

50. 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 50(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	
	2019	2018
Wholesale and retail trade	**227,296,037**	160,556,340
Manufacturing	**97,315,189**	69,766,423
Leasing and commercial services	**43,653,896**	28,961,888
Real estate	**35,035,141**	25,681,503
Transportation, storage and postal services	**10,793,156**	9,224,015
Scientific research and technical services	**7,298,272**	3,833,122
Education	**7,197,553**	6,539,454
Electricity, gas and water production and supply	**6,600,856**	7,412,338
Mining	**5,139,382**	5,002,120
Construction	**4,541,158**	3,555,251
Public management and social organisations	**4,146,060**	8,061,209
Water, environment and public utility management	**3,602,950**	1,519,360
Agriculture, forestry, animal husbandry and fishery	**1,166,923**	1,253,166
Others	**24,271,667**	20,949,308
Subtotal of corporate loans and advances	**478,058,240**	352,315,497
Personal loans and advances	**10,832,280**	12,065,859
Discounted bills	**226,427**	6,344,375
Total	**489,116,947**	370,725,731

(Expressed in thousands of Renminbi, unless otherwise stated)

50. 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 2019	2018
Neither overdue nor impaired	**419,917,654**	349,540,842
Overdue but not impaired	**12,820,097**	2,676,741
Impaired	**56,379,196**	18,508,148
Total loans and advances	**489,116,947**	370,725,731
Add: Interests receivable	**6,916,601**	1,276,467
Less: provision for impairment losses	**(43,338,037)**	(22,892,075)
Net loans and advances	**452,695,511**	349,110,123

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 2019		
	Normal	Special mention	Total
Unsecured loans	**13,530,150**	**3,001,370**	**16,531,520**
Guaranteed loans	**193,873,280**	**33,872,966**	**227,746,246**
Collateralised loans	**100,279,120**	**4,641,003**	**104,920,123**
Pledged loans	**68,621,765**	**2,098,000**	**70,719,765**
	376,304,315	**43,613,339**	**419,917,654**

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Neither overdue nor impaired *(continued)*

	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

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	
	2019	2018
Overdue for:		
Less than three months	**12,786,196**	2,528,143
Three to six months	**33,901**	42,295
Over six months	**–**	106,303
Total	**12,820,097**	2,676,741

(Expressed in thousands of Renminbi, unless otherwise stated)

50. 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 2019	2018
Fair value of collateral held against credit-impaired loans	**37,008,171**	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 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL-not-credit-impaired loans)	Stage III (Lifetime ECL-credit-impaired loans)	Total
Normal	374,981,556	1,322,759	–	376,304,315
Special-mention	–	56,433,436	18,694,160	75,127,596
Substandard	–	–	28,725,027	28,725,027
Doubtful	–	–	8,171,797	8,171,797
Loss	–	–	788,212	788,212
Total loans and advances	374,981,556	57,756,195	56,379,196	489,116,947
Add: interests receivable	6,916,601	–	–	6,916,601
Less: allowance for impairment losses	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Loans and advances to customers, net	369,747,047	53,442,143	29,506,321	452,695,511

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(iv) Loans and advances to customers *(continued)*

Impaired *(continued)*

	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

(v) Finance lease receivables

	At 31 December	
	2019	2018
The lease amount		
Neither overdue nor impaired	**4,690,019**	7,332,358
Overdue but not impaired	**1,613,718**	65,000
Impaired	**888,434**	470,000
Subtotal	**7,192,171**	7,867,358
Less: Provision for impairment losses	**(783,857)**	(382,516)
Net balance	**6,408,314**	7,484,842

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(v) Finance lease receivables *(continued)*

	At 31 December 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Normal	4,690,019	–	–	4,690,019
Special-mention	–	1,613,718	–	1,613,718
Substandard	–	–	888,434	888,434
Subtotal	4,690,019	1,613,718	888,434	7,192,171
Less: Provision for impairment losses	(96,942)	(294,316)	(392,599)	(783,857)
Net balance	4,593,077	1,319,402	495,835	6,408,314

