



吉林九台農村商業銀行股份有限公司\*  
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED\*

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

Stock Code : 6122

# 2018

## Interim Report

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





# Contents

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Chapter 1	Definitions and Glossary	2
Chapter 2	Company Profile	15
Chapter 3	Financial Summary	21
Chapter 4	Management Discussion and Analysis	24
Chapter 5	Changes in Share Capital and Particulars of Shareholders	85
Chapter 6	Directors, Supervisors, Senior Management, Employees and Organizations	92
Chapter 7	Significant Events	107
Chapter 8	Report on Review of Condensed Consolidated Financial Statements	119
Chapter 9	Unaudited Interim Financial Statements	121
Chapter 10	Unaudited Supplementary Financial Information	238

# Chapter 1 Definitions and Glossary

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

“Anci District Huimin Village and Township Bank”	Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 6, 2011, in which the Bank holds a 51% equity interest. The remaining 20 shareholders hold 49% equity interest in Anci District Huimin Village and Township Bank
“Anping Huimin Village and Township Bank”	Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 24, 2013, in which the Bank holds a 36% equity interest. The remaining 30 shareholders hold 64% equity interest in Anping Huimin Village and Township Bank. The Bank and four other shareholders (holding an aggregate of 30.83% equity interest in Anping Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Anping Huimin Village and Township Bank. Anping Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Articles of Association”	the articles of association of the Bank
“Baicheng Taobei Huimin Village and Township Bank”	Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 23, 2015, in which the Bank holds a 49% equity interest. The remaining 14 shareholders hold 51% equity interest in Baicheng Taobei Huimin Village and Township Bank. The Bank and six other shareholders (holding an aggregate of 18% equity interest in Baicheng Taobei Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Baicheng Taobei Huimin Village and Township Bank. Baicheng Taobei Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Bank”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, including its predecessors, but excluding its subsidiaries

## Chapter 1 Definitions and Glossary

“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBRC Jilin Bureau”	the China Banking Regulatory Commission Jilin Bureau (中國銀行業監督管理委員會吉林監管局)
“Changbai Mountain Rural Commercial Bank”	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 21 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank. The Bank and other three shareholders (holding an aggregate of 27.9% equity interest in Changbai Mountain Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meeting and shareholders’ general meetings of Changbai Mountain Rural Commercial Bank. Changbai Mountain Rural Commercial Bank was deemed to be under the Bank’s control and to be the Group’s subsidiary. On May 28, 2018, the Bank entered into termination agreements with the relevant parties of the acting-in-concert agreements. Changbai Mountain Rural Commercial Bank is no longer a subsidiary of the Bank and its financial results cease to be consolidated to the financial statements of the Group
“Changchun Gaoxin Huimin Village and Township Bank”	Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 24, 2013, in which the Bank holds a 50% equity interest. The remaining eight shareholders hold 50% equity interest in Changchun Gaoxin Huimin Village and Township Bank. The Bank and another shareholder (holding an aggregate of 1.85% equity interest in Changchun Gaoxin Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Changchun Gaoxin Huimin Village and Township Bank. Changchun Gaoxin Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary

## Chapter 1 Definitions and Glossary

“Changchun Nanguan Huimin Village and Township Bank”	Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 11, 2011, in which the Bank holds a 51.20% equity interest. The remaining 35 shareholders hold 48.80% equity interest in Changchun Nanguan Huimin Village and Township Bank
“Da’an Huimin Village and Township Bank”	Da’an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 26, 2011, in which the Bank holds a 51.46% equity interest. The remaining 12 shareholders hold 48.54% equity interest in Da’an Huimin Village and Township Bank
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Four Rural Commercial Banks”	Changbai Mountain Rural Commercial Bank, Jilin Chuncheng Rural Commercial Bank, Jilin Dehui Rural Commercial Bank and Jilin Gongzhuling Rural Commercial Bank
“Fuyu Huimin Village and Township Bank”	Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2015, in which the Bank holds a 49% equity interest. The remaining 15 shareholders hold 51% equity interest in Fuyu Huimin Village and Township Bank. The Bank and two other shareholders (holding an aggregate of 3% equity interest in Fuyu Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Fuyu Huimin Village and Township Bank. Fuyu Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Gaomi Huimin Village and Township Bank”	Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司) a company with limited liability incorporated in the PRC on May 25, 2011, in which the Bank holds a 56.7% equity interest. The remaining 44 shareholders hold 43.3% equity interest in Gaomi Huimin Village and Township Bank
“Group”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, and its predecessors and subsidiaries, on a consolidated basis

## Chapter 1 Definitions and Glossary

“Guangzhou Huangpu Huimin Village and Township Bank”	Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司) (formerly known as Guangzhou Luogang Huimin Village Bank Co., Ltd. 廣州蘿崗惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 7, 2014, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Guangzhou Huangpu Huimin Village and Township Bank, among which, Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司) is a connected person of the Group
“H Shares”	the ordinary shares issued by the Bank in Hong Kong with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars
“Hanshan Huimin Village and Township Bank”	Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 30, 2010, and a wholly-owned subsidiary of the Group
“Heyang Huimin Village and Township Bank”	Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 38.25% equity interest. The remaining 14 shareholders hold 61.75% equity interest in Heyang Huimin Village and Township Bank. The Bank and two other shareholders (holding an aggregate of 17.38% equity interest in Heyang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Heyang Huimin Village and Township Bank, Heyang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary.
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited

## Chapter 1 Definitions and Glossary

“Huadian Huimin Village and Township Bank”	Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 29, 2013, in which the Bank holds a 51% equity interest. The remaining 13 shareholders hold 49% equity interest in Huadian Huimin Village and Township Bank
“Huidong Huimin Village and Township Bank”	Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on November 21, 2014, in which the Bank holds a 35% equity interest. The remaining ten shareholders hold 65% equity interest in Huidong Huimin Village and Township Bank. The Bank and three other shareholders (holding an aggregate of 30% equity interest in Huidong Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Huidong Huimin Village and Township Bank. Huidong Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“IFRS”	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Jilin Chuanying Huimin Village and Township Bank”	Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 21, 2016, in which the Bank holds a 46% equity interest. The remaining 26 shareholders hold 54% equity interest in Jilin Chuanying Huimin Village and Township Bank. The Bank and another shareholder (holding 5% equity interest in Jilin Chuanying Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Chuanying Huimin Village and Township Bank. Jilin Chuanying Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary



## Chapter 1 Definitions and Glossary

“Jilin Chuncheng Rural Commercial Bank”

Jilin Chuncheng Rural Commercial Bank Co., Ltd. (吉林春城農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30% equity interest. The remaining 38 shareholders hold 70% equity interest in Jilin Chuncheng Rural Commercial Bank, among which, Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司) and Jishi Media Co., Ltd. (吉視傳媒股份有限公司) are connected persons of the Bank. The Bank and four other shareholders (holding an aggregate of 40% equity interest in Jilin Chuncheng Rural Commercial Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jilin Chuncheng Rural Commercial Bank. Jilin Chuncheng Rural Commercial Bank was deemed to be under the Bank's control and to be the Group's subsidiary. On May 28, 2018, the Bank entered into a termination agreement with the relevant parties of the acting-in-concert agreement. Jilin Chuncheng Rural Commercial Bank is no longer a subsidiary of the Bank and its financial results cease to be consolidated to the financial statements of the Group

“Jilin Dehui Rural Commercial Bank”

Jilin Dehui Rural Commercial Bank Co., Ltd. (吉林德惠農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 30, 2013, in which the Bank holds a 45% equity interest. The remaining six shareholders hold 55% equity interest in Jilin Dehui Rural Commercial Bank, among which, Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司), Changchun Zhongdong Tianbao Co., Ltd. (長春中東天寶股份有限公司), Jishi Media Co., Ltd. (吉視傳媒股份有限公司) and United Venture Group Co., Ltd. (聯合創業集團有限公司) are connected persons of the Bank. The Bank and two other shareholders (holding an aggregate of 20% equity interest in Jilin Dehui Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jilin Dehui Rural Commercial Bank. Jilin Dehui Rural Commercial Bank was deemed to be under the Bank's control and to be the Group's subsidiary. On May 28, 2018, the Bank entered into termination agreements with the relevant parties of the acting-in-concert agreements. Jilin Dehui Rural Commercial Bank is no longer a subsidiary of the Bank and its financial results cease to be consolidated to the financial statements of the Group

## Chapter 1 Definitions and Glossary

“Jilin Fengman Huimin Village and Township Bank”	Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 51% equity interest. The remaining 15 shareholders hold 49% equity interest in Jilin Fengman Huimin Village and Township Bank
“Jilin Gongzhuling Rural Commercial Bank”	Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30% equity interest. The remaining 53 shareholders hold 70% equity interest in Jilin Gongzhuling Rural Commercial Bank among which two are connected persons of the Bank. The Bank and three other shareholders (holding an aggregate of 30% equity interest in Jilin Gongzhuling Rural Commercial Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Jilin Gongzhuling Rural Commercial Bank. Jilin Gongzhuling Rural Commercial Bank was deemed to be under the Bank’s control and to be the Group’s subsidiary. On May 28, 2018, the Bank entered into termination agreements with the relevant parties of the acting-in-concert agreements. Jilin Gongzhuling Rural Commercial Bank is no longer a subsidiary of the Bank and its financial results cease to be consolidated to the financial statements of the Group
“Jilin Jiuyin Financial Leasing”	Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 20, 2017, in which the Bank holds a 60% equity interest. The remaining four shareholders hold 40% equity interest in Jilin Jiuyin Financial Leasing

## Chapter 1 Definitions and Glossary

“Jingmen Dongbao Huimin Village and Township Bank”	Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 21, 2011, in which the Bank holds a 51.36% equity interest. The remaining six shareholders hold 48.64% equity interest in Jingmen Dongbao Huimin Village and Township Bank
“Latest Practicable Date”	September 18, 2018, being the latest practicable date for ascertaining certain information in this interim report before its publication
“Leizhou Huimin Village and Township Bank”	Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on March 25, 2015, in which the Bank holds a 33.29% equity interest. The remaining nine shareholders hold 66.71% equity interest in Leizhou Huimin Village and Township Bank. The Bank and five other shareholders (holding an aggregate of 40.81% equity interest in Leizhou Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Leizhou Huimin Village and Township Bank. Leizhou Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Liaoyuan Rural Commercial Bank”	Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司), a company with limited liability incorporated in the PRC on November 15, 2012, and a wholly-owned subsidiary of the Group
“Lingshui Huimin Village and Township Bank”	Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司) (formerly known as Lingshui Dasheng Company Bank Co., Ltd. (陵水大生村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20% equity interest. The remaining 26 shareholders hold 80% equity interest in Lingshui Huimin Village and Township Bank. The Bank and eight other shareholders (holding an aggregate of 43.6% equity interest in Lingshui Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Lingshui Huimin Village and Township Bank. Lingshui Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Listing Date”	January 12, 2017, being the date on which dealing in the H Shares commences on the Hong Kong Stock Exchange

## Chapter 1 Definitions and Glossary

“Lujiang Huimin Village and Township Bank”	Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 60% equity interest. The remaining 49 shareholders hold 40% equity interest in Lujiang Huimin Village and Township Bank
“NPLs” or “non-performing loans”	non-performing loans, and for the purpose of this interim report, means such loans that are classified as substandard, doubtful and loss according to the five- category loans classification system the Bank and each subsidiary adopted pursuant to applicable PRC guidelines
“NPL ratio” or “non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report only, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Qianan Huimin Village and Township Bank”	Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on December 28, 2010, in which the Bank holds a 50.67% equity interest. The remaining 20 shareholders hold 49.33% equity interest in Qianan Huimin Village and Township Bank
“Qingdao Jimo Huimin Village and Township Bank”	Qingdao Jimo Huimin Village Bank Co., Ltd. (青島即墨惠民村鎮銀行股份有限公司) (formerly known as Qingdao Jimo Jingdu Village and Township Bank Co., Ltd. (青島即墨京都村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on October 14, 2008, in which the Bank holds a 59% equity interest. The remaining five shareholders hold 41% equity interest in Qingdao Jimo Huimin Village and Township Bank

## Chapter 1 Definitions and Glossary

“Qingdao Pingdu Huimin Village and Township Bank”	Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2010, in which the Bank holds a 58.82% equity interest. The remaining 94 shareholders hold 41.18% equity interest in Qingdao Pingdu Huimin Village and Township Bank
“Qingyuan Qingxin Huimin Village and Township Bank”	Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 23, 2014, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Qingyuan Qingxin Huimin Village and Township Bank, among which, Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司) is a connected person of the Group
“RMB” or “Renminbi”	the lawful currency of the PRC
“Sanya Huimin Village and Township Bank”	Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司) (formerly known as Sanya Phoenix County Village and Township Bank Co., Ltd. (三亞鳳凰村鎮銀行股份有限公司)), a joint stock company with limited liability incorporated in the PRC on May 16, 2011, in which the Bank holds a 20% equity interest. The remaining 37 shareholders hold 80% equity interest in Sanya Huimin Village and Township Bank. The Bank and 11 other shareholders (holding an aggregate of 31.1% equity interest in Sanya Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Sanya Huimin Village and Township Bank. Sanya Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“SFC”	the Securities and Futures Commission of Hong Kong

## Chapter 1 Definitions and Glossary

“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Shares
“Shuangcheng Huimin Village and Township Bank”	Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 25, 2010, in which the Bank holds a 75% equity interest. The remaining 26 shareholders hold 25% equity interest in Shuangcheng Huimin Village and Township Bank
“Songyuan Ningjiang Huimin Village and Township Bank”	Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 19, 2011, in which the Bank holds a 40.80% equity interest. The remaining 59 shareholders hold 59.20% equity interest in Songyuan Ningjiang Huimin Village and Township Bank. The Bank and two other shareholders (holding an aggregate of 10.81% equity interest in Songyuan Ningjiang Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Songyuan Ningjiang Huimin Village and Township Bank. Songyuan Ningjiang Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Supervisor(s)”	the supervisor(s) of the Bank

## Chapter 1 Definitions and Glossary

“Taonan Huimin Village and Township Bank”	Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 11, 2015, in which the Bank holds a 49% equity interest. The remaining 12 shareholders hold 51% equity interest in Taonan Huimin Village and Township Bank. The Bank and four other shareholders (holding an aggregate of 30% equity interest in Taonan Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Taonan Huimin Village and Township Bank. Taonan Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“three rurals”	a short term for the issues related to agriculture, rural areas and rural households
“Tianjin Binhai Huimin Village and Township Bank”	Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on June 11, 2014, in which the Bank holds a 47% equity interest. The remaining 11 shareholders hold 53% equity interest in Tianjin Binhai Huimin Village and Township Bank. The Bank and another shareholder (holding 5% equity interest in Tianjin Binhai Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders’ general meetings of Tianjin Binhai Huimin Village and Township Bank. Tianjin Binhai Huimin Village and Township Bank is deemed to be under the Bank’s control and to be the Group’s subsidiary
“Tongcheng Huimin Village and Township Bank”	Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on September 19, 2012, and a wholly-owned subsidiary of the Bank

## Chapter 1 Definitions and Glossary

“Wenan County Huimin Village and Township Bank”	Huimin Village Bank of Wenan (文安縣惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2011, in which the Bank holds a 51% equity interest. The remaining 42 shareholders hold 49% equity interest in Wenan County Huimin Village and Township Bank
“Wuchang Huimin Village and Township Bank”	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on November 11, 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank
“Wuhua Huimin Village and Township Bank”	Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 13, 2014, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Wuhua Huimin Village and Township Bank
“Yun’an Huimin Village and Township Bank”	Yun’an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on January 27, 2014, in which the Bank holds a 61% equity interest. The remaining four shareholders hold 39% equity interest in Yun’an Huimin Village and Township Bank

*In this interim report:*

- 1. any discrepancies in any table between totals and sums of the amounts listed are due to rounding; and*
- 2. if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*



## Chapter 2 Company Profile

### I. BASIC INFORMATION OF THE BANK

#### Registered Name in Chinese:

吉林九台農村商業銀行股份有限公司 (abbreviated as 九台農商銀行)

#### Registered Name in English:

Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as “Jiutai Rural Commercial Bank”)

#### Legal Representative:

Gao Bing (高兵)

#### Authorized Representative:

Gao Bing (高兵), Lau Kwok Yin (劉國賢)

#### Board Secretary:

Yuan Chunyu (袁春雨)

#### Joint Company Secretaries:

Yuan Chunyu (袁春雨), Lau Kwok Yin (劉國賢)

#### Registered Office Address:

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

#### Principal Office Address:

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

## Chapter 2 Company Profile

### Customer Service Hotline:

+86 (431) 96888

### Telephone:

+86 (431) 8925 0628

### Facsimile:

+86 (431) 8925 0628

### Company Website:

[www.jtnsh.com](http://www.jtnsh.com)

### Place of Business in Hong Kong:

Room 3521, 35/F, Two Pacific Place  
88 Queensway, Hong Kong

### H Share Disclosure Websites:

The Stock Exchange of Hong Kong Limited's website at [www.hkexnews.hk](http://www.hkexnews.hk)  
The Bank's website at [www.jtnsh.com](http://www.jtnsh.com)

### Listing Place:

The Stock Exchange of Hong Kong Limited

### Stock Short Name:

JIUTAI RCB

### Stock Code:

06122

### H Share Registrar:

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

## Chapter 2 Company Profile

### **PRC Legal Adviser:**

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

### **Hong Kong Legal Adviser:**

Latham & Watkins  
18/F, One Exchange Square  
8 Connaught Place  
Central, Hong Kong

### **Auditors:**

#### ***Domestic Auditor:***

ShineWing Certified Public Accountants LLP  
9/F, Block A, Fu Hua Mansion  
No. 8 Chao Yang Men Bei Da Jie  
Dong Cheng District, Beijing, the PRC

#### ***International Auditor:***

SHINEWING (HK) CPA Limited  
43/F, Lee Garden One  
33 Hysan Avenue, Causeway Bay  
Hong Kong

### **Compliance Advisor:**

Guotai Junan Capital Limited  
27/F, Low Block  
Grand Millennium Plaza  
181 Queen's Road Central  
Hong Kong

## Chapter 2 Company Profile

### II. HISTORY OF THE BANK

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

The Bank’s current registered address is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin province, the PRC. The Bank has established a place of business in Hong Kong at Room 3521, 35/F, Two Pacific Place, 88 Queensway, Hong Kong and registered as a non-Hong Kong company in Hong Kong on February 17, 2016 under Part XVI of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Bank appointed Mr. Lau Kwok Yin (劉國賢) as the Bank’s authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is at 40th Floor, Sunlight Tower, 248 Queen’s Road East, Wanchai, Hong Kong. As the Bank was established in the PRC, the Bank’s corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC.