	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

(Expressed in thousands of Renminbi, unless otherwise stated)

50. 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 2019			
	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL-impaired)**	**Total**
Normal	**108,788,789**	**–**	**–**	**108,788,789**
Special-mention	**–**	**59,502,480**	**–**	**59,502,480**
Substandard	**–**	**–**	**2,273,500**	**2,273,500**
Doubtful	**–**	**–**	**427,880**	**427,880**
Subtotal	**108,788,789**	**59,502,480**	**2,701,380**	**170,992,649**
Add: Interests receivable	**3,389,639**	**–**	**–**	**3,389,639**
Less: Provision for impairment losses	**(3,149,459)**	**(4,734,250)**	**(1,349,188)**	**(9,232,897)**
Net balance	**109,028,969**	**54,768,230**	**1,352,192**	**165,149,391**

	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

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(vi) Debt instruments *(continued)*

Debt instruments at fair value through other comprehensive income by five-tier loan classification and three-staging analysed as follows:

	At 31 December 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
Normal	11,196,501	–	–	11,196,501
Special-mention	–	–	–	–
Substandard	–	–	–	–
Subtotal	11,196,501	–	–	11,196,501
Add: Interests receivable	131,846	–	–	131,846
Net balance	11,328,347	–	–	11,328,347
Provision for impairment losses	(2,192)	–	–	(2,192)

	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)

As at 31 December 2019, the Group's accumulated impairment charge on the debt instruments at fair value through other comprehensive income amounted to RMB2.19 million (2018: RMB0.46 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

50. 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	
	2019	2018
Neither overdue nor impaired		
Ratings		
– AAA	**3,588,254**	46,477,980
– AA- to AA+	**3,778,503**	6,602,841
– Unrated	**15,058,872**	12,619,435
Total	**22,425,629**	65,700,256

Note：Unrated debt securities mainly include debt securities issued by the Ministry of Finance, local governments, policy banks and other financial institutions and other issuers in China, which are not rated independently.

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

As at 31 December 2019, the ECL allowance of deposits with banks and other financial institutions, placements with banks and other financial institutions and financial assets held under resale agreements amounted to RMB408 million (2018: RMB41 million) aggregately. All of them are classified as Stage 1 under the ECL model and there was no transfer to/from the other stages.

50. Risk management *(continued)*

(a) Credit risk *(continued)*

(vii) Credit rating *(continued)*

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 provision of credit impairment for the amount due from banks and other financial institutions amounted to RMB366 million during the Reporting Period.

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 2019 and 2018. There was no change in the Group's collateral policy during the year.

(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.

50. Risk management *(continued)*

(b) Market risk *(continued)*

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.

(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 reset 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)

50. 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 reset dates or by maturity dates, depending on which is earlier:

	At 31 December 2019					
	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	105,176,537	966,997	104,209,540	–	–	–
Deposits with banks and other financial institutions	8,301,592	177,381	7,979,211	145,000	–	–
Placements with banks and other financial institutions	5,643,864	135,638	5,508,226	–	–	–
Loans and advances to customers (Note (i))	452,695,511	6,916,601	52,051,669	123,315,312	260,520,603	9,891,326
Investments (Note (ii))	232,866,405	4,752,980	52,387,494	84,041,890	79,266,709	12,417,332
Finance lease receivables (Note (iii))	6,408,314	–	1,093,551	1,814,824	3,499,939	–
Others	25,601,968	25,516,999	82,746	2,223	–	–
Total assets	836,694,191	38,466,596	223,312,437	209,319,249	343,287,251	22,308,658
Liabilities						
Borrowing from the central bank	33,079,647	39,347	33,000,000	40,300	–	–
Deposits from banks and other financial institutions	178,117,754	1,439,006	126,495,918	45,572,830	4,610,000	–
Placements from banks and other financial institutions	27,731,363	225,017	22,541,005	4,965,341	–	–
Financial assets sold under repurchase agreements	10,106,602	26,575	10,080,027	–	–	–
Deposits from customers	407,112,779	10,802,393	133,243,139	103,793,678	159,264,472	9,097
Debt securities issued	110,108,837	160,243	49,961,503	53,492,981	–	6,494,110
Others	10,931,760	3,590,986	2,122,475	4,833,744	295,920	88,635
Total liabilities	777,188,742	16,283,567	377,444,067	212,698,874	164,170,392	6,591,842
Asset-liability gap	59,505,449	22,183,029	(154,131,630)	(3,379,625)	179,116,859	15,716,816

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(b) Market risk *(continued)*

(i) Interest rate risk *(continued)*

Trading interest rate risk *(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
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
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	31,150,882	50,248,926	–	7,992,978
Others	20,971,695	4,305,033	6,885,406	9,536,081	245,175	–
Total liabilities	785,159,604	19,234,455	252,270,704	286,334,648	213,278,709	14,041,088
Asset-liability gap	60,763,144	942,080	(104,729,914)	(76,168,506)	247,259,499	(6,540,015)

Notes:

(i) As at 31 December 2019, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB23,169 million (2018: RMB2,801 million).

(ii) Investments include debt investments at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. As at 31 December 2019, for investments, the category "Less than three months" includes overdue amounts (net of allowance of impairment loss) of RMB18,489 million (2018: RMB21.14 million).

(iii) As at 31 December 2019, for finance lease receivables, the category "Less than three months" includes overdue amounts of RMB316 million (2018: RMB0 million), net of provision of impairment loss.

50. 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 2019, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net loss to decrease RMB2,170 million (2018: net loss to decrease RMB1,171 million), and the Group's equity to increase RMB2,562 million (2018: increase RMB1,716 million); a decrease in estimated interest rate of 100 basis points will cause the Group's net loss to increase RMB2,181 million (2018: net loss to increase RMB1,174 million), and the Group's equity to decrease RMB2,602 million (2018: decrease RMB1,751 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)

50. 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 2019			
		RMB Equivalent		
	RMB	USD	Others	Total
Assets				
Cash and deposits with the central bank	105,025,790	145,905	4,842	105,176,537
Deposits with banks and other financial institutions	7,451,347	729,388	120,857	8,301,592
Placements with banks and other financial institutions	5,643,864	–	–	5,643,864
Loans and advances to customers	452,217,365	463,449	14,697	452,695,511
Others	260,678,389	4,198,298	–	264,876,687
Total assets	831,016,755	5,537,040	140,396	836,694,191
Liabilities				
Borrowing from the central bank	33,079,647	–	–	33,079,647
Deposits from banks and other financial institutions	178,117,754	–	–	178,117,754
Placements from banks and other financial institutions	20,509,117	6,429,754	792,492	27,731,363
Deposits from customers	404,229,437	2,810,880	72,462	407,112,779
Debt securities issued	110,108,837	–	–	110,108,837
Others	21,035,933	2,399	30	21,038,362
Total liabilities	767,080,725	9,243,033	864,984	777,188,742
Net position	63,936,030	(3,705,993)	(724,588)	59,505,449
Off-balance sheet credit commitments	126,830,890	499,868	6,255	127,337,013

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk *(continued)*

	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

50. 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 2019, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would increase the Group's net loss and decrease the Group's equity by RMB7.23 million (31 December 2018: increase the Group's net loss and decrease the Group's equity by RMB21.19 million); a depreciation of one hundred basis points in the US dollar against the RMB would decrease the Group's net loss and increase the Group's the equity by RMB7.23 million (31 December 2018: decrease the Group's net loss and increase the Group's the equity by RMB21.19 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 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, 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.