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

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

## Chapter 2 Company Profile

### III. MAJOR AWARDS AND RECOGNITIONS IN THE FIRST HALF OF 2018

The Group has won numerous awards and recognitions in the first half of 2018 attributable to its outstanding business performance and management ability, including the following:

Entity awarded	Award/recognition	Awarding unit
The Bank	Top 300 Trading Banks in Interbank RMB Market in 2017 (2017年度銀行間本幣市場交易300強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Top 100 Banks in Interbank RMB and Foreign Exchange Market in 2017 (2017年度銀行間人民幣外匯市場100強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Class-A Bank for Implementation of Foreign Exchange Control Regulations in 2017 (2017年度執行外匯管理規定考核A類銀行)	Jilin Branch of the State Administration of Foreign Exchange (國家外匯管理局吉林省分局)
The Bank	Best Investment Value Award in 2017 (2017年度最具投資價值獎)	“2017 China Financing Awards” (“2017年中國融資大獎”) organized by China Financial Market, a Hong Kong magazine (香港《中國融資》雜誌)
The Bank	Best IPO Award in 2017 (2017年度最佳IPO獎)	“2017 China Financing Awards” (“2017年中國融資大獎”) organized by China Financial Market, a Hong Kong magazine (香港《中國融資》雜誌)
The Bank	Model Unit of Rural Financial Cooperative Institution for Support of Agricultural and Small Enterprises in 2017 (2017年度農村合作金融機構支農支小服務示範單位)	China Banking Association (中國銀行業協會)
The Bank	National Top Ten Banks for Poverty Alleviation (全國十佳精準扶貧銀行)	Steering Committee of the Forum for Chinese New Financial Institutions (中國新型金融機構論壇組委會)

## Chapter 2 Company Profile

Entity awarded	Award/recognition	Awarding unit
Jiutai Rural Commercial Bank Xinjia Branch	Top Ten Innovative Community Banks (十佳社區銀行創新獎)	“2018 China Financial Innovation Award” (“2018中國金融創新獎”) by The Banker (《銀行家》雜誌)
The Bank	National Outstanding Rural Financial Institutions for Poverty Alleviation (全國農村金融優秀精準扶貧機構)	The 8th Rural Financial Brand Value List of China (第八屆中國農村金融品牌價值榜)
The Bank	Top 1000 Bank of the World in 2018 (2018年全球銀行1000強)	The Banker, a U.K. magazine (英國《銀行家》雜誌)
Liaoyuan Rural Commercial Bank	Model Employee Unit of Liaoyuan (遼源市模範職工之家)	Liaoyuan Federation of Trade Unions (遼源市總工會)
Huadian Huimin Village and Township Bank	Award for Contribution to Economic Development of Huadian (樺甸市經濟發展貢獻獎)	Huadian Municipal Committee of the Communist Party of China (中共樺甸市委), Huadian Municipal People’s Government (樺甸市人民政府)
Da’an Huimin Village and Township Bank	The 7th Excellent Volunteer Service in Jilin Province (第七屆吉林省優秀志願服務組織)	General Office of Guiding Cultural and Ethical Progress of Jilin Province (吉林省文明辦), Volunteer Service Association of Jilin Province (吉林省志願服務聯合會)
Taonan Huimin Village and Township Bank	National May 1st Labor Award of Taonan (洮南市五一勞動獎狀)	Taonan Federation of Trade Unions (洮南市總工會)
Gaomi Huimin Village and Township Bank	The 7th National Top Ten Village and Township Banks (第七屆全國十佳村鎮銀行)	Steering Committee of the Forum for Chinese New Financial Institutions (中國新型金融機構論壇組委會)
Qingdao Pingdu Huimin Village and Township Bank	Advanced Unit in Support of the Development of Pingdu in 2017 (2017年度支持平度發展先進單位)	Pingdu Municipal Committee of the Communist Party of China and Pingdu Municipal Government (中共平度市委、市政府)
Lingshui Huimin Village and Township Bank	Pioneer Institution for Providing Financial Services to Small and Micro Enterprises in Hainan Province of 2017 (2017年度海南省小微企業金融服務先進單位)	CBRC Hainan Bureau (海南省銀監局)

## Chapter 3 Financial Summary

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2018	2017	Change in percentage (%)	Year ended December 31, 2017
<b>Operating results</b>				
Interest income	4,362.3	4,642.0	(6.0)%	9,859.4
Interest expenses	(2,608.7)	(2,453.7)	6.3	(5,123.5)
<b>Net interest income</b>	<b>1,753.6</b>	2,188.3	(19.9)	4,735.9
Fee and commission income	141.2	351.1	(59.8)	652.2
Fee and commission expenses	(13.8)	(16.8)	(17.9)	(37.3)
<b>Net fee and commission income</b>	<b>127.4</b>	334.3	(61.9)	614.9
Net gains arising from				
investment securities	7.3	159.5	(95.4)	259.1
Dividend income	76.5	100.3	(23.7)	105.9
Net trading gains	385.3	65.8	485.6	65.6
Losses on deemed disposal of subsidiaries	(6.2)	—	(100.0)	—
Gain on disposal of an associate	—	—	—	2.3
Net exchange gains (losses)	11.4	(11.3)	(200.9)	(38.8)
Other operating income, net	21.6	31.4	(31.2)	95.4
<b>Operating income</b>	<b>2,376.9</b>	2,868.3	(17.1)	5,840.3
Operating expenses	(1,288.3)	(1,204.8)	6.9	(3,030.1)
Impairment losses on assets	(555.4)	(556.7)	(0.2)	(748.0)
<b>Operating profit</b>	<b>533.2</b>	1,106.8	(51.8)	2,062.2
Share of profits of associates	35.9	12.3	191.9	23.2
<b>Profit before tax</b>	<b>569.1</b>	1,119.1	(49.1)	2,085.4
Income tax expense	(94.6)	(218.9)	(56.8)	(447.0)
<b>Profit for the period/end of year</b>	<b>474.5</b>	900.2	(47.3)	1,638.4
Profit for the year attributable to:				
— Owners of the Bank	370.2	692.8	(46.6)	1,275.6
— Non-controlling interests	104.3	207.4	(49.7)	362.8
<b>Profit for the period/end of year</b>	<b>474.5</b>	900.2	(47.3)	1,638.4
Basic earnings per share (RMB)	0.09	0.18	(50.0)	0.32
Diluted earnings per share (RMB)	0.09	0.18	(50.0)	0.32

## Chapter 3 Financial Summary

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As at June 30, 2018</b>	As at December 31, 2017	Change in percentage (%)
<b>Major indicators of assets/liabilities</b>			
Total assets	<b>159,137.3</b>	187,008.5	(14.9)
Of which: loans and advances to customers	<b>67,448.3</b>	76,492.2	(11.8)
Total liabilities	<b>145,007.3</b>	170,357.9	(14.9)
Of which: deposits from customers	<b>106,452.5</b>	129,881.6	(18.0)
Total equity	<b>14,130.0</b>	16,650.6	(15.1)
<b>Six months ended</b>			
	<b>June 30, 2018</b>	2017	Change (%)
<b>Profitability indicators</b>			
Return on assets <sup>(1)(15)</sup>	<b>0.55%</b>	0.93%	(40.86)
Return on capital <sup>(2)(15)</sup>	<b>6.17%</b>	12.17%	(49.30)
Net interest spread <sup>(3)(15)</sup>	<b>2.04%</b>	2.03%	0.49
Net interest margin <sup>(4)(15)</sup>	<b>2.25%</b>	2.21%	1.81
Net fee and commission income to operating income ratio <sup>(5)</sup>	<b>5.36%</b>	11.65%	(53.99)
Cost-to-income ratio <sup>(6)</sup>	<b>52.27%</b>	40.93%	27.71



## Chapter 3 Financial Summary

	As at June 30, 2018	As at December 31, 2017	Change (%)	As at June 30, 2017
<b>Capital adequacy indicators</b>				
Core tier-one capital adequacy ratio <sup>(7)</sup>	8.85%	9.47%	(6.55)	9.52%
Tier-one capital adequacy ratio <sup>(8)</sup>	8.93%	9.66%	(7.56)	9.71%
Capital adequacy ratio <sup>(9)</sup>	11.23%	12.20%	(7.95)	12.43%
Shareholders' equity to total assets ratio	8.88%	8.90%	(0.22)	8.11%
<b>Assets quality indicators</b>				
Non-performing loan ratio <sup>(10)</sup>	1.91%	1.73%	10.40	1.59%
Provision coverage ratio <sup>(11)</sup>	155.04%	171.48%	(9.59)	190.84%
Provision to total loan ratio <sup>(12)</sup>	2.96%	2.96%	—	3.04%
<b>Other indicators<sup>(13)</sup></b>				
Loan to deposit ratio <sup>(14)</sup>	65.29%	60.69%	7.58	56.92%

### Notes:

- (1) Calculated by dividing the net profit for the period/year by the average balance of total assets at the beginning and the end of that period/year.
- (2) Calculated by dividing the net profit for the period/year by the average balance of total equity at the beginning and at the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.
- (10) Non-performing loan ratio = non-performing loans and advances to customers/total loans and advances to customers.
- (11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers.
- (12) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (13) These indicators refer to ratios we report to the CBIRC and calculated in accordance with PRC GAAP and relative requirements of the CBIRC regarding the financial data.
- (14) According to the revised PRC Commercial Banking Law which became effective on October 1, 2015, loan to deposit ratio is no longer applicable to the PRC Commercial Banks as a regulatory ratio.
- (15) Ratios for the six months ended June 30, 2017 and 2018 are calculated on an annualized basis.

# Chapter 4 Management Discussion and Analysis

## 1 Environment and Outlook

In the first half of 2018, with the support of factors such as the continuous recovery of global economy and the development of new growth drivers in China, the general economy in China maintained steady growth and was well positioned for a healthy and high quality development.

During the course of development with focus on principal business and traditional values, financial institutions in the banking industry will also face challenges from the needs of structural adjustment, transformation and risk control. Yet, under the support of the proactive financial policies and stable monetary policies, the operational outlook will be promising. Driven by the new round of reform measures and the supply-side structural reform, traditional industries will continue to upgrade and emerging industries will develop in an orderly manner. The strategy of rural revitalisation and poverty alleviation continues to promote, and revitalisation of Northeastern China maintains sound progress. In addition, the Jilin economy is growing steadily with higher quality and more optimized structure. All of the above will bring enormous opportunities for the rural commercial banks to achieve integrated development under the regional economy.

In the future, the Bank will effectively seize the new opportunities arising from the macroeconomic policies and the new trend of regional economy. Adhering to the traditional principles, the Bank will further adjust and refine its structure, pursue transformation and upgrade of services for the real economy, fulfill its responsibility to support the development of rural areas and carry out targeted poverty alleviation, and improve the quality and efficiency of operation according to the supply-side structural reform. The Bank will maintain organic growth to increase its value, and achieve sustainable development with higher quality and efficiency.

## Chapter 4 Management Discussion and Analysis

### 2 Development Strategies

The Group's strategic goal is to establish its footprint across China while headquartered in Jilin province, and position itself as a professional financial services provider with unique values and strong competitive advantages. The Group also aims to build itself as a modern PRC rural commercial banking group with strong brand value. To achieve its goal, the Group plans to: (i) reinforce advantages in banking services for the "three rurals" and micro, small and medium-sized enterprises (SMEs); (ii) exploit the growth potential of personal financial services to promote the growth of its retail banking business; (iii) develop emerging businesses to promote the transformation of the growth model; (iv) further strengthen the Group's risk management and internal control; and (v) attract, develop, retain and motivate high-quality talent.

### 3 Overall Business Review

In the first half of 2018, in the face of the complicated external situations and increasingly fierce peer competition, the Group proactively implemented various regulatory requirements, focused on its traditional values, served the real economy, adjusted the structure, prevented and controlled risks. The Group was devoted to overcoming various difficulties and challenges with satisfactory progress in various aspects and maintained steady growth.

The Group recorded a total operating income of RMB2,376.9 million for the six months ended June 30, 2018, representing a decrease of 17.1% as compared to RMB2,868.3 million for the six months ended June 30, 2017. The Group's net profit decreased by 47.3% from RMB900.2 million for the six months ended June 30, 2017 to RMB474.5 million for the six months ended June 30, 2018.

As at June 30, 2018, the Group's total assets amounted to RMB159,137.3 million, representing a decrease of 14.9% as compared with the beginning of the year; net loans and advances to customers amounted to RMB67,448.3 million, representing a decrease of 11.8% as compared with the beginning of the year; the non-performing loan ratio remained at a reasonable level of 1.91%; total deposits from customers amounted to RMB106,452.5 million, representing a decrease of 18.0% as compared with the beginning of the year.

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018	2017	Change in amount	Change in percentage (%)
Interest income	4,362.3	4,642.0	(279.7)	(6.0)%
Interest expense	(2,608.7)	(2,453.7)	(155.0)	6.3
<b>Net interest income</b>	<b>1,753.6</b>	2,188.3	(434.7)	(19.9)
Fee and commission income	141.2	351.1	(209.9)	(59.8)
Fee and commission expenses	(13.8)	(16.8)	3.0	(17.9)
<b>Net fee and commission income</b>	<b>127.4</b>	334.3	(206.9)	(61.9)
Net gains arising from investment securities	7.3	159.5	(152.2)	(95.4)
Dividend income	76.5	100.3	(23.8)	(23.7)
Net trading gains	385.3	65.8	319.5	485.6
Losses on deemed disposal of subsidiaries	(6.2)	—	(6.2)	(100.0)
Net exchange gains (losses)	11.4	(11.3)	22.7	(200.9)
Other operating income, net	21.6	31.4	(9.8)	(31.2)
<b>Operating income</b>	<b>2,376.9</b>	2,868.3	(491.4)	(17.1)
Operating expenses	(1,288.3)	(1,204.8)	(83.5)	6.9
Impairment losses on assets	(555.4)	(556.7)	1.3	(0.2)
<b>Operating profit</b>	<b>533.2</b>	1,106.8	(573.6)	(51.8)
Share of profits of associates	35.9	12.3	23.6	191.9
<b>Profit before tax</b>	<b>569.1</b>	1,119.1	(550.0)	(49.1)
Income tax expense	(94.6)	(218.9)	124.3	(56.8)
<b>Profit for the period</b>	<b>474.5</b>	900.2	(425.7)	(47.3)
<b>Profit for the period attributable to:</b>				
— Owners of the Bank	370.2	692.8	(322.6)	(46.6)
— Non-controlling interests	104.3	207.4	(103.1)	(49.7)
<b>Profit for the period</b>	<b>474.5</b>	900.2	(425.7)	(47.3)%

In the first six months of 2018, the Group's operating income was RMB2,376.9 million, representing a year-on-year decrease of 17.1%, while profit before tax and profit for the period were RMB569.1 million and RMB474.5 million, respectively, representing a year-on-year decrease of 49.1% and 47.3%, respectively. It was mainly due to the facts that net fee and commission income of the Group decreased due to factors such as market demand conditions; net gains arising from investment securities of the Group decreased due to factors such as market trading conditions; and the financial results of the Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group after the termination of the acting-in-concert agreements.

## Chapter 4 Management Discussion and Analysis

### (i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 76.3% and 73.8% of operating income for the six months ended June 30, 2017 and 2018, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2018	2017	Change in amount	
Interest income	4,362.3	4,642.0	(279.7)	(6.0)%
Interest expenses	(2,608.7)	(2,453.7)	(155.0)	6.3
<b>Net interest income</b>	<b>1,753.6</b>	<b>2,188.3</b>	<b>(434.7)</b>	<b>(19.9)%</b>

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Average Balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	85,463.4	2,628.9	6.15%	71,573.3	2,314.1	6.47%
Investment securities and other financial assets <sup>(1)(6)</sup>	60,537.6	1,556.0	5.14	63,315.1	1,438.5	4.54
Deposits with banks and other financial institutions	19,907.3	322.2	3.24	37,180.6	625.3	3.36
Financial assets held under resale agreements	8,087.9	137.7	3.41	8,283.4	130.3	3.15
Deposits with the central bank <sup>(2)</sup>	18,770.9	122.6	1.31	16,983.4	123.1	1.45
Placements with banks and other financial institutions	1,484.6	26.9	3.62	973.5	10.7	2.20
<b>Total interest-earning assets</b>	<b>194,251.7</b>	<b>4,794.3</b>	<b>4.94%</b>	<b>198,309.3</b>	<b>4,642.0</b>	<b>4.68%</b>

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	134,385.2	1,681.4	2.50%	129,722.8	1,491.4	2.30%
Financial assets sold under repurchase agreements	15,260.4	220.4	2.89	16,479.7	229.3	2.78
Deposits from banks and other financial institutions	8,298.2	171.5	4.13	8,141.3	131.5	3.23
Debt securities issued <sup>(3)</sup>	19,873.3	514.5	5.18	27,823.1	566.7	4.07
Placements from banks and other financial institutions	1,924.5	15.0	1.56	2,004.8	26.4	2.63
Borrowing from the central bank	420.3	5.9	2.81	598.4	8.4	2.77
<b>Total interest-bearing liabilities</b>	<b>180,161.9</b>	<b>2,608.7</b>	<b>2.90%</b>	<b>184,770.1</b>	<b>2,453.7</b>	<b>2.65%</b>
<b>Net interest income</b>		<b>2,185.6</b>			<b>2,188.3</b>	
<b>Net interest spread<sup>(4)</sup></b>			<b>2.04%</b>			2.03%
<b>Net interest margin<sup>(5)</sup></b>			<b>2.25%</b>			2.21%

*Notes:*

- (1) For the six months ended June 30, 2018, investment securities and other financial assets primarily include financial assets at amortised cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. For the six months ended June 30, 2017, investment securities and other financial assets primarily include debt securities classified as receivables, available-for-sale financial assets, financial assets at fair value through profit or loss and held-to-maturity investment.
- (2) Primarily consist of statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.
- (3) Primarily consist of tier-two capital bonds, subordinated fixed rate bonds and interbank certificates.
- (4) Calculated by the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets).
- (6) Interest income includes interest income generated from financial assets at fair value through profit or loss in net trading (losses)/gains. The Group has adopted the new standard for financial instruments on January 1, 2018. Under the new standard for financial instruments, certain investment securities and other financial assets was measured at fair value and the gains from investment securities and other financial assets was accounted for net trading (losses)/gains. Before the adoption of the new standard for financial instruments, gains generated from those investments was accounted for interest income. For the purpose of comparison, interest income generated from investment securities and other financial assets for the six month ended June 30, 2018 (including the interest income accounted for net trading (losses)/gains under the new standard for financial instruments) was RMB432.0 million.

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2018 vs 2017		
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	Net Increase/ (decrease) <sup>(3)</sup>
<b>Interest-earning Assets</b>			
Loans and advances to customers	427.3	(112.5)	314.8
Investment securities and other financial assets <sup>(1)</sup>	(71.4)	188.9	117.5
Financial assets held under resale agreements	(3.3)	10.7	7.4
Deposits with banks and other financial institutions	(279.6)	(23.5)	(303.1)
Deposits with the central bank	11.7	(12.2)	(0.5)
Placements with banks and other financial institutions	9.3	6.9	16.2
<b>Changes in interest income</b>	<b>94.0</b>	<b>58.3</b>	<b>152.3</b>
<b>Interest-bearing Liabilities</b>			
Deposits from customers	58.3	131.7	190.0
Financial assets sold under repurchase agreements	(17.6)	8.7	(8.9)
Deposits from banks and other financial institutions	3.2	36.8	40.0
Debt securities issued	(205.8)	153.6	(52.2)
Placements from banks and other financial institutions	(0.6)	(10.8)	(11.4)
Borrowing from the central bank	(2.5)	0.0	(2.5)
<b>Changes in interest expense</b>	<b>(165.0)</b>	<b>320.0</b>	<b>155.0</b>
<b>Changes in net interest income</b>	<b>259.0</b>	<b>(261.7)</b>	<b>(2.7)</b>

Notes:

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

## Chapter 4 Management Discussion and Analysis

### (ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018		2017	
	Amount	% of total	Amount	% of total
Loans and advances to customers	2,628.9	54.8%	2,314.1	49.9%
Investment securities and other financial assets <sup>(1)</sup>	1,556.0	32.5	1,438.5	31.0
Deposits with banks and other financial institutions	322.2	6.6	625.3	13.5
Financial assets held under resale agreements	137.7	2.9	130.3	2.8
Deposits with the central bank	122.6	2.6	123.1	2.6
Placements with banks and other financial institutions	26.9	0.6	10.7	0.2
<b>Total</b>	<b>4,794.3</b>	<b>100.0%</b>	<b>4,642.0</b>	<b>100.0%</b>

Note:

- (1) Interest income includes interest income generated from financial assets at fair value through profit or loss in net trading (losses)/gains. The Group has adopted the new standard for financial instruments on January 1, 2018. Under the new standard for financial instruments, certain investment securities and other financial assets was measured at fair value and the gains from investment securities and other financial assets was accounted for net trading (losses)/gains. Before the adoption of the new standard for financial instruments, gains generated from those investments was accounted for interest income. For the purpose of comparison, interest income generated from investment securities and other financial assets for the six month ended June 30, 2018 (including the interest income accounted for net trading (losses)/gains under the new standard for financial instruments) was RMB432.0 million.