50. 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)

50. 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 2019							
	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	43,964,829	61,211,708	–	–	–	–	–	105,176,537
Deposits with banks and other financial institutions	128,804	6,021,912	638	2,082,821	67,417	–	–	8,301,592
Placements with banks and other financial institutions	3,161,237	–	–	2,482,627	–	–	–	5,643,864
Loans and advances to customers (ii)	35,193,152	1,098,899	8,663,217	15,844,425	120,662,161	260,318,811	10,914,846	452,695,511
Investments (iii)	12,774,133	5,734,673	14,800,756	20,919,316	85,315,108	81,337,170	11,985,249	232,866,405
Finance lease receivables	601,709	–	–	902,114	1,986,796	2,917,695	–	6,408,314
Others	25,187,097	100,804	4,196	78,550	222,223	9,098	–	25,601,968
Total assets	121,010,961	74,167,996	23,468,807	42,309,853	208,253,705	344,582,774	22,900,095	836,694,191
Liabilities								
Borrowing from the central bank	–	–	33,039,326	–	40,321	–	–	33,079,647
Deposit from banks and other financial institutions	–	45,739,966	14,298,595	67,458,683	45,971,701	4,648,809	–	178,117,754
Placements from banks and other financial institutions	–	–	17,187,677	5,856,149	4,687,537	–	–	27,731,363
Financial assets sold under repurchase agreements	–	–	3,563,991	6,542,611	–	–	–	10,106,602
Deposit from customers	–	69,156,300	24,708,466	41,549,549	107,202,902	164,486,041	9,521	407,112,779
Debt securities issued	–	–	22,251,421	27,782,897	53,570,944	9,465	6,494,110	110,108,837
Others	–	3,474,918	679,590	1,442,884	4,833,744	298,889	201,735	10,931,760
Total	–	118,371,184	115,729,066	150,632,773	216,307,149	169,443,204	6,705,366	777,188,742
Asset-liability gap	121,010,961	(44,203,188)	(92,260,259)	(108,322,920)	(8,053,444)	175,139,570	16,194,729	59,505,449

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(c) Liquidity risk *(continued)*

	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	15,339,204	51,966,467	3,751,266	8,241,489	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	86,494,893	292,809,978	224,776,422	14,468,358	785,159,604
Asset-liability gap	84,759,750	(68,848,107)	(56,301,103)	(38,345,338)	(86,001,020)	231,660,075	(6,161,113)	60,763,144

(Expressed in thousands of Renminbi, unless otherwise stated)

50. 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 amounts of deposits with banks and other financial institutions and placements with banks and other financial institutions represents impaired deposits or balances or those overdue more than one month. 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 on utilization of the contractual undiscounted cash 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 2019							
	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	33,079,647	33,151,146	–	33,110,825	–	40,321	–	–
Deposits from banks and other financial institutions	178,117,754	197,273,235	45,739,966	14,595,802	81,882,591	49,275,051	5,779,825	–
Placements from banks and other financial institutions	27,731,363	27,827,228	–	17,190,876	5,921,539	4,714,813	–	–
Financial assets sold under repurchase agreements	10,106,602	10,133,176	–	3,576,574	6,556,602	–	–	–
Deposits from customers	407,112,779	442,158,075	69,156,300	25,063,199	42,186,176	109,351,446	196,390,178	10,776
Debt securities issued	110,108,837	113,092,666	–	22,280,000	27,955,159	54,641,213	870,184	7,346,110
Other financial liabilities	7,089,956	7,138,870	344,163	559,906	1,213,574	4,490,399	441,432	89,396
Total non-derivative financial liabilities	773,346,938	830,774,396	115,240,429	116,377,182	165,715,641	222,513,243	203,481,619	7,446,282
Loan commitments and credit card commitments	–	3,197,415	3,165,968	5,848	21,180	4,419	–	–

	Within three months	Three months to one year	Total
Derivative cash flows			
Derivative financial instruments settled on gross basis			
Cash outflow	(7,284,568)	(3,898,561)	(11,183,129)
Cash inflow	7,322,038	3,837,917	11,159,955

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Risk management *(continued)*

(c) Liquidity risk *(continued)*

	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	93,580,529	–	10,497,625	15,456,128	53,153,471	5,067,566	9,405,739
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	822,221,346	78,095,624	86,114,173	87,834,532	300,764,400	252,238,686	17,173,931
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

(i) This analysis on utilization of the non-derivative financial liabilities by contractual undiscounted cash might vary from actual results.

50. 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.

51. Fair value of financial instruments

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)

51. 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 2019			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– debt instruments	–	3,629,931	45,239,988	48,869,919
Financial assets designated at fair value through profit or loss	–	–	6,287,252	6,287,252
Financial assets at fair value through other comprehensive income				
– debt instruments	–	11,196,501	–	11,196,501
– equity instruments	66,469	–	1,165,027	1,231,496
Loans and advances to customers	–	226,427	–	226,427
Positive fair value of derivatives				
– foreign currency derivatives	–	84,969	–	84,969
Total	66,469	15,137,828	52,692,267	67,896,564
Financial liabilities measured at fair value				
Financial liabilities designated at fair value through profit or loss	–	–	6,282,210	6,282,210
Negative fair value of derivatives				
– derivative financial liability	–	100,011	–	100,011
Total	–	100,011	6,282,210	6,382,221
Financial assets disclosed at fair value				
Financial assets measured at amortised cost	–	165,206,726	–	165,206,726
Financial liabilities disclosed at fair value				
Tier two capital bonds issued	–	6,802,961	–	6,802,961
Negotiable certificates of deposit issued	–	102,767,017	–	102,767,017
Total	–	109,569,978	–	109,569,978

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

	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)

51. 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 2019 and 2018 in the balance of level 3 fair value measurements are as follows:

	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 instruments	Derivative financial assets	Total assets	Financial liabilities designated at fair value through profit or loss	Derivative financial liabilities	Total liabilities
1 January 2019	41,482,355	16,586,787	609,330	339	58,678,811	(16,512,712)	(2)	(16,512,714)
Total gains or losses								
– in profit or loss for the year (included in net trading gains)	2,238,368	527,599	–	(339)	2,765,628	(479,216)	2	(479,214)
– in other comprehensive income	–	–	(27,875)	–	(27,875)	–	–	–
Purchases/Issues	45,458,247	13,542,178	583,572	–	59,583,997	(13,542,178)	–	(13,542,178)
Settlements	(43,938,982)	(24,369,312)	–	–	(68,308,294)	24,251,896	–	24,251,896
31 December 2019	45,239,988	6,287,252	1,165,027	–	52,692,267	(6,282,210)	–	(6,282,210)
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))	991,848	142,742	–	–	1,134,590	(147,474)	–	(147,474)

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Fair value of financial instruments *(continued)*

Determination of fair value and fair value hierarchy *(continued)*

	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	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/Issues	–	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)

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. The significant unobservable inputs are price to earnings ratio and discount rate. The higher the price to earnings ratio and the lower the discount rate, the higher the fair value.

(ii) The fair values of tier two capital bonds, financial assets measured at amortised cost 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. The significant unobservable inputs are price to earnings ratio and discount rate.

(iii) The fair value of equity instrument is determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of recent transaction prices or discounted cash flow, where the significant input is discount rate. The higher the discount rate, the lower the fair value.

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 2019, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

(Expressed in thousands of Renminbi, unless otherwise stated)

52. 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	
	2019	2018
Entrusted loans	**61,263,282**	104,237,213
Entrusted funds	**61,263,282**	104,237,213

53. 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	
	2019	2018
Loan commitments		
– Original contractual maturity within one year	**2,359,907**	666,784
– Original contractual maturity more than one year (inclusive)	**–**	4,502,295
Credit card commitments	**837,508**	1,174,794
Subtotal	**3,197,415**	6,343,873
Acceptances	**119,543,175**	219,978,680
Letters of guarantees	**99,443**	525,856
Letters of credit	**4,496,980**	18,172,538
Total	**127,337,013**	245,020,947

The Group may be exposed to credit risk in all the above credit businesses. The management of the Group periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

(Expressed in thousands of Renminbi, unless otherwise stated)