The Group's interest income increased by 3.3% from RMB4,642.0 million for the six months ended June 30, 2017 to RMB4,794.3 million for the six months ended June 30, 2018, primarily due to an increase in the average yield on interest-earning assets, from 4.68% for the six months ended June 30, 2017 to 4.94% for the six months ended June 30, 2018, which was partially offset by a decrease in the average balance of interest-earning assets, from RMB198,309.3 million for the six months ended June 30, 2017 to RMB194,251.7 million for the six months ended June 30, 2018. The decrease in the average balance of interest-earning assets was primarily due to the decreases in the average balance of investment securities and other financial assets, deposits with banks and other financial institutions, which was partially offset by the increase in the average balance of loans and advances to customers. The increase in the average yield on interest-earning assets was primarily due to the increase in the average yield on investment securities and other financial assets, financial assets held under resale agreements and placements with banks and other financial institutions, which was partially offset by the decrease in the average yield on loans and advances to customers.



## Chapter 4 Management Discussion and Analysis

### (A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 49.9% and 54.8% of the Group's total interest income for the six months ended June 30, 2017 and 2018, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			2017		
	2018 Average balance	2018 Interest income	2018 Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	64,904.8	1,967.0	6.06%	55,108.2	1,813.2	6.58%
Retail loans	20,500.5	660.4	6.44	16,445.1	500.5	6.09
Discounted bills	58.1	1.5	5.16	20.0	0.4	4.00
<b>Total loans and advances to customers</b>	<b>85,463.4</b>	<b>2,628.9</b>	<b>6.15%</b>	<b>71,573.3</b>	<b>2,314.1</b>	<b>6.47%</b>

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

Interest income from investment securities and other financial assets increased by 8.2% from RMB1,438.5 million for the six months ended June 30, 2017 to RMB1,556.0 million for the six months ended June 30, 2018, primarily due to the increase in the average yield on investment securities and other financial assets, from 4.54% for the six months ended June 30, 2017 to 5.14% for the six months ended June 30, 2018, which was partially offset by a decrease in the average balance of investment securities and other financial assets, from RMB63,315.1 million for the six months ended June 30, 2017 to RMB60,537.6 million for the six months ended June 30, 2018.

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

Interest income from deposits with banks and other financial institutions decreased by 48.5% from RMB625.3 million for the six months ended June 30, 2017 to RMB322.2 million for the six months ended June 30, 2018, primarily due to a decrease in the average balance of deposits with banks and other financial institutions, from RMB37,180.6 million for the six months ended June 30, 2017 to RMB19,907.3 million for the six months ended June 30, 2018, and the decrease in average yield from 3.36% for the six months ended June 30, 2017 to 3.24% for the six months ended June 30, 2018.

## Chapter 4 Management Discussion and Analysis

### (D) Interest income from financial assets held under resale agreements

Interest income from financial assets held under resale agreements increased by 5.7% from RMB130.3 million for the six months ended June 30, 2017 to RMB137.7 million for the six months ended June 30, 2018, primarily due to an increase in the average yield of those assets, from 3.15% for the six months ended June 30, 2017 to 3.41% for the six months ended June 30, 2018.

### (E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 0.4% from RMB123.1 million for the six months ended June 30, 2017 to RMB122.6 million for the six months ended June 30, 2018, primarily due to a slight decrease in the average yield on deposits with the central bank, from 1.45% for the six months ended June 30, 2017 to 1.31% for the six months ended June 30, 2018, which was partially offset by an increase in the average balance of deposits with the central bank, from RMB16,983.4 million for the six months ended June 30, 2017 to RMB18,770.9 million for the six months ended June 30, 2018. The increase in the average balance of deposits with the central bank was primarily due to an increase in the statutory deposit reserves resulting from increased customer deposits.

### (iii) Interest expenses

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018		2017	
	Amount	% of total	Amount	% of total
Deposits from customers	1,681.4	64.5%	1,491.4	60.8%
Financial assets sold under repurchase agreements	220.4	8.4	229.3	9.3
Deposits from banks and other financial institutions	171.5	6.6	131.5	5.4
Debt securities issued	514.5	19.7	566.7	23.1
Placements from banks and other financial institutions	15.0	0.6	26.4	1.1
Borrowings from the central bank	5.9	0.2	8.4	0.3
<b>Total</b>	<b>2,608.7</b>	<b>100.0%</b>	<b>2,453.7</b>	<b>100.0%</b>

## Chapter 4 Management Discussion and Analysis

### (A) Interest expenses on deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			2017		
	2018 Average balance	2018 Interest expense	2018 Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Time	20,224.3	392.1	3.88%	26,666.9	476.8	3.58%
Demand	31,955.2	250.9	1.57	31,540.9	213.0	1.35
<b>Subtotal</b>	<b>52,179.5</b>	<b>643.0</b>	<b>2.46%</b>	<b>58,207.8</b>	<b>689.8</b>	<b>2.37%</b>
<b>Retail deposits</b>						
Time	61,252.2	976.9	3.19%	52,070.5	767.1	2.95%
Demand	20,953.5	61.5	0.59	19,444.5	34.5	0.35
<b>Subtotal</b>	<b>82,205.7</b>	<b>1,038.4</b>	<b>2.53%</b>	<b>71,515.0</b>	<b>801.6</b>	<b>2.24%</b>
<b>Total deposits from customers</b>	<b>134,385.2</b>	<b>1,681.4</b>	<b>2.50%</b>	<b>129,722.8</b>	<b>1,491.4</b>	<b>2.30%</b>

Interest expenses on deposits from customers increased by 12.7% from RMB1,491.4 million for the six months ended June 30, 2017 to RMB1,681.4 million for the six months ended June 30, 2018, primarily due to an increase in the average balance of deposits from customers, from RMB129,722.8 million for the six months ended June 30, 2017 to RMB134,385.2 million for the six months ended June 30, 2018, and an increase in the average cost of deposits from customers, from 2.30% for the six months ended June 30, 2017 to 2.50% for the six months ended June 30, 2018.

## Chapter 4 Management Discussion and Analysis

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

Interest expenses on financial assets sold under repurchase agreements decreased by 3.9% from RMB229.3 million for the six months ended June 30, 2017 to RMB220.4 million for the six months ended June 30, 2018, primarily due to a decrease in the average balance of financial assets sold under repurchase agreements, from RMB16,479.7 million for the six months ended June 30, 2017 to RMB15,260.4 million for the six months ended June 30, 2018, which was partially offset by the increase of average cost from 2.78% for the six months ended June 30, 2017 to 2.89% for the six months ended June 30, 2018.

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

Interest expenses on deposits from banks and other financial institutions increased by 30.4% from RMB131.5 million for the six months ended June 30, 2017 to RMB171.5 million for the six months ended June 30, 2018, mainly due to an increase in the average balance of those liabilities from RMB8,141.3 million for the six months ended June 30, 2017 to RMB8,298.2 million for the six months ended June 30, 2018, and an increase in the average cost from 3.23% for the six months ended June 30, 2017 to 4.13% for the six months ended June 30, 2018.

### **(D) Interest expenses on debt securities issued**

Interest expenses on debt securities issued decreased by 9.2% from RMB566.7 million for the six months ended June 30, 2017 to RMB514.5 million for the six months ended June 30, 2018, mainly due to the average balance of such liabilities decreased from RMB27,823.1 million for the six months ended June 30, 2017 to RMB19,873.3 million for the six months ended June 30, 2018, which was partially offset by an increase in the average cost from 4.07% for the six months ended June 30, 2017 to 5.18% for the six months ended June 30, 2018.

### **(iv) Net interest spread and net interest margin**

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

Net interest spread slightly increased from 2.03% for the six months ended June 30, 2017 to 2.04% for the six months ended June 30, 2018, and net interest margin slightly increased from 2.21% for the six months ended June 30, 2017 to 2.25% for the six months ended June 30, 2018, remaining stable as the same period of last year.

## Chapter 4 Management Discussion and Analysis

### (v) Non-interest income

#### (A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018	2017	Change in amount	Change in percentage (%)
<b>Fee and commission income</b>				
Advisory fees	21.8	136.1	(114.3)	(84.0)%
Syndicated loan service fees	67.5	38.8	28.7	74.0
Settlement and clearing fees	26.5	24.2	2.3	9.5
Agency services fees	10.7	19.1	(8.4)	(44.0)
Wealth management service fees	8.6	127.1	(118.5)	(93.2)
Bank card service fees	3.1	3.4	(0.3)	(8.8)
Others <sup>(1)</sup>	3.0	2.4	0.6	25.0
<b>Subtotal</b>	<b>141.2</b>	<b>351.1</b>	<b>(209.9)</b>	<b>(59.8)%</b>
<b>Fee and commission expense</b>	<b>(13.8)</b>	<b>(16.8)</b>	<b>3.0</b>	<b>(17.9)%</b>
<b>Net fee and commission income</b>	<b>127.4</b>	<b>334.3</b>	<b>(206.9)</b>	<b>(61.9)%</b>

Note:

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

Net fee and commission income decreased by 61.9% from RMB334.3 million for the six months ended June 30, 2017 to RMB127.4 million for the six months ended June 30, 2018, primarily due to the decrease in advisory fees, agency service fees, wealth management service fees and bank card service fees as affected by factors such as market demand conditions.

Advisory fees income amounted to RMB21.8 million, decreased by RMB114.3 million, or 84.0%, when compared with the same period of last year, mainly due to the shrunk advisory agency service of the Group as a result of the decrease in market demand.

## Chapter 4 Management Discussion and Analysis

Syndicated loan service fees income amounted to RMB67.5 million, increased by RMB28.7 million, or 74.0%, when compared with the same period of last year, mainly due to the increased transaction of syndicated loan business.

Settlement and clearing fees income amounted to RMB26.5 million, increased by RMB2.3 million, or 9.5%, when compared with the same period of last year, mainly due to the increased transaction of settlement business.

Agency service fees income amounted to RMB10.7 million, decreased by RMB8.4 million, or 44.0%, when compared with the same period of last year, mainly due to the decreased transaction of agency business.

Wealth management service fees income amounted to RMB8.6 million, decreased by RMB118.5 million, or 93.2%, when compared with the same period of last year, mainly due to the decrease of issuance scale and average yield of wealth management products as a result of the implementation of new regulations governing asset management.

Bank card service fees income amounted to RMB3.1 million, decreased by RMB0.3 million, or 8.8%, when compared with the same period of last year, mainly due to the decrease in transaction amount of bank cards.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses decreased by 17.9% from RMB16.8 million for the six months ended June 30, 2017 to RMB13.8 million for the six months ended June 30, 2018, mainly due to the decrease in the volume of agency business.

### ***(B) Net gains arising from investment securities***

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

Net gains arising from investment securities decreased by 95.4% from RMB159.5 million for the six months ended June 30, 2017 to RMB7.3 million for the six months ended June 30, 2018. The decrease was mainly due to the decrease in investment asset transfer transactions such as assets management plans, and loss of fair value for disposal of bonds and other investment assets as affected by factors such as market trading conditions, which was partially offset by the increase in gains in transactions of bonds and other investment assets.

## Chapter 4 Management Discussion and Analysis

### **(C) Dividend income**

Dividend income decreased by 23.7% from RMB100.3 million for the six months ended June 30, 2017 to RMB76.5 million for the six months ended June 30, 2018. The decrease was mainly due to the decrease in actual distribution of dividends by non-controlling rural commercial banks and other entities invested by the Bank.

### **(D) Net trading gains**

Net trading gains increased by 485.6% from RMB65.8 million for the six months ended June 30, 2017 to RMB385.3 million for the six months ended June 30, 2018, mainly due to the Group's adoption of the new standards for financial instrument with effect from January 1, 2018. According to the new standards, revenue from financial assets at fair value through profit or loss of RMB432.0 million is recognised as net trading gains during the holding period. The net trading gains except for the abovementioned net trading gains during the holding period amounted to negative RMB46.7 million, decreased by RMB112.5 million when compare with the same period of last year, mainly due to the change of the fair value of the debt securities held for trading and assets management plans held by the Group as at the end of the period.

### **(E) Net exchange gains**

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. The Group had net exchange gains of RMB11.4 million and negative RMB11.3 million for the six months ended June 30, 2018 and 2017, respectively, primarily reflecting the fluctuation of foreign exchange rates.

### **(F) Other operating income**

Other operating income mainly included government subsidies. Other operating income decreased by 31.2% from RMB31.4 million for the six months ended June 30, 2017 to RMB21.6 million for the six months ended June 30, 2018, which primarily reflected the decrease in government subsidies received by the village and township banks.

## Chapter 4 Management Discussion and Analysis

### (vi) Operating expenses

Operating expenses increased by 6.9% from RMB1,204.8 million for the six months ended June 30, 2017 to RMB1,288.3 million for the six months ended June 30, 2018. The increase was primarily due to the increase in staff costs and property and equipment expenses.

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018	2017	Change in amount	Change in percentage (%)
Staff costs	731.3	681.9	49.4	7.2%
Property and equipment expenses	320.3	273.2	47.1	17.2
General management and administrative expenses	190.8	219.0	(28.2)	(12.9)
Taxes and surcharges	45.9	30.7	15.2	49.5
<b>Total</b>	<b>1,288.3</b>	<b>1,204.8</b>	<b>83.5</b>	<b>6.9%</b>

### (A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018	2017	Change in amount	Change in percentage (%)
Salaries and bonuses	486.5	465.4	21.1	4.5%
Social insurance	151.3	129.0	22.3	17.3
Staff welfares	37.5	37.4	0.1	0.3
Housing allowances	45.4	38.5	6.9	17.9
Labor union and staff education expenses	10.6	11.6	(1.0)	(8.6)
<b>Total staff costs</b>	<b>731.3</b>	<b>681.9</b>	<b>49.4</b>	<b>7.2%</b>



## Chapter 4 Management Discussion and Analysis

Staff costs increased by 7.2% from RMB681.9 million for the six months ended June 30, 2017 to RMB731.3 million for the six months ended June 30, 2018. The increase in staff costs primarily due to an increase in the number of employees because of the organic growth and the expansion of the branch network.

### **(B) Property and equipment expenses**

Property and equipment expenses increased by 17.2% from RMB273.2 million for the six months ended June 30, 2017 to RMB320.3 million for the six months ended June 30, 2018. The increase in property and equipment expenses was mainly due to an increase in depreciation on properties owned by newly established branches and rent for leased properties.

### **(C) General management and administrative expenses**

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash and repair expenses. General management and administrative expenses decreased by 12.9% from RMB219.0 million for the six months ended June 30, 2017 to RMB190.8 million for the six months ended June 30, 2018, primarily attributable to the Group's strict control on expenditure on general management and administrative expenses.

### **(D) Taxes and surcharges**

Taxes and surcharges increased by 49.5% from RMB30.7 million for the six months ended June 30, 2017 to RMB45.9 million for the six months ended June 30, 2018. The increases in taxes and surcharges were primarily due to the increase in value-added taxes paid by the Group when compared to the same period of last year, resulting in an increase in relevant taxes and surcharges.

## Chapter 4 Management Discussion and Analysis

### (vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2018	2017	Change in amount	Change in percentage (%)
Loans and advances to customers	387.3	407.5	(20.2)	(5.0)%
Debt securities classified as receivables	—	144.5	(144.5)	(100.0)
Financial assets at fair value through other comprehensive income	(0.9)	—	(0.9)	—
Financial assets at amortized cost	149.0	—	149.0	—
Deposits with banks and other financial institutions	5.8	—	5.8	—
Placements with banks and other financial institutions	0.6	—	0.6	—
Other receivables	13.6	1.1	12.5	1,136.4
Property and equipment <sup>(1)</sup>	—	3.6	(3.6)	(100.0)
<b>Total</b>	<b>555.4</b>	<b>556.7</b>	<b>(1.3)</b>	<b>(0.2)%</b>

Note:

(1) Primarily consist of property and equipment and repossessed assets.

Impairment losses on assets decreased by 0.2% from RMB556.7 million for the six months ended June 30, 2017 to RMB555.4 million for the six months ended June 30, 2018, which remained stable as compared with the same period of the previous year.

### (viii) Income tax expense

Income tax expense decreased by 56.8% from RMB218.9 million for the six months ended June 30, 2017 to RMB94.6 million for the six months ended June 30, 2018. The decrease in income tax expense was basically in line with the decrease in profit before tax in the first half of 2018. Effective tax rates were 16.6% and 19.6% for the six months ended June 30, 2018 and 2017, respectively. The relative lower effective tax rate in the first half of 2018 was mainly due to higher percentage of non-taxable income (including dividend income, interest income from treasury bonds and local government bonds and interest income from small loans to rural households).

## Chapter 4 Management Discussion and Analysis

### (b) Analysis of the Consolidated Statement of Financial Position

#### (i) Assets

As of June 30, 2018 and December 31, 2017, the Group's total assets amounted to RMB159,137.3 million and RMB187,008.5 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and other financial institutions; and (iv) cash and deposits with the central bank. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
<b>Assets</b>				
Loans and advances to customers, gross	69,505.7	43.7%	78,827.2	42.1%
Provision for impairment losses	(2,057.4)	(1.3)	(2,335.0)	(1.2)
Loans and advances to customers, net	67,448.3	42.4	76,492.2	40.9
Investment securities and other financial assets <sup>(1)</sup>	49,693.4	31.2	63,457.9	33.9
Deposits with banks and other financial institutions	13,802.4	8.7	13,219.6	7.1
Cash and deposits with the central bank	18,389.1	11.6	24,118.2	12.9
Financial assets held under resale agreements	—	—	479.9	0.3
Placements with banks and other financial institutions	1,708.3	1.1	1,200.0	0.6
Other assets <sup>(2)</sup>	8,095.8	5.0	8,040.7	4.3
<b>Total assets</b>	<b>159,137.3</b>	<b>100.0%</b>	<b>187,008.5</b>	<b>100.0%</b>

Notes:

- (1) Include financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- (2) Primarily consist of property and equipment, goodwill, other receivables and prepayments, interests receivable, deferred tax assets, repossessed assets and interests in associates.

## Chapter 4 Management Discussion and Analysis

### (A) Loans and advances to customers

As of June 30, 2018, the Group's total loans and advances to customers was RMB69,505.7 million, representing a decrease of 11.8% as compared to December 31, 2017. Net loans and advances to customers accounted for 42.4% of the Group's total assets, representing an increase of approximately 1.5 percentage points as compared to December 31, 2017.