53. Commitments and contingent liabilities *(continued)*

(b) Operating lease commitments

As at 31 December 2018, the Group's future minimum lease payments in respect of properties under non-cancellable operating leases are as follows:

	At 31 December 2018
Within one year (inclusive)	100,709
After one year but within two years (inclusive)	78,129
After two years but within three years (inclusive)	66,119
After three years but within five years (inclusive)	88,383
After five years	128,330
Total	461,670

(c) Capital commitments

As at 31 December 2019 and 2018, the Group's authorised capital commitments are as follows:

	At 31 December	
	2019	2018
Contracted but not provided for		
– Purchase of property and equipment	**47,169**	407,225
Total	**47,169**	407,225

(Expressed in thousands of Renminbi, unless otherwise stated)

53. Commitments and contingent liabilities *(continued)*

(d) Outstanding litigations and disputes

During the Reporting Period, the Bank, as defendant, was involved in a material outstanding litigation with subject amount of RMB37,385,377. Such litigation will not have material impact on the operations of the Bank.

On 14 August 2019, the Bank was involved in an infringement dispute regarding the damage caused by the Bank's shareholders to the interests of the Bank's creditors. The plaintiff claimed that the five defendants, including a company in Khorgos, as shareholders of the company involved in the case, had seriously abused shareholders' rights, and had transferred the corporate property, which seriously damaged the claimant's creditor rights, and the Bank deliberately provided assistance, therefore, the Bank shall also be liable for damages. According to the plaintiff's lawsuit, he requested the court: (1) to order the Bank together with other five defendants to bear joint and several liability for the debt amounting to RMB37,385,377 and the penalty for delayed payment confirmed in the Civil Mediation Letter No. (2019) Xin 40 Min Chu 20; (2) the litigation costs in this case shall be borne by the defendant. As the case has not yet been called, the possibility of the Bank losing the case cannot be told based on the current available evidence.

54. Company-level statement of financial position

	At 31 December	
	2019	2018
Assets		
Cash and deposits with the central bank	**104,359,879**	63,750,915
Deposits with banks and other financial institutions	**8,273,858**	15,708,890
Placements with banks and other financial institutions	**6,793,864**	48,454
Positive fair value of derivatives	**84,969**	305,361
Financial assets held under resale agreements	**–**	100,073
Loans and advances to customers	**449,144,759**	344,681,906
Financial assets at fair value through profit or loss	**55,157,171**	66,042,646
Financial assets at fair value through other comprehensive income	**12,559,843**	42,857,583
Financial assets measured at amortised cost	**165,149,391**	283,136,375
Investments in subsidiaries	**1,879,530**	1,879,530
Property and equipment	**6,370,646**	6,366,940
Deferred tax assets	**11,473,434**	7,319,115
Other assets	**6,513,992**	1,654,148
Total assets	**827,761,336**	833,851,936

(Expressed in thousands of Renminbi, unless otherwise stated)

54. Company-level statement of financial position *(continued)*

	At 31 December 2019	2018
Liabilities and equity		
Liabilities		
Borrowing from the central bank	**33,039,325**	68,347
Deposits from banks and other financial institutions	**181,200,638**	167,048,604
Placements from banks and other financial institutions	**27,307,240**	17,884,634
Financial liabilities at fair value through profit or loss	**6,282,210**	16,512,712
Negative fair value of derivatives	**100,011**	153,950
Financial assets sold under repurchase agreements	**10,106,602**	43,445,203
Deposits from customers	**399,494,824**	438,258,810
Accrued staff costs	**328,217**	299,254
Other taxes payable	**406,870**	372,736
Income taxes payable	**1,588,759**	567,504
Debts securities issued	**110,108,837**	89,668,782
Provisions	**613,313**	1,728,410
Other liabilities	**1,433,355**	1,164,023
Total liabilities	**772,010,201**	777,172,969
Equity		
Share capital	**7,781,616**	7,781,616
Other equity instruments including: Preference shares	**9,897,363**	9,897,363
Capital reserve	**20,582,844**	20,730,293
Surplus reserve	**2,994,679**	2,994,679
General reserve	**11,719,119**	11,719,119
Retained earnings	**2,775,514**	3,555,897
Total equity	**55,751,135**	56,678,967
Total liabilities and equity	**827,761,336**	833,851,936

Approved and authorised for issue by the board of directors on 26 June 2020.