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Corporate loans	50,018.8	72.0%	59,069.2	74.9%
Retail loans	19,432.3	27.9	19,744.9	25.1
Discounted bills	54.6	0.1	13.1	0.0
<b>Total loans and advances to customers</b>	<b>69,505.7</b>	<b>100.0%</b>	<b>78,827.2</b>	<b>100.0%</b>

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 42.4% and 40.9% of total assets as of June 30, 2018 and December 31, 2017, respectively.

The Group's corporate loans decreased by 15.3% from RMB59,069.2 million as of December 31, 2017 to RMB50,018.8 million as of June 30, 2018, primarily due to the fact that the Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group due to the termination of the acting-in-concert agreements, which was partially offset by an increase in the Group's corporate loans due to the market demand.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans decreased by 1.6% from RMB19,744.9 million as of December 31, 2017 to RMB19,432.3 million as of June 30, 2018, primarily due to the fact that the Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group due to the termination of the acting-in-concert agreements, which was partially offset by an increase in the Group's retail loans.

## Chapter 4 Management Discussion and Analysis

### Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 96.0% and 97.0% of total loans and advances to customers as of June 30, 2018 and December 31, 2017, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Collateralized loans	29,270.4	42.1%	35,316.5	44.8%
Pledged loans	6,583.6	9.5	11,378.8	14.4
Guaranteed loans	30,846.0	44.4	29,760.6	37.8
Unsecured loans	2,805.7	4.0	2,371.3	3.0
<b>Total loans and advances to customers</b>	<b>69,505.7</b>	<b>100.0%</b>	<b>78,827.2</b>	<b>100.0%</b>

Collateralized loans and pledged loans are the largest component of total loans and advances to customers. Collateralized loans and pledged loans as a percentage of total loans and advances to customers were 59.2% as of December 31, 2017 and 51.6% as of June 30, 2018, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of total loans and advances to customers was 37.8% as of December 31, 2017 and 44.4% as of June 30, 2018.

The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2017 and June 30, 2018, unsecured loans represented 3.0% and 4.0% of total loans and advances to customers.

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2018	December 31, 2017
<b>As at the beginning of the period/year</b>	<b>2,335.0</b>	1,814.4
Provision made in respect of the adoption of new standard for financial instruments	<b>297.8</b>	—
Charge for the period/year	<b>393.7</b>	512.2
Reverse for the period/year	<b>(6.4)</b>	(149.0)
Amounts written off as uncollectible	<b>(18.6)</b>	(6.0)
Recoveries of loans and advances previously written off	<b>8.3</b>	120.0
Acquisition of subsidiaries	<b>—</b>	43.4
Derecognised on demand disposals of subsidiaries	<b>(952.4)</b>	—
<b>As of June 30/December 31</b>	<b>2,057.4</b>	2,335.0

Provision for impairment losses on loans decreased by 11.9% from RMB2,335.0 million as of December 31, 2017 to RMB2,057.4 million as of June 30, 2018, primarily due to the fact that the Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group due to the termination of the acting-in-concert agreements, which was partially offset by an increase in the Group's provision for impairment losses on loans.

#### **(B) Investment securities and other financial assets**

As of June 30, 2018 and December 31, 2017, the Group had investment securities and other financial assets of RMB49,693.4 million and RMB63,457.9 million, respectively, representing 31.2% and 33.9% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans, trust plans, wealth management products issued by other financial institutions, beneficiary certificates issued by securities companies and equity investments.

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
<b>Debt securities investments</b>				
Available-for-sale debt securities	—	—	7,180.7	11.3%
Held-to-maturity debt securities	—	—	10,448.7	16.5
Debt securities held for trading	—	—	222.0	0.3
Debt securities classified as receivables	—	—	—	—
Financial assets at fair value through other comprehensive income	5,882.7	11.8%	—	—
Financial assets at amortized cost	7,126.5	14.3%	—	—
<b>Subtotal</b>	<b>13,009.2</b>	<b>26.1%</b>	17,851.4	28.1%
<b>Asset management plans and trust plans</b>				
Asset management plans	25,979.4	52.3%	27,980.3	44.1%
Trust plans	8,829.4	17.8%	13,924.6	21.9
<b>Subtotal</b>	<b>34,808.8</b>	<b>70.1%</b>	41,904.9	66.0%
<b>Wealth management products issued by other financial institutions</b>	<b>197.1</b>	<b>0.4%</b>	1,627.0	2.6%
<b>Subtotal</b>	<b>197.1</b>	<b>0.4%</b>	1,627.0	2.6%
<b>Investment funds</b>	<b>619.7</b>	<b>1.3%</b>	1,080.0	1.7%
<b>Subtotal</b>	<b>619.7</b>	<b>1.3%</b>	1,080.0	1.7%
<b>T+O clearing and advances</b>	<b>0.3</b>	<b>0.0%</b>	1.9	0.0%
<b>Subtotal</b>	<b>0.3</b>	<b>0.0%</b>	1.9	0.0%
<b>Equity investments</b>				
Available-for-sale equity investments	—	—	992.7	1.6%
Financial assets at fair value through other comprehensive income	121.3	0.2%	—	—
Financial assets at fair value through profit or loss	937.0	1.9%	—	—
<b>Subtotal</b>	<b>1,058.3</b>	<b>2.1%</b>	992.7	1.6%
<b>Total investment securities and other financial assets, net</b>	<b>49,693.4</b>	<b>100.0%</b>	63,457.9	100.0%

## Chapter 4 Management Discussion and Analysis

Investment securities and other financial assets decreased by 21.7% from RMB63,457.9 million as of December 31, 2017 to RMB49,693.4 million as of June 30, 2018. The decreases in investment securities and other financial assets were primarily due to the fact that (1) the Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group due to the termination of the acting-in-concert agreements; (2) according to the regulatory policies and market condition, investment strategy was adjusted timely, resulting in a decrease in the investment in asset management plans, trust plans and wealth management products; and (3) the Group has adopted the new standard for financial instruments on January 1, 2018 and adjusted the accounting classification of investment securities and other net financial assets accordingly.

### (ii) Liabilities

As of June 30, 2018 and December 31, 2017, total liabilities amounted to RMB145,007.3 million and RMB170,357.9 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) financial assets sold under repurchase agreements; and (iv) deposits from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Deposits from customers	106,452.5	73.4%	129,881.6	76.2%
Debt securities issued	19,775.7	13.6	20,039.6	11.8
Financial assets sold under repurchase agreements	7,961.7	5.5	9,679.7	5.7
Deposits from banks and other financial institutions	5,407.5	3.7	4,690.5	2.8
Borrowing from the central bank	1,734.9	1.2	1,576.2	0.9
Placements from banks and other financial institutions	946.5	0.7	1,652.5	1.0
Other liabilities <sup>(1)</sup>	2,728.5	1.9	2,837.8	1.6
<b>Total liabilities</b>	<b>145,007.3</b>	<b>100.0%</b>	<b>170,357.9</b>	<b>100.0%</b>

Note:

(1) Primarily consist of accrued staff costs and taxes payable.



## Chapter 4 Management Discussion and Analysis

### (A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>				
Demand deposits	23,260.8	21.9%	25,868.3	20.0%
Time deposits	15,827.4	14.9	20,835.8	16.0
<b>Subtotal</b>	<b>39,088.2</b>	<b>36.8</b>	46,704.1	36.0
<b>Retail deposits</b>				
Demand deposits	15,320.3	14.4	21,295.5	16.4
Time deposits	48,596.1	45.7	57,574.5	44.3
<b>Subtotal</b>	<b>63,916.4</b>	<b>60.1</b>	78,870.0	60.7
<b>Others<sup>(1)</sup></b>	<b>3,447.9</b>	<b>3.1</b>	4,307.5	3.3
<b>Total deposits from customers</b>	<b>106,452.5</b>	<b>100.0%</b>	129,881.6	100.0%

Note:

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

Total deposits from customers decreased by 18.0% from RMB129,881.6 million as of December 31, 2017 to RMB106,452.5 million as of June 30, 2018. The decreases were primarily attributable to the fact that the Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group due to the termination of the acting-in-concert agreements, which was partially offset by an increase in deposits due to the increasing efforts in marketing of the Group's deposits business.

## Chapter 4 Management Discussion and Analysis

### (B) Debts securities issued

In December 2012, the Bank issued an aggregate principal amount of RMB700.0 million subordinated fixed rate bonds. The bonds have a term of 10 years and bear an interest rate of 7.00% per annum.

In April 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB800.0 million. The bonds have a term of 10 years and bear an interest rate of 6.30% per annum. The Bank has an option to redeem the bonds on April 13, 2020 at par.

In October 2016, the Bank issued 10-year tier-two capital bonds of RMB900.0 million at fixed rate of 4.20%. The Bank has an option to redeem the bonds on October 18, 2021 at par.

From January 1, 2017 to December 31, 2017, the Bank issued 38 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB24,300 million. The interbank certificates have a term ranging from three months to one year and bear interest at effective rates between 4.55% and 5.33%.

From January 1, 2018 to June 30, 2018, the Bank issued 23 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB7,010.0 million. The interbank certificates have a term ranging from three months to one year and bear interest at effective rates between 4.70% and 5.32%.

### (iii) Shareholders' equity

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Share capital	3,984.8	28.2%	3,984.8	23.9%
Capital reserve	5,319.0	37.6	5,315.8	31.9
Investment revaluation reserve	(185.5)	(1.3)	(299.8)	(1.8)
Surplus reserve	631.1	4.5	631.1	3.8
General reserve	1,445.9	10.2	1,538.2	9.3
Retained earnings	984.5	7.0	1,381.6	8.3
Non-controlling interests	1,950.2	13.8	4,098.9	24.6
<b>Total equity</b>	<b>14,130.0</b>	<b>100.0%</b>	<b>16,650.6</b>	<b>100.0%</b>

## Chapter 4 Management Discussion and Analysis

### (c) Assets Quality Analysis

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

For the Group, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As of June 30, 2018, the Group's non-performing loans amounted to RMB1,327.0 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Normal	66,754.0	96.1%	75,711.3	96.0%
Special mention	1,424.7	2.0	1,754.3	2.2
Substandard	343.0	0.5	120.6	0.2
Doubtful	962.8	1.4	1,231.2	1.6
Loss	21.2	0.0	9.8	0.0
<b>Total loans and advances to customers</b>	<b>69,505.7</b>	<b>100.0%</b>	<b>78,827.2</b>	<b>100.0%</b>
<b>Non-performing loan and non-performing loan ratio<sup>(1)</sup></b>	<b>1,327.0</b>	<b>1.91%</b>	<b>1,361.6</b>	<b>1.73%</b>

Note:

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

As of June 30, 2018 and December 31, 2017, the Group's non-performing loan ratio was 1.91% and 1.73%, respectively. The slight increase in non-performing loan ratio of the Group as of June 30, 2018 as compared to that of December 31, 2017 was primarily due to the operating difficulties of certain customers in some industries as affected by the changes in macro-economic and financial conditions, slowed down economic growth and structural adjustments.

## Chapter 4 Management Discussion and Analysis

### (ii) Concentration of loans

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018				As of December 31, 2017			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio
<b>Corporate loans</b>								
Wholesale and retail	11,222.5	16.1%	109.8	0.98%	13,608.9	17.3%	174.2	1.28%
Manufacturing	10,730.8	15.4	369.3	3.44	11,858.3	15.0	373.5	3.15
Construction	5,773.2	8.3	96.2	1.67	6,506.3	8.3	30.7	0.47
Real estate	3,307.1	4.8	175.5	5.31	4,908.4	6.2	127.0	2.59
Agriculture, forestry, animal husbandry and fishery	4,557.2	6.6	92.6	2.03	5,278.7	6.7	143.2	2.71
Leasing and business services	4,039.8	5.8	4.0	0.10	3,286.9	4.2	1.9	0.06
Transportation, storage and postal services	2,131.3	3.1	27.7	1.30	2,594.7	3.3	27.7	1.07
Electricity, gas and water production and supply	1,451.8	2.1	5.4	0.37	2,513.2	3.2	4.6	0.18
Education	1,683.6	2.4	—	—	1,736.0	2.2	—	—
Accommodation and catering	841.0	1.2	30.0	3.57	1,406.1	1.8	—	—
Resident services, repair and other services	355.4	0.5	11.9	3.35	772.2	1.0	7.3	0.95
Health and social services	722.9	1.0	—	—	687.3	0.9	—	—
Information transmission, software and information technology services	836.5	1.2	—	—	896.0	1.1	—	—
Water, environment and public facility management	199.8	0.3	—	—	479.6	0.6	—	—
Public administration, social security and social organizations	162.6	0.2	—	—	128.5	0.2	—	—
Scientific research and technical services	1,291.5	1.9	4.0	0.31	1,144.7	1.5	—	—
Mining	87.6	0.1	29.9	34.13	391.4	0.5	33.9	8.66
Finance	110.0	0.2	—	—	352.0	0.4	—	—
Cultural, sports and entertainment	514.2	0.7	—	—	520.0	0.6	—	—
<b>Retail loans</b>	<b>19,432.3</b>	<b>28.0</b>	<b>370.7</b>	<b>1.91</b>	<b>19,744.9</b>	<b>25.0</b>	<b>437.6</b>	<b>2.22</b>
<b>Discounted bills</b>	<b>54.6</b>	<b>0.1</b>	<b>—</b>	<b>—</b>	<b>13.1</b>	<b>0.0</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>69,505.7</b>	<b>100.0%</b>	<b>1,327.0</b>	<b>1.91%</b>	<b>78,827.2</b>	<b>100.0%</b>	<b>1,361.6</b>	<b>1.73%</b>

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

## Chapter 4 Management Discussion and Analysis

Loans to borrowers in the wholesale and retail, manufacturing, construction, agriculture, forestry, animal husbandry and fishery, leasing, business services and real estate industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 79.2% and 76.9% of total corporate loans as of June 30, 2018 and December 31, 2017, respectively.

As of June 30, 2018, the non-performing loans of the Group's corporate loans were mainly concentrated in the mining industry, the real estate industry, accommodation and catering industry and the manufacturing industry, with the ratio of non-performing loans of 34.13%, 5.31%, 3.57% and 3.44%, respectively.

### (B) Borrower concentration

#### Indicators of Concentration

Major regulatory indicators	Regulatory Standard	As of June 30, 2018	As of December 31, 2017
Loan concentration ratio for the largest single customer (%)	$\leq 10$	7.47%	4.73%
Loan concentration ratio for the top ten customers (%)	$\leq 50$	41.77%	33.55%

Note: The data above are calculated in accordance with the formula promulgated by the CBIRC.

## Chapter 4 Management Discussion and Analysis

### Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of June 30, 2018, and such loans was classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2018		
		Amount	% of total loan	% of regulatory capital
Customer	Industry			
Borrower A	Wholesale and retail	1,075.0	1.55%	7.47%
Borrower B	Manufacturing	650.0	0.94	4.52
Borrower C	Scientific research, technical services	647.0	0.93	4.50
Borrower D	Wholesale and retail	622.0	0.89	4.33
Borrower E	Education	557.3	0.80	3.87
Borrower F	Health and social services	553.9	0.80	3.85
Borrower G	Manufacturing	499.0	0.72	3.47
Borrower H	Manufacturing	475.0	0.68	3.30
Borrower I	Electricity, gas and water production and supply	465.3	0.67	3.23
Borrower J	Real estate	465.0	0.67	3.23
<b>Total</b>		<b>6,009.5</b>	<b>8.65%</b>	<b>41.77%</b>

## Chapter 4 Management Discussion and Analysis

### (C) Distribution of non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018			As of December 31, 2017		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
<b>Corporate loans</b>						
Small and micro enterprises <sup>(1)</sup>	34,791.2	754.6	2.17%	38,527.9	633.8	1.65%
Medium enterprises <sup>(1)</sup>	10,036.7	201.7	2.01	16,602.5	229.9	1.38
Large enterprises <sup>(1)</sup>	5,190.4	—	—	3,815.7	60.3	1.58
Others <sup>(2)</sup>	0.5	—	—	123.1	—	—
<b>Subtotal</b>	<b>50,018.8</b>	<b>956.3</b>	<b>1.91%</b>	<b>59,069.2</b>	<b>924.0</b>	<b>1.56%</b>
<b>Retail loans</b>						
Personal business loans	13,353.0	314.0	2.35%	13,470.6	387.3	2.88%
Personal consumption loans	3,240.5	36.5	1.13	3,407.0	47.5	1.39
Residential and commercial mortgage loans	2,826.7	20.2	0.17	2,859.7	2.7	0.10
Credit card overdrafts	12.1	0.0	0.02	7.6	0.1	1.32
<b>Subtotal</b>	<b>19,432.3</b>	<b>370.7</b>	<b>1.91%</b>	<b>19,744.9</b>	<b>437.6</b>	<b>2.22%</b>
<b>Discounted bills</b>	<b>54.6</b>	<b>—</b>	<b>—</b>	<b>13.1</b>	<b>—</b>	<b>—</b>
<b>Total loans</b>	<b>69,505.7</b>	<b>1,327.0</b>	<b>1.91%</b>	<b>78,827.2</b>	<b>1,361.6</b>	<b>1.73%</b>

Notes:

- (1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises (《中小企業劃型標準規定》).
- (2) Mainly consist of government entities and public institutions.

## Chapter 4 Management Discussion and Analysis

The non-performing loan ratio of corporate loans increased from 1.56% as of December 31, 2017 to 1.91% as of June 30, 2018, primarily due to certain enterprises experienced operating difficulties under the impacts of changes of financial conditions, slow down of economy growth and structure adjustment.

The non-performing loan ratio of retail loans decreased from 2.22% as of December 31, 2017 to 1.91% as of June 30, 2018, primarily because the Company has strengthened the recovery of non-performing loans.

### (D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
<b>Loans not overdue</b>	<b>66,903.0</b>	<b>96.3%</b>	76,322.1	96.8%
<b>Loans past due for:</b>				
1 to 90 days	1,097.6	1.6	477.6	0.6
91 days to 1 year	473.5	0.7	537.6	0.7
1 to 3 years	632.5	0.9	986.0	1.3
3 years or more	399.1	0.5	503.9	0.6
<b>Subtotal</b>	<b>2,602.7</b>	<b>3.7%</b>	2,505.1	3.2%
<b>Total loans and advances to customers</b>	<b>69,505.7</b>	<b>100.0%</b>	78,827.2	100.0%



## Chapter 4 Management Discussion and Analysis

### (d) Segment Information

#### (i) Summary of geographical segment information

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2017	
	2018 Amount	% of total	Amount	% of total
Jilin	2,060.2	86.7%	2,630.4	91.7%
Other Regions <sup>(1)</sup>	316.7	13.3	237.9	8.3
<b>Total operating income</b>	<b>2,376.9</b>	<b>100.0%</b>	<b>2,868.3</b>	<b>100.0%</b>

Note:

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

#### (ii) Summary of business segments

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2017	
	2018 Amount	% of total	Amount	% of total
Corporate banking	1,108.4	46.6%	1,248.5	43.5%
Retail banking	1,057.3	44.5	645.5	22.5
Treasury operations	107.9	4.5	853.8	29.8
Others <sup>(1)</sup>	103.3	4.4	120.5	4.2
<b>Total</b>	<b>2,376.9</b>	<b>100.0%</b>	<b>2,868.3</b>	<b>100.0%</b>

Note:

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

## Chapter 4 Management Discussion and Analysis

### (e) Off-balance Sheet Commitments

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As of June 30, 2018</b>	As of December 31, 2017
<b>Credit commitments:</b>		
Bank acceptances <sup>(1)</sup>	1,924.1	2,056.8
Letters of credit <sup>(2)</sup>	68.3	94.2
Letters of guarantee <sup>(2)</sup>	2,099.7	1,871.1
Unused credit card limits	116.2	94.2
<b>Subtotal</b>	<b>4,208.3</b>	4,116.3
<b>Operating lease commitments</b>	<b>912.0</b>	946.9
<b>Capital commitments</b>	<b>38.7</b>	46.6
<b>Total</b>	<b>5,159.0</b>	5,109.8

Notes:

- (1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on its customers.
- (2) The Group issues letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments increased by 1.0% from RMB5,109.8 million as of December 31, 2017 to RMB5,159.0 million as of June 30, 2018. The increase in off-balance sheet commitments was mainly due to the growth of the letters of credit and letters of guarantee businesses driven by the expansion of the Group's customer base and increased customer demand.