Wei Xuekun	**Guo Wenfeng**	**Yu Jun**	**Company chop**
Chairman	*President*	*Chief Financial Officer*	

55. 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 50(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.

(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.

55. Significant accounting estimates and judgments *(continued)*

(e) Depreciation and amortisation

Property and equipment and intangible assets and right-of-use 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 45.

(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.

(Expressed in thousands of Renminbi, unless otherwise stated)

56. Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IFRS 3, Definition of a business	1 January 2020
Amendment to IAS 1 and IAS 8, Definition of material	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

57. Non-adjusting events after the reporting period

(a) Subsequent to the reporting period and up to the date of this annual report, the Bank has formulated a plan for reorganisation which mainly consists of:

1. On 23 January 2020, the Bank and Beijing Chengfang Huida Enterprise Management Co.,Ltd.* (北京成方匯達企業管理有限公司) and Liaoning Financial Holding (the "Subscribers"), parties independent from the Bank and its connected persons entered into a subscription agreement, pursuant to which the Bank has conditionally agreed to issue and allot and the Subscribers have conditionally agreed to subscribe in cash for an aggregate of 6.2 billion of ordinary shares at a subscription price of RMB1.950 (subject to the Price Adjustment) per share.

2. On 31 March 2020, the Bank entered into a framework disposal agreement (the "Framework Disposal Agreement"), pursuant to which the Bank has conditionally agreed to sell and Chengfang Huida, a party independent from the Bank and its connected persons, has conditionally agreed to purchase certain credit assets and other assets held by the Bank (the "Disposal Assets") for a consideration of RMB45 billion. The gross carrying amount of the debt principal amount of such Disposal Assets was approximately RMB150 billion.

3. A subscription of a directional debt instrument in the principal amount of RMB75 billion, the agreement of which is effective from the later of the date on which the subscription agreement has been duly signed by the parties thereto and the effective date of the Framework Disposal Agreement. The directional debt instrument, with an initial maturity period of 15 years (which could be extended upon agreement between the parties thereto) or until the full repayment of the principal amount by the issuer within such debt period, was issued by Jinzhou Jinyin Management Partnership (LLP)* (錦州錦銀管理合夥企業(有限合夥)), pursuant to which, among others, (a) the obligations of the Bank to make payment for such subscription amount shall be waived; and (b) the Bank shall obtain from the issuer repayment of premium and interest at a rate of 2.25% per annum, totaling to not less than RMB5,000 million per year in principle.

For details, please refer to the announcements of the Bank dated 26 December 2019, 10 March 2020 and 3 April 2020, respectively.

* *English name for identification purpose only*

57. Non-adjusting events after the reporting period *(continued)*

(b) Since the outbreak of novel coronavirus pneumonia in January 2020, the Bank has earnestly studied the spirit conveyed in various national documents and thoroughly implemented the work arrangements of government departments at all levels to satisfy additional capital needs for epidemic prevention and control and resumption of work and production for enterprises. The Bank specially formulated the "Chunjin Plan" (春錦計劃), comprehensively practiced the policy guidelines of "five Specifics"(五特), namely specific time, specific mechanism, specific policies, specific products and specific scale, and provided increased credit support for areas relating to epidemic prevention and control to properly mitigate difficulties facing enterprises affected by the epidemic. With rational support measures, the Bank provided increased credit support to the real economy, improved the efficiency of examination and approval, optimized the credit facilities program for epidemic prevention, reduced and exempted the cost from the use of funds for epidemic prevention by enterprises, and spared no effort to support the resumption of work and production for enterprises. At the same time, the inclusive financial and credit service policy specific for epidemic prevention was launched to support the production and operation of enterprises fighting against the epidemic, care for small and micro enterprises and individuals affected by the epidemic, and implemented "three major policies" regarding offering support for the fight against the epidemic, namely "Antiepidemic green channel, support for enterprises falling into difficulties, care for individuals affected by the epidemic".