## Chapter 4 Management Discussion and Analysis

### 4 Business Review

#### (a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services departments and non-profit organizations. As of June 30, 2018, the Group had approximately 2,148 corporate borrowers with loans totalling RMB50,018.8 million. For the six months ended June 30, 2018 and 2017, operating income from the Group's corporate banking business accounted for 46.6% and 43.5% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of June 30, 2018, the Group had 2,104 SME customers with loans totalling RMB44,813.7 million. In 2018, the Bank was recognized as a Role Model of Rural Cooperative Financial Institutions in Serving Rural Areas and Small Business (農村合作金融機構支農支小服務示範單位) by the China Banking Association. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2018	2017	
External interest (expenses)/income, net <sup>(1)</sup>	1,341.1	1,123.7	19.3%
Inter-segment interest (expenses)/income, net <sup>(2)</sup>	(324.7)	61.2	(630.6)
Net interest income	1,016.4	1,184.9	(14.2)
Net fee and commission income	92.0	63.6	44.7
<b>Operating income</b>	<b>1,108.4</b>	<b>1,248.5</b>	<b>(11.2)</b>
Operating expenses	(594.5)	(651.8)	(8.8)
Impairment reversed/(losses) on assets	(254.5)	(348.1)	(26.9)
<b>Profit before tax</b>	<b>259.4</b>	<b>248.6</b>	<b>4.3%</b>

Notes:

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

(2) Refers to inter-segment expenses and consideration of transfers.

## Chapter 4 Management Discussion and Analysis

### (i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 2018 and December 31, 2017, the Group's corporate loans totalled RMB50,018.8 million and RMB59,069.2 million, respectively, accounting for 72.0% and 74.9% of the Group's total loans and advances to customers, respectively.

### (ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than six months. The Group may re-discount these bills to the PBOC or other financial institutions. As of June 30, 2018, the Group had a balance of RMB54.6 million in discounted bills, all of which were bank acceptance bills.

### (iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of June 30, 2018 and December 31, 2017, the Group's corporate deposits totalled RMB39,088.2 million and RMB46,704.1 million, respectively, accounted for 36.8% and 36.0% of total customer deposits, respectively.

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

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

## Chapter 4 Management Discussion and Analysis

### **(A) Consulting and financial advisory services**

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. For the six months ended June 30, 2018 and 2017, the Group's income from consulting and financial advisory services was RMB21.8 million and RMB136.1 million, respectively.

### **(B) Syndicated loans services**

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their larger financing needs. For the six months ended June 30, 2018 and 2017, the Group earned service fees for syndicated loans of RMB67.5 million and RMB38.8 million, respectively.

### **(C) Settlement and clearing services**

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

### **(D) Entrusted loans**

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

### **(E) Agency Services**

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

### **(F) Wealth Management Services**

The Bank offers corporate customers a variety of wealth management products based on their risk and return appetites, including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. Such wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. For the six months ended June 30, 2018 and 2017, the Bank's sales of wealth management products to corporate customers totalled RMB295.1 million and RMB3,192.2 million, respectively.

## Chapter 4 Management Discussion and Analysis

### (b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of June 30, 2018, the Group had 40,636 retail borrowers with total loans and advances to customers of RMB19,432.3 million. For the six months ended June 30, 2018 and 2017, the operating income from the Group's retail banking business amounted to RMB1,057.3 million and RMB645.5 million, respectively, accounting for 44.5% and 22.5% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2018	2017	
External interest income/(expenses), net <sup>(1)</sup>	(394.0)	(301.1)	30.9%
Inter-segment interest (expenses)/income, net	1,440.2	933.2	54.3
Net interest income	1,046.2	632.1	65.5
Net fee and commission income	11.1	13.4	(17.2)
<b>Operating income</b>	<b>1,057.3</b>	645.5	63.8
Operating expenses	(555.4)	(334.2)	66.2
Impairment reversed/(losses) on assets	(132.9)	(59.3)	124.1
<b>Profit before tax</b>	<b>369.0</b>	252.0	46.4%

Note:

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

### (i) Retail loans

Net interest income of the Group's retail bank business as of June 30, 2018 decreased when compared with that of June 30, 2017, while the net inter-segment interest income increased when compared with the corresponding period of last year, which was mainly due to the allocation of inter-segment funds in view of market changes.

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of June 30, 2018 and December 31, 2017, the Group's retail loans totalled RMB19,432.3 million and RMB19,744.9 million, respectively, accounting for 27.9% and 25.1% of total loans and advances to customers, respectively.

## Chapter 4 Management Discussion and Analysis

### (ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily including U.S. dollars and Euros) generally have maturities ranging from one month to two years. As of June 30, 2018 and December 31, 2017, the Group's retail deposits totalled RMB63,916.4 million and RMB78,870.0 million, respectively, accounting for 60.1% and 60.7% of total customer deposits, respectively.

### (iii) Bank cards services

#### (A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (“長春市總工會”) to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group has cooperated with well-known domestic third-party payment companies to develop Internet payment services to enhance cardholder experience. As of June 30, 2018, the Group had issued approximately 3.02 million debit cards.

#### (B) Credit cards

The Bank received approval to issue Renminbi denominated UnionPay credit cards in September 2015. Currently, such credit cards have been officially issued.

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

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

## Chapter 4 Management Discussion and Analysis

### **(A) Wealth management services**

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. The Bank also sells insurance products and has obtained the qualification to sell fund products in February 2016. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and other fixed-income products. For the six months ended June 30, 2018 and 2017, the Bank's sales of wealth management products to retail customers totalled RMB21,081.4 million and RMB14,350.4 million, respectively.

### **(B) Private banking service**

The Bank's private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. For the six months ended June 30, 2018 and 2017, the Bank's sales of wealth management products to private banking customers totalled RMB2,478.7 million and RMB3,520.9 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts and health consultancy services offered in cooperation with third parties.

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

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

### **(c) Treasury Operations**

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. For the six months ended June 30, 2018 and 2017, operating income from the Group's treasury operations was RMB107.9 million and RMB853.8 million, respectively, accounting for 4.5% and 29.8% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.



## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2018	2017	
External interest (expenses)/income, net <sup>(1)</sup>	806.5	1,365.7	(40.9)%
Inter-segment interest income/(expenses), net <sup>(2)</sup>	(1,115.5)	(994.4)	12.2
Net interest income	(309.0)	371.3	(183.2)
Net fee and commission income	24.3	257.2	(90.6)
Net income from other businesses <sup>(3)</sup>	392.6	225.3	74.3
<b>Operating income</b>	<b>107.9</b>	853.8	(87.4)
Operating expenses	(72.2)	(168.5)	(57.2)
Impairment reversed/(losses) on assets	(154.4)	(144.5)	6.9
<b>Profit before tax</b>	<b>(118.7)</b>	540.8	(121.9)%

Notes:

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

### (i) Money market transactions

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

In 2018, the Bank was selected as one of the Top 300 Trading Banks in the Interbank RMB Market in 2017 and one of the Top 100 Banks in the Interbank RMB and Foreign Exchange Market in 2017 in each case by the China Foreign Exchange Trade System and National Interbank Funding Center.

## Chapter 4 Management Discussion and Analysis

### **(A) Interbank deposits**

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2018 and December 31, 2017, the Group's deposits from banks and other financial institutions totalled RMB5,407.5 million and RMB4,690.5 million, respectively, and the Group's deposits at banks and other financial institutions totalled RMB13,802.4 million and RMB13,219.6 million, respectively.

### **(B) Interbank placement**

As of June 30, 2018 and December 31, 2017, the Group's placements with banks and other financial institutions totalled RMB1,708.3 million and RMB1,200.0 million, respectively, and the Group's placements from banks and other financial institutions totalled RMB946.5 million and RMB1,652.5 million, respectively.

### **(C) Interbank repurchase and reverse repurchase transactions**

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-dominated treasury bonds and policy financial bonds. As of June 30, 2018 and December 31, 2017, the Group's financial assets held under resale agreements totalled nil and RMB479.9 million, respectively, and the Group's financial assets sold under repurchase agreements totalled RMB7,961.7 million and RMB9,679.7 million, respectively.

### **(ii) Investments in securities and other financial assets**

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

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

## Chapter 4 Management Discussion and Analysis

### (A) Securities investment by holding purpose of the Group

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Held-to-maturity investment	—	—	10,448.7	16.5%
Available-for-sale financial assets	—	—	8,914.5	14.0
Financial assets at fair value through profit or loss	19,487.6	39.2	17,435.0	27.5
Debt securities classified as receivables	—	—	26,659.7	42.0
Financial assets at fair value through other comprehensive income	6,326.2	12.7	—	—
Financial assets at amortized cost	23,879.6	48.1	—	—
<b>Total investment securities and other financial assets</b>	<b>49,693.4</b>	<b>100.0%</b>	63,457.9	100.0%

Total investment securities and other financial assets decreased by 21.7% from RMB63,457.9 million as of December 31, 2017 to RMB49,693.4 million as of June 30, 2018.

The Group had adopted the new standard for financial instruments on January 1, 2018. Upon the adoption of the new standard for financial instruments, the classification of investment assets, including held-to-maturity investment, available-for-sale financial assets and debt securities classified as receivables, had no longer applied. In accordance with the requirement of the new standard for financial instruments, the related investment assets will be classified as three categories, namely financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, based on the business model and characteristics of cash flow of contract.

## Chapter 4 Management Discussion and Analysis

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Immediately due	282.3	0.6%	238.7	0.4%
Due in 3 months	9,486.2	19.1	14,958.9	23.6
Due between 3 and 12 months	18,316.8	36.9	20,361.2	32.1
Due between 1 and 5 years	11,973.3	24.1	16,871.2	26.6
Due over 5 years	8,576.5	17.3	10,035.2	15.8
Undefined	1,058.3	2.0	992.7	1.5
<b>Total</b>	<b>49,693.4</b>	<b>100.0%</b>	<b>63,457.9</b>	<b>100.0%</b>

The Bank's securities investment with a remaining maturity of between three months and 12 months represented the largest portion.

### (C) Holding of government bonds

As of June 30, 2018, the balance of face value of the government bonds held by the Bank amounted to RMB8,755.6 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of June 30, 2018.

## Chapter 4 Management Discussion and Analysis

Name of the bond	Face value	Interest rate per annum (%)	Maturity date
16 Interest-bearing treasury bond 10 (16付息國債10)	1,900.0	2.90	May 5, 2026
16 Interest-bearing treasury bond 17 (16付息國債17)	1,420.0	2.74	August 4, 2026
16 Interest-bearing treasury bond 23 (16付息國債23)	990.0	2.70	November 3, 2026
15 Interest-bearing treasury bond 19 (15付息國債19)	440.0	3.14	September 8, 2020
15 Interest-bearing treasury bond 16 (15付息國債16)	360.0	3.51	July 16, 2025
15 Interest-bearing treasury bond 26 (15付息國債26)	330.0	3.05	October 22, 2022
16 Jilin bond 02 (16吉林債02)	320.0	2.98	June 21, 2021
16 Interest-bearing treasury bond 25 (16付息國債25)	220.0	2.79	November 17, 2023
15 Jilin bond 04 (15吉林債04)	220.0	3.58	June 12, 2025
16 Interest-bearing treasury bond 20 (16付息國債20)	200.0	2.75	September 1, 2023

### (D) Holding of financial bonds

As of June 30 2018, the balance of face value of the financial bonds (mainly the financial bonds and interbank certificates issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB3,840.1 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2018.

Name of the bond	Face value	Interest rate per annum (%)	Maturity date
16 Guo Kai 13 (16國開13)	350.0	3.05	August 25, 2026
16 Guo Kai 05 (16國開05)	320.0	3.80	January 25, 2036
15 Jin Chu 14 (15進出14)	310.0	3.87	September 14, 2025
15 Nong Fa 05 (15農發05)	310.0	3.97	February 27, 2025
17 Guo Kai 15 (17國開15)	240.0	4.24	August 24, 2027
15 Guo Kai 09 (Additional Issuance) (15國開09 (增發))	200.0	4.22	April 13, 2022
16 Nong Fa 05 (Additional Issuance) (16農發05 (增發))	200.0	3.22	January 6, 2026
16 Guo Kai 07 (16國開07)	200.0	3.24	February 25, 2023
17 Chaoyang Bank CD015 (17朝陽銀行CD015)	130.0	5.30	December 14, 2018
14 Guo Kai 11 (14國開11)	130.0	5.67	April 8, 2024

## Chapter 4 Management Discussion and Analysis

### (iii) Treasury operations conducted on behalf of customers

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. For the six months ended June 30, 2018 and 2017, the Bank sold wealth management products totalling RMB21,376.5 million and RMB21,063.5 million, respectively.

### (d) Distribution Network

#### (i) Physical outlets

As of June 30, 2018, the Group had an aggregate of 318 outlets, of which 131 outlets, including three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiary banks under their own names.

The Group has gradually shifted the focus of its outlet operations from providing traditional banking services to providing comprehensive financial services. The Bank was the first rural commercial bank in China and first financial institution in Jilin province to provide robot bank lobby managers and 3-D printing, and was also the first financial institution in Jilin's rural credit bank system to offer 24-hour automatic safe deposit boxes and remote video self-service loan application machines.

#### (ii) Electronic banking

##### (A) Self-service banking

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of June 30, 2018, the Group had 239 self-service outlets, 277 self-service zones and 1,154 self-service facilities.

##### (B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, live customer service, and SMS interaction. As of June 30, 2018, the Group had 1,291,481 SMS banking customers.

## Chapter 4 Management Discussion and Analysis

### **(C) Internet banking**

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of June 30, 2018, the Group had 334,494 Internet banking customers.

### **(D) Mobile phone banking**

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and other services. As of June 30, 2018, the Group had 559,892 mobile phone banking customers.

### **(E) WeChat banking**

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of June 30, 2018, the Group had 101,304 WeChat banking customers.

### **(F) Remote video banking**

The Group offers remote self-serviced video banking with ancillary customer services for retail customers.

## **(e) Information on the Subsidiaries**

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

The Bank, as the main promoter, applied to the CBIRC for the promotion and establishment of Jilin Jiuyin Financial Leasing Co., Ltd. ("Jilin Jiuyin"). Jilin Jiuyin's registered address is in Changchun of Jilin province with a registered capital of RMB500.0 million. The Bank invested RMB300.0 million for an equity interest of 60% in Jilin Jiuyin. Jilin Jiuyin formally commenced business operation after it completed its business registration with Administration for Industry and Commerce of Jilin province and obtained the business license on February 20, 2017.

### **(ii) Rural commercial banks**

As of June 30, 2017, the Bank controlled and consolidated five rural commercial banks that were restructured from rural credit cooperatives and rural cooperative bank the Bank acquired. On May 28, 2018, the Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group due to the termination of the acting-in-concert agreements. As of June 30, 2018, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired.

## Chapter 4 Management Discussion and Analysis

For the six months ended June 30, 2018 and 2017, the operating income of these rural commercial banks was RMB503.5 million and RMB710.6 million, respectively, accounting for 21.2% and 24.8%, respectively, of the Group's total operating income. The operating income of the Four Rural Commercial Banks that terminated the acting-in-concert agreements for the five months ended May 31, 2018 were consolidated to that of the Group.

The Group's rural commercial banks offer a broad range of financial products and services to corporate and retail customers. These products and services include commercial and consumer loans, bill discounting, customer deposits and fee- and commission-based products and services, such as settlement services, remittance services and bank card services. Such banks also engage in money market transactions and invest in debt securities.

### (iii) Village and township banks

As of June 30, 2018, the Bank controlled and consolidated a total of 33 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of June 30, 2018, these village and township banks had total assets of RMB39,168.2 million, total deposits of RMB31,872.4 million and total loans of RMB21,519.5 million. For the six months ended June 30, 2018 and 2017, the operating income of these village and township banks was RMB737.7 million and RMB687.2 million, respectively, accounting for 31.0% and 24.0% of the Group's total operating income, respectively.

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

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



## Chapter 4 Management Discussion and Analysis

### (f) Operation and Safety of IT Systems

In the first half of 2018, the information technologies of the Bank further upgraded, providing comprehensive and effective support and protection for the innovative development of all businesses.

#### (i) Continuous enhancement of technology management

The Bank has steadily improved its technology management through continuous reforms, enhancement in policies and other measures. Greater efforts were made for self-investigations on the security of information systems, major infrastructures, network security and Internet data security. Subsequent evaluations were conducted. Information technology control and management system was also refined consistently.

#### (ii) Sound protection of information security

The Bank implemented measures to enhance the protection of information security by designing plans for network security upgrade according to the requirements of information security level protection and assessment. Jump server management was adopted with centralized account management, fine-grained authority management and visits audit regarding the operation of network equipment, servers, security equipment and databases. In addition, emergency plans were continuously optimized, and double-computer switch drillings and emergency network switch drillings were conducted. Emergency response level of the Bank has been strengthened.

#### (iii) Improvement in infrastructure

The Bank expanded the capacity of servers and upgraded the hardware of database system to enhance the system performance and stability of infrastructure. Virtualized system was developed to improve the system application, utilization efficiency and operational management efficiency of the existing servers. In addition, data backup project has been implemented to minimize the risk of data loss.

#### (iv) Accelerated system development

Efforts were made to develop and carry out projects in respect of community finance, consumption finance and customer relationship management, so as to further enhance customer services and refine management.



## **Chapter 4 Management Discussion and Analysis**

### **5 Risk Management**

#### **(a) Risk Management of the Bank**

The Bank is exposed to credit, operating, market and liquidity risks. The Bank is also exposed to other risks, such as information technology, legal and compliance and reputational risks.

##### **(i) Credit risk management**

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

The Bank's credit risk management organization includes its president and risk management committee, persons-in-charge of branches and sub-branches, credit approval committees or groups and its risk management, business, marketing and internal audit departments.

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

## Chapter 4 Management Discussion and Analysis

The Bank uses the following mechanisms to manage credit risks:

- Customer screening mechanism — the Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.
- Credit exit mechanism — the Bank regularly reassesses its outstanding credit risk based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (1) financial condition; (2) substantial shareholders; (3) key managers and technicians; (4) customers quality; (5) payment ability; and (6) business environment.
- Risk alert mechanism — the Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and promptly provides advice to deal with the issue.
- Non-performing asset disposal mechanism — the Bank has established an accountability mechanism for the disposal of non-performing assets.

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

In the first half of 2018, the Bank adopted management measures for significant risk exposures and specified the responsibilities of the Board, senior management and relevant departments of identification, measurement, monitoring and control of significant risks.

## Chapter 4 Management Discussion and Analysis

### (ii) Market risk management

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

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

In the first half of 2018, the Bank further improved its market risk management by proactively and duly responded to changes in conditions. Firstly, the Bank paid close attention to the market trend and further strengthened the identification, evaluation and prevention of market risk regarding the capital and credit businesses. Early alerts and effective measures on potential risks were adopted in advance, which prevented the occurrence of risk effectively. Secondly, based on the risk appetite for market risk and pursuant to the direction of business transformation, the Bank adjusted its investment strategies flexibly, optimized the plans for authorization, internal approval and limit of market risk, and reinforced the monitoring of the implementation of authorization and limits. Thirdly, the Bank expanded the database and improved the monitoring and analysis of market risk, which facilitated prompt adjustment of risk analysis and measurement approaches for timely alert and stop-loss measures.

## Chapter 4 Management Discussion and Analysis

### **(A) Interest rate risk management**

Interest rate risk is the risk of loss due to uncertainties relating to changes in market interest rates. The Bank is exposed to interest rate risks mainly due to mismatches in maturity dates or re-pricing dates of its assets and liabilities when there are changes in interest rates. Maturity or re-pricing date mismatches may cause changes in net interest income and economic value due to fluctuations in market interest rates. In view of the liberalization of interest rates and changes in the financial sector and market conditions, the Bank further improved its interest rate determination system and promptly modified its pricing management. The internal and external pricing system as well as the management of the maturity of assets and liabilities was enhanced. The Bank adjusted the interest rates of various products, introduced new products, promoted assets securitization and adopted fund transfer pricing (FTP) to facilitate the pricing and maturity management. The Bank uses and improves stress tests, scenario analysis, re-pricing gap analysis, maturity gap analysis and interest rate sensitivity analysis to measure its exposure to potential interest rate changes so as to improve the efficiency and preventive functions of its interest rate risk management system.

In the first half of 2018, the Bank continuously strengthened its maturity management and promptly modified its pricing policy to further enhance the interest rate risk management. Firstly, the Bank optimized the maturity profile of assets and liabilities and moderately adjusted contract terms and re-pricing terms. Through proper adjustment of maturity mismatches of assets and liabilities, the overall interest rate risks were reduced. Secondly, the Bank established a comprehensive loan pricing system for reasonable pricing of products. The Bank used FTP and other tools and adopted a scientific internal pricing transmission mechanism, in order to improve the prevention and management of interest rate risks. Thirdly, the Bank focused on balancing the risks and gains, in order to minimize the impact of interest rate risk on its business.

### **(B) Exchange rate risk management**

The Bank is exposed to exchange rate risk due to mismatches in the currency denominations of its assets and liabilities and in the terms of foreign exchange transactions. The Bank manages exchange rate risk by matching the sources and uses of funds. The Bank seeks to minimize the impact of exchange rate fluctuations by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, the Bank minimizes transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank timely closes positions from major transactions and revalues non-monetary balance sheet items daily to prevent exchange rate risks.

## Chapter 4 Management Discussion and Analysis

### (iii) Operational risk management

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

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

In the first half of 2018, the Bank has implemented various measures to continuously optimize the operational risk management structure and enhance its risk management and control capability. Firstly, the Bank provided intensive trainings for key personnel of business lines, branches and sub-branches. The trainings focus on the explanation of the establishment of risk management system, major operational risk management and the application of the three key tools of operational risk, including supervision, loss and assessment of operational risk. By performing a consolidated analysis on the aspects and procedures of the Bank that may have potential operational risk, the performance of the management members and the knowledge of the front-line staff of the operational risk have been enhanced. Secondly, the Bank intensified the depth and frequency of supervision and inspection. The Bank has prevented and eliminated potential operational risks on a timely basis through performing specialized inspections, off-site inspections, a combination of self-inspection and audits inspection supervised inspection on key positions, key procedures and key businesses. Thirdly, the Bank continued to strengthen the regulatory education for all employees, strengthen the execution of the system and strengthen the awareness and proactiveness of all employees in performing their duties in accordance with the rules. For the front-line staff, morning and evening meetings have been held for introduction of illustrative examples to enhance their consciousness of compliance. Fourthly, the Bank implemented a rotation system for key positions. By formulating a rotation plan for key positions, all departments and outlets have been required to strictly implement the rotation system. Implementation of the inspection work of the rotation and departure of staff for key positions has been carried out on a timely manner. Dynamic investigation of key positions has also been carried out, focusing on the authenticity and regulation of various types of business. Through combination of business inspection with the dynamic investigation of employee behavior, the occurrence of major risk cases caused by the employees' non-compliance in operations has been prevented effectively.

## Chapter 4 Management Discussion and Analysis

### (iv) Liquidity risk

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

The Bank has established an effective liquidity management and decision-making system and related procedures. The Board of the Bank is ultimately responsible for liquidity risk management, determined the policy, strategy, procedure and limit of liquidity risk management according to its risk appetite. The Board will review regular reports on the major and potential changes of the Bank's liquidity risks. The assets and liabilities management committee under the senior management is responsible for the implementation of the strategies and policies and procedures of liquidity risk management. The assets and liabilities management department is responsible for the daily liquidity risk management and to cooperate with the inter-bank market and other function departments to orderly and efficiently manage the liquidity risk management system.

The Bank continued to improve its liquidity risk management measures, tools and approaches. The ability to measure, identify and forecast liquidity risks was further enhanced through asset and liability management, liquidity risk indicative limits and maturity management to strengthen the liquidity risk management system. In addition, the Bank further improved the management of cash flow and quality assets and explored more sources of funding. The Bank properly increased its assets and adjusted the assets and liabilities structure for better management of liquidity risks in accordance with the exposure, liquidity risk indicators, capital adequacy and changes in market conditions.

## Chapter 4 Management Discussion and Analysis

In the first half of 2018, the Bank further improved its liquidity risk management. Firstly, the Bank optimized the limits of indicators of liquidity risk and the optimized limits of liquidity risk covered five categories and 16 indicators, including maturity matching management, business management (in terms of nature), management of funds pending payment and concentration degree management so that the management of limits can better meet the regulatory requirements and the practice of the Bank. Secondly, the Bank earnestly implemented the MPA requirements of the People's Bank of China, implemented strict management of major liquidity indicator limits from the effective control of inter-bank business and maturity mismatch, strengthened liquidity risk management as well as implemented regulatory requirements, for optimizing the combination of the business and operation. Thirdly, the Bank strengthened the research and analysis of the liquidity of assets and liabilities, and integrated the liquidity risk management into daily operation. Stress test was conducted regularly to measure the Bank's ability to meet liquidity requirement under extreme situation.

### (v) Reputational risk management

Reputational risk is the risk of negative publicity caused by the Bank's operations, management, other activities and external events. The Bank's reputational risk management aims to identify, monitor, manage and minimize reputational risk, build a positive corporate image and maintain sustainable development.

The Bank's Board bears ultimate responsibility for reputational risk management. The Bank's risk management committee is responsible for establishing policies and guidelines for reputational risk management. The Bank's senior management is responsible for overall reputational risk management. The office is responsible for the daily management of reputational risk.

### (vi) Legal and compliance risk management

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



## Chapter 4 Management Discussion and Analysis

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system. In the first half of 2018, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. The Group conducted ad-hoc investigations, including "Assessment on Specific Rectification in 2017" and "Investigation of Market Chaos in 2018". In addition, the Bank conducted case risk investigation to further enhance the compliance management of its operation through investigation and rectification.

### (vii) IT risk management

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

The Bank has an IT committee to supervise and guide IT activities. IT risks are covered by the Bank's risk management system. The IT department is responsible for the implementation of specific risk management measures, plans and proposals. In the first half of 2018, the Bank endeavours to implement the real-time monitoring and control of information technology risk through upgrading IT infrastructure, concentrating the establishment of the back-up system, enhancing the monitoring capability of the information technology system, improving the emergency management system and the continuous upgrading of the relevant regulations and systems. Firstly, the Bank regulated the operation process in order to prevent, monitor and trace the IT risks through stringent operation process management system. Secondly, the Bank upgraded the operation monitoring system through integrating all monitoring platforms for real-time monitoring of the operation system risk and to prevent information safety risk through early warning mechanism. Thirdly, the Bank practised emergency drills of six scenarios, including the power system, air-conditioning system, fire, internet, database and application system, in order to evaluate the effectiveness of the emergency plans for continuous improvement and to enhance the ability of IT risk management. Fourthly, in accordance with the test results on monitoring information security, the Bank earnestly identified potential security risks in the systems for improvement, which effectively protected the safe and stable operation of the IT system.

## Chapter 4 Management Discussion and Analysis

### (viii) Anti-money laundering management

The Bank has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and regulations promulgated by the PBOC.

The Bank has set up a leading anti-money laundering team responsible for the coordination of the compliance of the Bank in respect of anti-money laundering laws and regulations, the formulation of anti-money laundering plans and regulatory mechanisms and the review and supervision of the implementation of such plans and mechanisms. It is also responsible for preparing reports required by the regulatory authorities and carrying out anti-money laundering inspections. It also cooperates with authorities such as police and legal authorities in the investigation of alleged anti-money laundering crimes, the research on the major issues of anti-money laundering and the formulation of solutions and policies.

### (ix) Internal audit

The Bank's internal audit seeks to ensure strict compliance with laws and regulations and effective implementation of its internal rules, policies and operating guidelines. The Bank's internal audit also inspects and assesses the comprehensiveness, prudence and effectiveness of its internal control and improves its operational and management abilities. The Bank has adopted an independent and vertical internal audit organizational framework consisting of the audit committee of Board of Directors and internal audit department. The audit committee supervises and oversees Director and senior management activities, including business decisions, financial management, risk management, internal controls and other activities. The committee also audits all departing Directors and senior management and demand remedy, if necessary.

The internal audit department is responsible for the Bank's internal audit and has designated auditors to perform independent audits, supervision and assessments and to provide independent advice. The internal audit department formulates internal audit policies, prepares and implements annual audit plan, inspects bank-wide management, evaluates internal control, supervises branches and conducts follow-up audits.

## Chapter 4 Management Discussion and Analysis

### (b) Risk Management of the Subsidiaries

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

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

#### (i) Credit risk management

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

#### (ii) Market risk management

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

#### (iii) Operational risk management

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

#### (iv) Liquidity risk management

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

## Chapter 4 Management Discussion and Analysis

### (v) Reputational risk management

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

### (vi) Legal and compliance risk management

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

### (vii) IT risk management

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

### (viii) Anti-money laundering management

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

### (ix) Internal audit

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

## Chapter 4 Management Discussion and Analysis

### 6 Analysis on Capital Adequacy Ratio

Each PRC commercial bank is required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required China's commercial banks (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 8.9%, 9.3%, 9.7%, 10.1%, and 10.1%, (ii) minimum tier-one capital adequacy ratios of 6.9%, 7.3%, 7.7%, 8.1%, and 8.1%, and (iii) minimum core tier-one capital adequacy ratios of 5.9%, 6.3%, 6.7%, 7.1%, and 7.1%, respectively, as of June 30, 2014, 2015, 2016, 2017 and 2018.

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>June 30, 2018</b>	December 31, 2017
<b>Core capital</b>		
Paid-up capital	<b>3,984.8</b>	3,984.8
Qualifying portion of capital reserve	<b>5,319.0</b>	5,315.8
Surplus reserve	<b>631.1</b>	631.1
General risk reserve	<b>1,445.9</b>	1,538.2
Investment revaluation reserve	<b>(185.5)</b>	(299.8)
Retained earnings	<b>984.5</b>	1,381.6
Qualifying portions of non-controlling interests	<b>885.0</b>	2,118.6
Core tier-one capital deductions <sup>(1)</sup>	<b>(1,728.1)</b>	(1,266.7)
<b>Net core tier-one capital</b>	<b>11,336.7</b>	13,403.6
Other tier-one capital <sup>(2)</sup>	<b>99.1</b>	268.3
<b>Net tier-one capital</b>	<b>11,435.8</b>	13,671.9

## Chapter 4 Management Discussion and Analysis

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>June 30, 2018</b>	December 31, 2017
<b>Tier-two capital</b>		
Qualifying portion of tier-two capital instruments issued	1,980.0	2,050.0
Surplus reserve for loan impairment	730.4	973.3
Qualifying portion of non-controlling interests	240.5	570.7
<b>Net capital base</b>	<b>14,386.7</b>	17,265.9
<b>Total risk-weighted assets</b>	<b>128,129.1</b>	141,481.1
<b>Core tier-one capital adequacy ratio (%)</b>	<b>8.85%</b>	9.47%
<b>Tier-one capital adequacy ratio (%)</b>	<b>8.93%</b>	9.66%
<b>Capital adequacy ratio (%)</b>	<b>11.23%</b>	12.20%

*Notes:*

- (1) Primarily includes other intangible assets excluding land use rights as well as goodwill and deferred tax recognized for tax losses.
- (2) Primarily includes tier-one capital instruments such as preferred shares and their premiums and qualifying portion of non-controlling interests.

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

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

#### (I) Changes in Share Capital

During the Reporting Period, there were no changes in the share capital structure of the Bank.

As of June 30, 2018, the share capital of the Bank was as follows:

Description of Shares	Number of Shares	Approximate percentage of issued share capital
Domestic Shares	3,225,797,692	81.0%
H Shares	759,000,000	19.0%
<b>Total</b>	<b>3,984,797,692</b>	<b>100.0%</b>

There were no changes to the share capital of the Bank during the period from June 30, 2018 to the Latest Practicable Date.

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

### II. Particulars of Shareholders

#### (I) Particulars of shareholdings of the top ten shareholders of the Domestic Shares of the Bank

As of June 30, 2018, the top ten holders of the Domestic Shares of the Bank are set out as follows:

<b>Number</b>	<b>Name of shareholder</b>	<b>Total number of shares held at June 30, 2018</b>	<b>Approximate percentage in the total issued share capital of the Bank at June 30, 2018 (%)</b>	<b>Pledged or frozen</b>
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	382,929,916	9.61	—
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	328,056,320	8.23	—
3	Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	176,547,788	4.43	—
4	Yongtai Group Limited (永泰集團有限公司)	160,000,000	4.02	160,000,000
5	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	110,575,290	2.77	—
6	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	108,731,739	2.73	—
7	China Wood (Group) Co., Ltd. (中國木材(集團)有限公司)	100,352,000	2.52	—
8	Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司)	98,597,120	2.47	—
9	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	87,640,149	2.20	—
10	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	83,295,651	2.09	—
<b>Total</b>		<b>1,636,725,973</b>	<b>41.07</b>	<b>160,000,000</b>



## Chapter 5 Changes in Share Capital and Particulars of Shareholders

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

To the best knowledge of the Bank, as at June 30, 2018, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the shareholders' general meetings of any other member of the Bank:

Name of shareholder	Nature of Interests	Class of Shares	Number of shares directly or indirectly held <sup>(22)</sup>	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
<b>Domestic Shares</b>					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	382,929,916(L)	9.61	11.87
Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Beneficial owner	Domestic Shares	328,056,320(L)	8.23	10.17
Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	Beneficial owner	Domestic Shares	176,547,788(L)	4.43	5.47
Jilin Jiuying Investment Management Group Co., Ltd. (吉林省九盈投資管理集團股份有限公司) <sup>(1)</sup>	Interest in controlled corporation	Domestic Shares	176,547,788(L)	4.43	5.47
Bohai International Trust Co., Ltd. (渤海國際信託股份有限公司) <sup>(2)</sup>	Interest in controlled corporation	Domestic Shares	176,547,788(L)	4.43	5.47
<b>H Shares</b>					
China Create Capital Limited (中科創資本有限公司)	Beneficial owner	H Shares	173,617,000(L)	4.36	22.87
Zhang Wei (張偉) <sup>(3)</sup>	Interest in controlled corporation	H Shares	173,617,000(L)	4.36	22.87
Suhang Investment Holdings Limited	Beneficial owner	H Shares	100,000,000(L)	2.51	13.18

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

Name of shareholder	Nature of Interests	Class of Shares	Number of shares directly or indirectly held <sup>(22)</sup>	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
China Huarong International Holdings Limited (中國華融國際控股有限公司) <sup>(4)</sup>	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
Huarong Real Estate Co., Ltd. (華融置業有限責任公司) <sup>(5)</sup>	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) <sup>(6)</sup>	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
Cui Xintong (崔新瞳) <sup>(7)</sup>	Interest in controlled corporation	H Shares	99,150,000(L)	2.49	13.06
Li Qiangyi (李強義) <sup>(8)</sup>	Interest of spouse	H Shares	99,150,000(L)	2.49	13.06
Deep Wealth Holding Limited <sup>(9)</sup>	Interest in controlled corporation	H Shares	99,150,000(L)	2.49	13.06
TMF (Cayman) Ltd. <sup>(10)</sup>	Trustee	H Shares	99,150,000(L)	2.49	13.06
Charm Success Group Limited (美成集團有限公司)	Beneficial owner	H Shares	55,730,000(L)	1.40	7.34
Zhuang Qiaoluan (莊巧鸞)	Beneficial owner	H Shares	50,000,000(L)	1.25	6.59
Huijin Capital Limited	Beneficial owner	H Shares	47,250,000(L)	1.19	6.22
Mia Chen <sup>(11)</sup>	Interest in controlled corporation	H Shares	47,250,000(L)	1.19	6.22
Lily Garden Investments Limited	Beneficial owner	H Shares	43,420,000(L)	1.09	5.72
Silver Prospect Limited <sup>(12)</sup>	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72
Ground International Development Limited (廣澤國際發展有限公司) <sup>(13)</sup>	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72
Ka Yik Investments Limited (家譯投資有限公司) <sup>(14)</sup>	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72
Aurum Thrive Ltd. (金隆有限公司)	Beneficial owner	H Shares	38,028,000(L)	0.95	5.01

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

Name of shareholder	Nature of Interests	Class of Shares	Number of shares directly or indirectly held <sup>(22)</sup>	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Zhang Dan (張丹) <sup>(15)</sup>	Interest in controlled corporation	H Shares	38,028,000(L)	0.95	5.01
Haitong International Financial Solutions Limited <sup>(16)</sup>	Security interest in H Shares shares		83,617,000(L)	2.10	11.02
Haitong International Finance Company Limited <sup>(17)</sup>	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02
Haitong International (BVI) Limited <sup>(18)</sup>	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02
Haitong International Securities Group Limited <sup>(19)</sup>	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02
Haitong International Holdings Limited <sup>(20)</sup>	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02
Haitong Securities Co., Ltd. <sup>(21)</sup>	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02

### Notes:

- (1) Jilin Jiuying Investment Management Group Co., Ltd. directly holds 92.2% of the total issued share capital in Changchun Huamei Tourism and Culture Media Co., Ltd.. According to the SFO, Jilin Jiuying Investment Management Group Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd..
- (2) Jilin Jiuying Investment Management Group Co., Ltd. directly holds 92.2% of the total issued share capital in Changchun Huamei Tourism and Culture Media Co., Ltd.. A trust scheme managed by Bohai International Trust Co., Ltd. directly holds 66.7% of the total issued share capital in Jilin Jiuying Investment Management Group Co., Ltd.. According to the SFO, Bohai International Trust Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd..
- (3) Mr. Zhang Wei holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Mr. Zhang Wei is deemed to be interested in the Shares held by China Create Capital Limited.
- (4) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. According to the SFO, China Huarong International Holdings Limited is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (5) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a majority shareholder of China Huarong International Holdings Limited. According to the SFO, Huarong Real Estate Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