The epidemic is expected to have certain impact on the overall macro economy and the production and operations of some enterprises, which will, to a certain extent, affect the income level and assets quality of the Bank's credit assets and investment assets. The extent of such impact will be dependent upon the duration, prevention and control of the epidemic, the extent by which customers in different regions and industries are affected, and the implementation and effectiveness of various regulatory policies. The Bank will continue to pay attention to the development of the epidemic, and continuously evaluate and actively respond to its impact on the Bank's financial position and operating results.

(c) The Bank received the approval from the CBIRC Liaoning Regulatory Bureau for the qualification of Mr. Xiao Geng serving as the director of the Bank on 21 January 2020. His terms of service commenced from 21 January 2020 until expiration of the term of the sixth session of the Board.

58. COMPARATIVE FIGURES

The Group has initially applied IFRS 16 at 1 January 2019. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosure in note 2(b).

(Expressed in thousands of Renminbi, unless otherwise stated)

1. Liquidity coverage ratio and leverage ratio (%)

(a) Liquidity coverage ratio

	At 31 December 2019	Average for the year ended 31 December 2019
Liquidity coverage ratio (RMB and foreign currency)	**74.86%**	**113.59%**

	At 31 December 2018	Average for the year ended 31 December 2018
Liquidity coverage ratio (RMB and foreign currency)	152.31%	157.72%

(b) Leverage ratio

	At 31 December	
	2019	2018
Leverage ratio	**5.14%**	6.57%

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 2019				
Spot assets	**5,533,760**	**33,527**	**144,553**	**5,711,840**
Spot liabilities	**(9,470,010)**	**(3,342)**	**(866,224)**	**(10,339,576)**
Net long position	**(3,936,250)**	**30,185**	**(721,671)**	**(4,627,736)**
Net structural position	**–**	**–**	**–**	**–**
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	**–**	**–**	**–**	**–**

(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 2019		
	Banks and others financial institutions	**Non-bank private sector**	**Total**
Asia Pacific	**602,174**	**2,345,054**	**2,947,228**
– of which attributed to Hong Kong	**242,899**	**1,873,434**	**2,116,333**
Europe	**2,141,197**	**–**	**2,141,197**
North and South America	**596,746**	**–**	**596,746**
Total	**3,340,117**	**2,345,054**	**5,685,171**

	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

(Expressed in thousands of Renminbi, unless otherwise stated)

4. Loans and advances overdue for more than 90 days by geographical segments

	At 31 December	
	2019	2018
Jinzhou Region	**15,760,176**	1,822,982
Other Northeastern Region	**21,343,186**	695,425
Northern China Region	**13,960,442**	3,132,346
Total	**51,063,804**	5,650,753

5. Gross amount of loans and advances overdue for more than 90 days

	At 31 December	
	2019	2018
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	**31,803,148**	1,666,442
– between 6 months and 1 year (inclusive)	**12,698,969**	1,827,223
– between 1 year and 3 years (inclusive)	**5,512,097**	1,435,409
– over 3 years	**1,049,590**	721,679
Total	**51,063,804**	5,650,753
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	**6.50%**	0.77%
– between 6 months and 1 year (inclusive)	**2.60%**	0.85%
– between 1 year and 3 years (inclusive)	**1.13%**	0.67%
– over 3 years	**0.21%**	0.34%
Total	**10.44%**	2.63%

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 2019, the gross amount of overdue loans and advances overdue more than 90 days of the Group were RMB51,064 million (2018: RMB5,651 million). The covered portion of these overdue loans and advances were RMB15,750 million (2018: RMB3,217 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 2019 and 2018, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals.

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