- (6) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a majority shareholder of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (7) According to the form of interests disclosure submitted by Cui Xintong on October 30, 2017, she has established a trust which transferred all issued share capital held by her in Ka Yik Investments Limited and Charm Success Group Limited to Deep Wealth Holdings Limited, a company wholly-owned by TMF (Cayman) Ltd. Deep Wealth Holdings Limited is the trustee of the trust. Charm Success Group Limited directly holds 55,730,000 H Shares. Lily Garden Investments Limited directly holds 43,420,000 H Shares. Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospect Limited. Silver Prospect Limited is a wholly-owned subsidiary of Ground International Development Limited. Ka Yik Investments Limited holds 57.74% of the total issued share capital in Ground International Development Limited. According to the SFO, Cui Xintong is deemed to be interested in the Shares held by Lily Garden Investments Limited and Charm Success Group Limited.
- (8) Li Qiangyi is Cui Xintong's spouse. According to the SFO, Li Qiangyi is deemed to be interested in the Shares held by Cui Xintong.
- (9) (a) Charm Success Group Limited directly holds 55,730,000 H Shares. Deep Wealth Holding Limited holds 100% of the issued share of Charm Success Group Limited. According to the SFO, Deep Wealth Holding Limited is deemed to be interested in the Shares held by Charm Success Group Limited. (b) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospect Limited. Silver Prospect Limited is a wholly-owned subsidiary of Ground International Development Limited. Ka Yik Investments Limited holds 57.74% of the total issued share capital of Ground International Development Limited. Deep Wealth Holding Limited holds 100% of the equity interest in Ka Yik Investments Limited. According to the SFO, Deep Wealth Holding Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited. As a result, Deep Wealth Holding Limited holds interests in 99,150,000 H Shares as interest in controlled corporation.
- (10) As described in (9) above, according to the SFO, Deep Wealth Holding Limited holds interests in 99,150,000 H Shares as interest in controlled corporation. TMF (Cayman) Ltd. holds entire issued shares of Deep Wealth Holding Limited as a trustee. According to the SFO, TMF (Cayman) Ltd. holds interests in 99,150,000 H Shares as interest in a trustee.
- (11) Mia Chen holds 100% equity interest in Huijin Capital Limited. Huijin Capital Limited directly holds 47,250,000 H Shares. According to the SFO, Mia Chen is deemed to be interested in the Shares held by Huijin Capital Limited.
- (12) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospect Limited. According to the SFO, Silver Prospect Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited.
- (13) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospect Limited. Silver Prospect Limited is a wholly-owned subsidiary of Ground International Development Limited. According to the SFO, Ground International Development Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited.
- (14) Lily Garden Investments Limited is a wholly-owned subsidiary of Silver Prospect Limited. Silver Prospect Limited is a wholly-owned subsidiary of Ground International Development Limited. Ka Yik Investments Limited holds 57.74% of the total issued share capital of Ground International Development Limited. According to the SFO, Ka Yik Investments Limited is deemed to be interested in the Shares held by Lily Garden Investments Limited.
- (15) Zhang Dan holds the entire issued share capital of Aurum Thrive Ltd. Aurum Thrive Ltd. directly holds 38,028,000 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Ltd.
- (16) According to the form of interests disclosure submitted by Haitong International Financial Solutions Limited on January 10, 2018, it holds security interest in 83,617,000 H Shares.
- (17) Haitong International Finance Company Limited holds 100% equity interest in Haitong International Financial Solutions Limited. According to the SFO, Haitong International Finance Company Limited is deemed to be interested in the Shares held by Haitong International Financial Solutions Limited.
- (18) Haitong International Finance Company Limited holds 100% equity interest in Haitong International Financial Solutions Limited. Haitong International (BVI) Limited holds 100% equity interest in Haitong International Finance Company Limited. According to the SFO, Haitong International (BVI) Limited is deemed to be interested in the Shares held by Haitong International Financial Solutions Limited.
- (19) Haitong International Finance Company Limited holds 100% equity interest in Haitong International Financial Solutions Limited. Haitong International (BVI) Limited holds 100% equity interest in Haitong International Finance Company Limited. Haitong International Securities Group Limited holds 100% equity interest in Haitong International (BVI) Limited. According to the SFO, Haitong International Securities Group Limited is deemed to be interested in the Shares held by Haitong International Financial Solutions Limited.

## Chapter 5 Changes in Share Capital and Particulars of Shareholders

- (20) Haitong International Finance Company Limited holds 100% equity interest in Haitong International Financial Solutions Limited. Haitong International (BVI) Limited holds 100% equity interest in Haitong International Finance Company Limited. Haitong International Securities Group Limited holds 100% equity interest in Haitong International (BVI) Limited. Haitong International Holdings Limited holds 62.43% equity interest in Haitong International Securities Group Limited. According to the SFO, Haitong International Holdings Limited is deemed to be interested in the Shares held by Haitong International Financial Solutions Limited.
- (21) Haitong International Finance Company Limited holds 100% equity interest in Haitong International Financial Solutions Limited. Haitong International (BVI) Limited holds 100% equity interest in Haitong International Finance Company Limited. Haitong International Securities Group Limited holds 100% equity interest in Haitong International (BVI) Limited. Haitong International Holdings Limited holds 62.43% equity interest in Haitong International Securities Group Limited. Haitong Securities Co., Ltd. holds 100% equity interest in Haitong International Holdings Limited. According to the SFO, Haitong Securities Co., Ltd. is deemed to be interested in the Shares held by Haitong International Financial Solutions Limited.
- (22) L represents long positions.
- (23) Under Part XV of the SFO, disclosure of interest forms shall be submitted by shareholders of the Bank upon satisfaction of certain conditions. If there are changes in the shareholders' shareholdings in the Bank, shareholders are not required to inform the Bank and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial shareholders' latest shareholdings in the Bank and the information on their shareholdings submitted to the Hong Kong Stock Exchange. Information set out in the above table is mainly based on the disclosure of interests forms submitted by the relevant shareholders.

Save as disclosed above, as at June 30, 2018, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### (III) Shareholders Holding 5% or More of the Share Capital

Please see (II) above for information on Shareholders holding 5% or more of the share capital of the Bank.

### (IV) Particulars of Controlling Shareholders and Actual Controller

The shareholding structure of the Bank is diversified and the Bank does not have a controlling shareholder or actual controller.

As of June 30, 2018, the largest Shareholder of the Bank is Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), holding 382,929,916 Domestic Shares of the Bank and representing approximately 9.61% of the total issued share capital of the Bank.

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

### I. Information on Directors, Supervisors and Senior Management Members

As of June 30, 2018, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

#### Directors

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Gao Bing (高兵)	51	Chairman, executive Director	December 2008	February 2021	Responsible for overall operations and strategic management, make material decisions and develop the business strategy
Mr. Liang Xiangmin (梁向民)	53	Executive Director, Vice-president and Chief Operating Officer	April 2016	February 2021	Responsible for the business operations and management of Changchun branch, participate in making material business decisions and manage certain business departments and offices
Mr. Yuan Chunyu (袁春雨)	47	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	February 2021	Responsible for the management of the Board's office, participate in making material business decisions and developing the business development strategy
Ms. Guo Yan (郭燕)	56	Non-executive Director	April 2015	February 2021	Participate in making major business decisions and advise on issues relating to audit, related party transactions and nomination and remuneration of Directors, Supervisors and senior management
Mr. Wu Shujun (吳樹君)	60	Non-executive Director	December 2012	February 2021	Same as above
Mr. Zhang Xinyou (張新友)	53	Non-executive Director	December 2012	February 2021	Same as above
Mr. Wang Baocheng (王寶成)	63	Non-executive Director	April 2016	February 2021	Same as above
Mr. Zhang Yusheng (張玉生)	69	Non-executive Director	April 2015	February 2021	Same as above

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

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Dr. Fu Qiong (傅穹)	49	Independent Non-executive Director	April 2015	February 2021	Participate in making major business decisions, developing the business development strategy and advise on issues relating to related party transactions, audit and nomination and remuneration of Directors, Supervisors and senior management
Mr. Jiang Ning (蔣寧)	48	Independent Non-executive Director	January 2017	February 2021	Same as above
Mr. Li Beiwei (李北偉)	56	Independent Non-executive Director	April 2016	February 2021	Same as above
Mr. Chung Wing Yin (鍾永賢)	42	Independent Non-executive Director	July 2016	February 2021	Same as above
Mr. Yang Jinguan (楊金觀)	56	Independent Non-executive Director	April 2016	February 2021	Same as above

### Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	47	Chairman of the Board of Supervisors, Employee Supervisor	December 2008	February 2021	Take charge of the work of the Board of Supervisors and supervision of the Board of Directors and senior management on behalf of the employees
Mr. Wang Enjiu (王恩久)	50	Employee Supervisor	December 2008	February 2021	Supervision of the Board of Directors and senior management on behalf of the employees
Mr. Liu Xiangjun (劉向軍)	43	Employee Supervisor	December 2015	February 2021	Same as above
Mr. Fan Shuguang (范曙光)	55	Non-employee Supervisor	June 2016	February 2021	Supervision of the Board of Directors and senior management
Mr. Gao Pengcheng (高鵬程)	50	Non-employee Supervisor	January 2016	February 2021	Same as above

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

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Wang Zhi (王志)	48	Non-employee Supervisor	January 2016	February 2021	Same as above
Mr. Zhang Ruibin (張瑞賓)	35	Non-employee Supervisor	January 2016	February 2021	Same as above

### Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Zhang Haishan (張海山)	54	President	December 2008	February 2021	Responsible for the overall management of the business operations
Mr. Zhu Weidong (朱衛東)	54	Vice President	February 2011	February 2021	Responsible for the management of business operations of village and township banks
Mr. Liang Xiangmin (梁向民)	53	Executive Director, Vice President and Chief Operating Officer	August 2010	February 2021	Responsible for the business operations and management of Changchun branch, participate in making material business decisions and manage certain business departments and offices
Mr. Li Guoqiang (李國強)	50	Vice President	December 2008	February 2021	Responsible for the business operations and management of branches under Operating Divisions and manage certain business departments and offices
Ms. Song Xiaoping (宋曉萍)	54	Vice President	February 2011	February 2021	Responsible for the management of assets and liabilities, financial accounting, information technology, international business and electronic banking
Mr. Gao Zhonghua (高中華)	54	Vice President	February 2015	February 2021	Responsible for staff education and training, risk management, credit approval and party affairs
Mr. Yuan Chunyu (袁春雨)	47	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	February 2021	Responsible for the management of the Board's office, participate in making material business decisions and develop the business strategy



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

### II. Re-election of the Board and the Board of Supervisors

#### The Fourth Session of the Board

The 2018 first extraordinary general meeting (the “EGM”) of the Bank was held on February 5, 2018. Each of the 13 candidates for Directors of the Fourth Session of the Board proposed for consideration at the EGM had been duly approved by the Shareholders and all of them obtained the qualifications for their positions in accordance with the relevant regulatory requirements. Therefore, the Fourth Session of the Board has been duly established. Unless adjustment is required by the applicable laws and regulations, the term of office of the Directors of the Fourth Session of the Board shall commence on February 5, 2018 and end on the expiry of the term of the Fourth Session of the Board.

The members of the Fourth Session of the Board include:

- Mr. Gao Bing (executive Director)
- Mr. Liang Xiangmin (executive Director)
- Mr. Yuan Chunyu (executive Director)
- Ms. Guo Yan (non-executive Director)
- Mr. Wu Shujun (non-executive Director)
- Mr. Zhang Xinyou (non-executive Director)
- Mr. Wang Baocheng (non-executive Director)
- Mr. Zhang Yusheng (non-executive Director)
- Dr. Fu Qiong (independent non-executive Director)
- Mr. Jiang Ning (independent non-executive Director)
- Mr. Li Beiwei (independent non-executive Director)
- Mr. Chung Wing Yin (independent non-executive Director)
- Mr. Yang Jinguan (independent non-executive Director)

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

### The Fourth Session of the Board of Supervisors

Each of the four candidates for the non-employee Supervisors of the Fourth Session of the Board of Supervisors proposed for consideration at the EGM had been duly approved by the Shareholders at the EGM. In addition, on January 18, 2018, the Bank held the employee representative meeting, at which Mr. Luo Hui, Mr. Wang Enjiu and Mr. Liu Xiangjun were elected as employee Supervisors of the Fourth Session of the Board of Supervisors. Therefore, the Fourth Session of the Board of Supervisors has been duly established. Unless adjustment is required by the applicable laws and regulations, the term of office of the Supervisors of the Fourth Session of the Board of Supervisors shall commence on February 5, 2018 and end on the expiry of the term of the Fourth Session of the Board of Supervisors.

The members of the Fourth Session of the Board of Supervisors include:

- Mr. Luo Hui (employee Supervisor)
- Mr. Wang Enjiu (employee Supervisor)
- Mr. Liu Xiangjun (employee Supervisor)
- Mr. Fan Shuguang (non-employee Supervisor)
- Mr. Gao Pengcheng (non-employee Supervisor)
- Mr. Wang Zhi (non-employee Supervisor)
- Mr. Zhang Ruibin (non-employee Supervisor)

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

### **III. Changes in Directors, Supervisors, Senior Management Members and Company Secretary during the Reporting Period**

#### **(I) Changes in Directors, Supervisors and Senior Management Members Required to be Disclosed under Rule 13.51B(1) of the Hong Kong Listing Rules**

During the Reporting Period, there were no changes in the Bank's Directors, Supervisors and senior management members disclosable pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

#### **(II) Changes in Joint Company Secretary, Authorised Representative and Process Agent**

On May 31, 2018, Mr. Wong Yat Tung duly resigned as a joint company secretary of the Bank, an authorised representative of the Bank (the "Authorised Representative") under Rule 3.05 of the Hong Kong Listing Rules and an agent of the Bank for accepting service of process or notice in Hong Kong (the "Process Agent") under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Since May 31, 2018, Mr. Lau Kwok Yin has served as the Bank's joint company secretary, Authorised Representative and Process Agent. The biography of Mr. Lau is set out as follows:

Mr. Lau Kwok Yin has been the Bank's joint company secretary since May 31, 2018. Mr. Lau is a manager of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited). He has over 10 years' experience in corporate secretarial services, finance and banking operations. He holds a Bachelor of Business Administration degree in Accounting and Finance from The University of Hong Kong, and is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst charterholder.

For further related details of the appointment of Mr. Lau Kwok Yin, please refer to the Bank's announcement dated May 31, 2018.



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

### **IV. Remuneration Policies for Directors, Supervisors and Senior Management**

The remuneration of the Directors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Remuneration Committee under the Board of Directors and submitted to the Board of Directors for approval, and submitted to the shareholders' general meeting for approval after being approved by the Board of Directors.

The remuneration of the Supervisors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans should be reviewed by the Nomination Committee under Board of Supervisors and submitted to the Board of Supervisors for approval, and submitted to the shareholders' general meeting for approval after being approved by the Board of Supervisors.

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

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

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

### V. Positions held in the Shareholder Company by the Directors, Supervisors and Senior Management

Name	Position held with the Bank	Name of the shareholder company	Position held in the shareholder company
Ms. Guo Yan	Non-executive Director	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Chief investment director and general manager of investment department
Mr. Zhang Xinyou	Non-executive Director	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	Chairman
Mr. Wang Baocheng	Non-executive Director	Changchun Changqing Pharmaceutical Group Co., Ltd. (長春長慶藥業集團有限公司)	Chairman
Mr. Zhang Yusheng	Non-executive Director	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Chairman

### VI. Other Information Required under Rule 13.51(2) of the Hong Kong Listing Rules

- (1) Mr. Zhang Xinyou (張新友) was a director of Nongan County Xinyou Industry Co., Ltd. (農安縣新友實業有限責任公司), a limited liability company incorporated in the PRC on February 2, 2002, mainly engaged in the wholesale and retail of hardware parts and dissolved by way of deregistration on December 28, 2006. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolutions of this company, and the relevant company was solvent at the time of dissolution or deregistration.
- (2) Mr. Zhang Yusheng (張玉生) was a director of Jilin Huaxing New Construction Materials Co., Ltd. (吉林華星新型建築材料有限責任公司), a limited liability company incorporated in the PRC on April 25, 2006, mainly engaged in the production, wholesale and retail of non-burnt bricks and wall panels and dissolved by way of deregistration on September 2, 2015. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, that his involvement in the above company was part and parcel of his services as a director of this company and that no misconduct or misfeasance had been involved in the dissolutions of this company, and the relevant company was solvent at the time of dissolution or deregistration.

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

- (3) Dr. Fu Qiong (傅穹) was a supervisor of Chizhou Chijiu Automobile Trade Co., Ltd. (池州市池九汽車貿易有限公司), a limited liability company incorporated in the PRC on March 12, 2013, mainly engaged in the sales of automobiles, and dissolved by way of deregistration on August 20, 2013. Dr. Fu confirmed that there is no wrongful act on his part leading to the dissolutions and is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions, that his involvement in the above company was part and parcel of his services as a supervisor of this company and that no misconduct or misfeasance had been involved in the dissolutions of this company, and the relevant company was solvent at the time of dissolution or deregistration.
- (4) Mr. Li Beiwei (李北偉) was a supervisor of the following company incorporated in the PRC prior to its dissolution:

Name of company	Nature of the business	Role of Mr. Li	Date of dissolution	Means of dissolution
Jilin Industrial Economics Research (Institute) Co., Ltd. (吉林省產業經濟研究(院)有限公司)	Industrial and economic information research and consultation	shareholder & supervisor	October 30, 2006	Business license being revoked <sup>(Note 1)</sup>

*Note 1:* The company was established in late 2005 by (i) Mr. Jing Jipeng (靖繼鵬), who owned 90% of the equity interest, and also act as an executive director, (ii) Mr. Zhang Haitao (張海濤), who owned 5% of the equity interest, and also act as a director of the company, and (iii) Mr. Li, who owned 5% of the equity interest, and also act as a supervisor of the company. Followed by the old age and illness of Mr. Jing, he was no longer capable for the daily running of the company. The company was subsequently ceased to operate and failed to conduct the annual inspection in year 2006. Thus, the relevant authority has revoked the business license of the company in October 2006.

Mr. Li confirmed that there is no wrongful act on his part leading to the dissolution of the above company, he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, his involvement in the above company was part and parcel of his services as a supervisor of this company, that no misconduct or misfeasance had been involved in the dissolution of this company, and the relevant company was solvent at the time of dissolution or deregistration.

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

### VII. Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted, in respect of securities transactions by Directors, Supervisors and senior management members, a code of conduct on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules.

Having made specific enquiries to all Directors, Supervisors and members of the senior management of the Bank, the Bank confirmed that they had complied with the Model Code for the period from January 1, 2018 to August 29, 2018, being the date of the meeting of the Board to consider and approve the interim results of the Group for the six months ended June 30, 2018.

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

As of the Latest Practicable Date, the interests of the Directors, Supervisors and 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 under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

Name	Position in the Bank	Class of Shares	Nature of Interest	Number of Shares	Percentage of the total share capital of the Bank <sup>(1)</sup> (%)	Percentage of Domestic Shares <sup>(1)</sup> (%)
Gao Bing	Chairman and Executive Director	Domestic Shares	Beneficial owner	300,000(L) <sup>(2)</sup>	0.01	0.01
Yuan Chunyu	Executive Director, Secretary to the Board and Joint Company Secretary	Domestic Shares	Beneficial owner	47,758(L) <sup>(2)</sup>	0.00 <sup>(3)</sup>	0.00 <sup>(3)</sup>
Zhang Yusheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	328,056,320(L) <sup>(2)</sup>	8.23	10.17
Wu Shujun	Non-executive Director	Domestic Shares	Interest in controlled corporation	110,575,290(L) <sup>(2)</sup>	2.77	3.43
Zhang Xinyou	Non-executive Director	Domestic Shares	Interest in controlled corporation	108,731,739(L) <sup>(2)</sup>	2.73	3.37
Wang Baocheng	Non-executive Director	Domestic Shares	Interest in controlled corporation	78,876,000(L) <sup>(2)</sup>	1.98	2.45
Wang Zhi	External Supervisor	Domestic Shares	Beneficial owner	500,000(L) <sup>(2)</sup>	0.01	0.02

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

Notes:

- (1) As of the Latest Practicable Date, the Bank had a total of 3,984,797,692 Shares in issue, including 3,225,797,692 Domestic Shares and 759,000,000 H Shares.
- (2) L represents long position.
- (3) The percentage is rounded to two decimals.

Save as disclosed above, as of the Latest Practicable Date, none of the Directors, Supervisors and 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 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 or in accordance with Divisions 7 and 8 of Part XV under the SFO.

### IX. Employee, Employee Compensation Policy and Employee Training Program

#### (I) Staff Composition

As of June 30, 2018, the Group had 5,634 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of Employees	Percentage (%)
Retail banking	2,770	49
Management	608	11
Finance and accounting	567	10
Corporate banking	782	14
Risk management, internal audit and legal and compliance	187	3
Treasury operations	114	2
Information technology	85	2
Others	521	9
<b>Total</b>	<b>5,634</b>	<b>100</b>

As of June 30, 2018, more than 59% of the Group's employees had a bachelor's degree or higher.



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

In addition to full-time employees, as of June 30, 2018, the Group also had 349 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiaries make advance payments to the third-party agencies, who then pay salaries to and make social security contributions for independent contract staff.

### **(II) Employee Remuneration**

The Group conducts performance evaluations of employees annually to provide feedback on performance. Compensation for full-time employees typically consists of a base salary and a discretionary bonus. The Group determines employee discretionary bonuses at the end of each year based on employee performance and its results of operations.

The Group's full-time employees participate in various employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance, housing funds and corporate annuity funds. In addition, the Group provides supplementary medical insurance to its employees.

According to the relevant regulations, the premiums and welfare benefit contributions borne by the Group are calculated regularly on a certain percentage of the remuneration cost and paid to the relevant labor and social welfare authorities. The Group cannot withdraw or utilize its fund contribution made to the defined contribution plans under any circumstance.

### **(III) Employee Training Program**

The Group focuses on employee career development and provide training programs tailored to employees in different business lines. The Bank has built a specific team of internal trainers. The Bank also collaborates with PRC institutions of higher education to recruit and train employees. For example, the Bank has established a training center to enhance employee professional skills. The Bank emphasizes internal recruiting and employee training. Since 2015, the Bank has launched "Financial Special Forces" (金融特種兵), a management training program to select and train outstanding management personnel and provide employees with opportunities to enhance professional knowledge and develop leadership skills.

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

### (IV) Labor Union

The Bank and each subsidiary have a labor union established in accordance with PRC laws and regulations. The Bank believes that the Bank and each subsidiary have maintained a good working relationship with its employees. As of the Latest Practicable Date, none of the Bank nor any of the Group's subsidiaries had experienced any labor strikes or other labor disturbances that materially affected the Group's operations or public image.

### X. SUBSIDIARIES

Subsidiaries	Places of business	Remarks
Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司)	1268 Renmin Street, Longshan District, Liaoyuan City, Jilin Province, PRC	13 sub-branches
Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司)	Block 2, Fuhong Shopping Mall, North Side of Shaoguan East Road, Hanshan County, Ma'anshan City, Anhui Province, PRC	5 sub-branches
Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司)	Building Complex, Longsheng South District, Fada Road, Shuangcheng City, Heilongjiang Province, PRC	4 sub-branches
Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司)	59 Jiefang East Road, Juanshui Town, Tongcheng County, Hubei Province, PRC	2 sub-branches
Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司)	919 Liqun Road, Gaomi Town, Weifang City, Shandong Province, PRC	6 sub-branches
Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司)	Block 1, Guanye Guojijie District, Yachen Road, Wuchang City, Heilongjiang Province, PRC	3 sub-branches
Yun' an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司)	62 Jixiang Road, Yun'an District, Yunfu City, Guangdong Province, PRC	
Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhui Province, PRC	5 sub-branches
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	8 sub-branches
Da' an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	5 sub-branches

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

Subsidiaries	Places of business	Remarks
Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105–111 of Block 32, Shop 105–106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Changchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司)	39 Guangming West Road, Anci District, Langfang City, Hebei Province, PRC	5 sub-branches
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	Room 101–106, 552 Zhenlong Street, Jiulong Town, Huangbu District, Guangzhou City, Guangdong Province, PRC	4 sub-branches
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North side of East Fenghuang West Road, Heyang County, Weinan City, Shaanxi Province, PRC	2 sub-branches
Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司)	216 Huadian Street, Huadian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	8 sub-branches
Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司)	82 Xiangshan Street, Dongbao District, Jingmen City, Hubei Province, PRC	3 sub-branches
Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司)	102#, 66 Qingxin Street, Taihe Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	2 sub-branches
Wenan Huimin Village Bank Co., Ltd. (文安縣惠民村鎮銀行股份有限公司)	344 Xingwen Road, Wen'an County, Langfang City, Hebei Province, PRC	7 sub-branches
Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司)	189 Huaxing North Road, Shuizhai Town, Wuhua County, Meizhou City, Guangdong Province, PRC	4 sub-branches
Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司)	Caishui Jiayuan District, Yuzhou West Road, Qian'an County, Jilin Province, PRC	5 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Changchun City, Jilin Province, PRC	4 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shop 4–6, District A, Zuanshi Siji Huacheng)	2 sub-branches

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

Subsidiaries	Places of business	Remarks
Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司)	222 Yucai South Street, Fuyu City, Jilin Province, PRC	2 sub-branches
Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司)	1098 Tuanjie West Road, Taonan City, Jilin Province, PRC	2 sub-branches
Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司)	322-324 East Century Street, Binhai New District, Tianjin City, PRC	13 sub-branches
Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司)	Unit 9-10, 1/F-2/F, Block A, Changmao Huayuan Estate, Anshan Street, Chuanying District, Jilin City, Jilin Province, PRC	2 sub-branches
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	21 Leihu South Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	1 sub-branch
Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司)	2099 Wulan Street, Ningjiang District, Songyuan City, Jilin Province, PRC	10 sub-branches
Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司)	8 Xima Road, Anping County, Hebei Province, PRC	4 sub-branches
Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司)	66-71 Jinzuan Street, Zhonghang City, Huaqiao City, Pingshan Town, Huidong County, Huizhou City, Guangdong Province, PRC	3 sub-branches
Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司)	98 Yelin South Street Lingshui County, Hainan Province, PRC (Wutianshan Apartment)	
Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司)	Dongdu Mansion, 1350 Jiefang Si Road, Sanya City, Hainan Province, PRC	1 sub-branch
Qingdao Jimo Huimin Village Bank Co., Ltd (青島即墨惠民村鎮銀行股份有限公司)	878 Heshan Road, Jimo City, Shandong Province, PRC	2 sub-branches
Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司)	3333 Xiantai Street, Changchun Economic and Technological Development Zone, Jilin Province, PRC	

# Chapter 7 Significant Events

## I. Code of Corporate Governance

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

The Bank has established a modern corporate governance structure in line with the requirements of its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as internal management structure. The Board of Directors has established committees to perform specified functions consisting of the strategy and development committee, the related-party transactions control committee, the remuneration committee, the nomination committee, the risk management committee, the audit committee, Consumer Rights Protection Committee and Three Rurals Financial Services Committee. The Board of Supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Code of Corporate Governance (the "Code of Corporate Governance") as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Commercial Banks issued by the CBIRC (the "Guidelines") into the Bank's governance structure and polices. The Code of Corporate Governance and Guidelines are well reflected in the Articles of Association and the terms of reference of the Shareholders' General Meeting, the Board of Directors and committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties and form good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

During the Reporting Period, the Bank has fully complied with all code provisions contained in the Code of Corporate Governance. The Directors are not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Code of Corporate Governance. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules. The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Code of Corporate Governance and the Guidelines and meet the higher expectations from its Shareholders and potential investors.

## Chapter 7 Significant Events

### II. Earnings and Dividends

#### (1) Final dividends for 2017

The profit distribution plan of the Bank for 2017 was considered and approved by the shareholders at the 2017 annual general meeting of the Bank held on June 12, 2018. The Bank distributed cash dividends of approximately RMB717,263,584.56 in total (tax inclusive) for 2017. Based on the number of shares on the record date for dividend distribution, the Bank distributed a cash dividend of RMB0.18 (tax inclusive) for each share. The final dividends payable for 2017 were denominated in Renminbi, and were paid to holders of domestic shares in Renminbi and holders of H shares in Hong Kong dollars. The exchange rate (i.e. RMB0.816018 against HK\$1.00) adopted for dividends payable in Hong Kong dollars was based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the People's Bank of China on the five working days preceding the date of declaration of the dividend at the annual general meeting on June 12, 2018 (inclusive). Accordingly, the final dividend payable for each H share in 2017 was HK\$0.220583 (tax inclusive). The Bank has completed the payment of final dividend for 2017 in August 2018.

#### (2) Interim dividends for 2018

Revenue of the Bank for the six months ended June 30, 2018 and the financial position of the Bank as at the same date are set out in the financial statements in this interim report.

The Board does not recommend any distribution of interim dividends for 2018 or capitalization of capital reserve.

### III. Proposed Issuance of Offshore Preference Shares

As approved at the Board meeting of the Bank on August 28, 2017, in order to improve the overall competitiveness of the Bank and to ensure continuous business development of the Bank, the Bank plans to conduct a non-public issuance of not more than 50,000,000 offshore preference shares to raise proceeds not exceeding RMB5 billion or its equivalent to replenish the Bank's additional tier-one capital.

The non-public issuance of offshore preference shares was approved as a special resolution by shareholders at the second extraordinary general meeting of 2017, the first domestic share class meeting of 2017 and the first H share class meeting of 2017 of the Bank held on November 8, 2017. The specific issuance plan of offshore preference shares is subject to the approval by or filing with competent regulators. Upon obtaining the relevant internal approvals and approval from or filing with the competent regulators in respect of the resolution on the issuance of offshore preference shares, the issue size, currency, issue price and other details will be determined by the Board with reference to the market condition and in accordance with relevant laws and regulations, listing rules of the relevant stock exchanges, market practice and the authorization given by the Shareholders' general meeting.

The Bank will disclose updates in relation to the issuance of offshore preference shares in due course according to relevant laws and regulations and the Hong Kong Listing Rules.

### IV. Proposed Private Placement of Domestic Shares and Non-public Issuance of H Shares

Based on the actual need of capital by the Bank, the Bank intends to replenish its core tier-1 capital by way of private placement of shares to support future business development of the Bank, ensure the continuous compliance of the Bank's capital level with the regulatory requirements and better support the real economy. After conducting a research of capital markets and taking into account the regulatory approval requirements, preference of investors and other factors, the Bank is of the view that the issue of both H shares and domestic shares can satisfy the needs of domestic and overseas investors, effectively replenish the core tier-1 capital of the Bank, and ensure the continuous compliance of the public float requirement under the Hong Kong Listing Rules. The resolutions in relation to the private placement of domestic shares of the Bank (the "Private Placement of Domestic Shares"), the non-public issuance of H shares of the Bank (the "Non-public Issuance of H Shares") and the corresponding changes of the registered capital and amendments to certain articles of the Articles of Association were approved by the Board at a Board meeting held on July 12, 2018.

In order to maintain the minimum public float of the Bank required by the Hong Kong Stock Exchange, the Private Placement of Domestic Shares and the Non-public Issuance of H Shares are inter-conditional, which means:

- (1) If the Non-public Issuance of H Shares are not approved by shareholders of the Bank or the competent regulatory authorities or cannot proceed due to other reasons, any of the contents of the Private Placement of Domestic Shares will not be implemented.
- (2) If the Private Placement of Domestic Shares are not approved by shareholders of the Bank or the competent regulatory authorities or cannot proceed due to other reasons, any of the contents of the Non-public Issuance of H Shares will not be implemented.

The Private Placement of Domestic Shares and the Non-public Issuance of H Shares was approved as special resolutions by shareholders at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 of the Bank held on September 5, 2018. The specific issuance plans are subject to the approval of competent regulators.

For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the circular of the Bank dated August 15, 2018. The Bank will make disclosure on the progress of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares in accordance with the requirements of the applicable laws and regulations and the Hong Kong Listing Rules.

## Chapter 7 Significant Events

### V. Issuance of Debt Securities

#### (1) Debt securities issued during the Reporting Period

From January 1, 2018 to June 30, 2018, the Bank issued 23 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB7,010.0 million. The interbank certificates have a term ranging from three months to one year and bear effective interest rates between 4.70% and 5.32%.

#### (2) Proposed issuance of bonds

As resolved by the Board and considered and approved by the Bank's annual general meeting for 2016 held on May 15, 2017, the Bank proposed on the issuance of tier-two capital bonds. Upon obtaining the approval of the regulators, the Bank will issue tier-two capital bonds of no more than RMB1.3 billion or equivalent with a term of no less than five years. The specific interest rate will be determined by public bidding procedure. The proceeds from the bond issuance will be used to replenish the Bank's capital. The Bank will disclose the latest progress in relation to the issuance of tier-two capital bonds on a timely basis in accordance with the applicable laws and regulations and the Hong Kong Listing Rules.

### VI. Purchase, Sale and Redemption of Listed Securities of the Bank

During the Reporting Period, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank's listed securities.

### VII. Related Party Transactions

During the Reporting Period, there was no material related party transaction which had adversely affected the operating results and financial condition of the Bank.

### VIII. Material Litigations and Arbitrations

The Bank and each of its subsidiary banks are involved in legal disputes in the ordinary course of business, which primarily include actions against borrowers for the recovery of loans. As of the Latest Practicable Date, none of the Bank or any of its subsidiary banks was involved in any material pending lawsuits as a defendant.



## Chapter 7 Significant Events

### IX. Penalty against the Bank and the Directors, Supervisors and Senior Management of the Bank

1. On April 25, 2018, the Bank's Changchun branch was imposed a fine of RMB300,000 by the CBRC Jilin Bureau due to non-compliance in relation to the grant of equity pledged loans.
2. On July 9, 2018, the Bank was imposed a fine of RMB300,000 by the CBRC Jilin Bureau as it failed to disclose the investment in non-standard debt to investors of its wealth management products.

Save as disclosed above, during the Reporting Period, none of the Bank or any of its Directors, Supervisors, or senior management had been subject to any investigation, administrative penalty or criticism by the CBIRC and public condemnation by the Hong Kong Stock Exchange, or any penalty imposed by other regulators which had material impact of the Bank's operation.

### X. Continuing Connected Transactions

#### Exempt Continuing Connected Transactions

##### 1. Extending loans and credit facilities to, and taking deposits from, connected persons

The Bank is a commercial bank incorporated in the PRC under the supervision of the CBIRC and the PBOC. It provides commercial banking services in the usual and ordinary course of business to the public in China. The Bank extends loans and credit facilities to, and takes deposits from, the Group's connected persons, such as the Bank's Directors, Supervisors, president and/or their respective associates, in the usual and ordinary course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. These continuing connected transactions will be entered into in the usual and ordinary course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. Accordingly, they are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.87(1) of the Hong Kong Listing Rules (financial assistance provided by the listed issuer's group) and Rule 14A.90 of the Hong Kong Listing Rules (financial assistance received by the listed issuer's group).

##### 2. Providing banking services and products to connected persons and purchasing trust products from a connected person

The Bank provides various commercial banking services and products (including wealth management products) to certain connected persons in the usual and ordinary course of the Bank's business and on normal commercial terms or on terms more favorable to the Bank, with reference to prevailing market rates. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

## Chapter 7 Significant Events

In the usual and ordinary course of the Bank's business and on normal commercial terms, the Bank entered into certain trust agreements with Jilin Province Trust Co., Ltd. Jilin Province Trust Co., Ltd. is a substantial shareholder of Jilin Dehui Rural Commercial Bank, a significant subsidiary of the Bank. Therefore, Jilin Province Trust Co., Ltd. is a connected person of the Bank at subsidiary level. Pursuant to the agreements, Jilin Province Trust Co., Ltd. would invest the Bank's entrusted assets into specified asset management schemes managed by third party financial institutions pursuant to the Bank's instruction, and charge a certain percentage of the amount of the Bank's entrusted assets as its annualized trust management fees.

Save as disclosed in this section, as the highest applicable percentage ratios of these transactions calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, these transactions constitute de minimis transactions, and therefore are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

On May 28, 2018, the Board resolved to terminate the acting-in-concert agreement with the relevant shareholders of Jilin Dehui Rural Commercial Bank and executed the agreement in relation to termination of acting-in-concert. The acting-in-concert agreement was terminated immediately upon the execution of the termination agreement. Upon termination of acting-in-concert, Jilin Dehui Rural Commercial Bank was no longer considered as a subsidiary of the Bank, so that Jilin Province Trust Co., Ltd. was no longer deemed as a connected person of the Bank at subsidiary level, and that transactions between the Bank and Jilin Province Trust Co., Ltd. contemplated under such trust agreements no longer constituted connected transactions under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to "XI. Termination of Acting-in-concert Agreements in respect of Four Rural Commercial Banks" of this chapter.

### 3. Lease of property by the Bank from a connected person

On February 11, 2017, the Bank entered into a property leasing agreement with Mr. Wu Shujun (吳樹君), a non-executive Director of the Bank. Pursuant to the agreement, Mr. Wu Shujun leased a property to the Bank as its office space in Jilin province, with a leasing term from February 12, 2017 till February 12, 2020 and at an annual rent of RMB1,582,000.

The above transactions are conducted on normal commercial terms no less favorable than those offered by independent third parties. As the highest applicable percentage ratios of the above transactions calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules are expected to be, on an annual basis, less than 0.1%, the continuing connected transactions contemplated under the above property leasing agreements constitute de minimis transactions, and therefore are exempt from all disclosure, annual review and shareholders' approval requirements pursuant to Rule 14A.76(1) of the Hong Kong Listing Rules.

## Chapter 7 Significant Events

### Non-exempt Continuing Connected Transactions

#### 1. Specified Asset Management Agreements between the Bank and TBA

In the usual and ordinary course of the Bank's business, the Bank, TBA Asset Management Co., Ltd. (天治北部資產管理有限公司) ("TBA") (as asset manager) and independent third party commercial banks regulated by the CBIRC (as asset custodian) entered into certain specified asset management agreements in July, September, November and December 2015 and January and February 2016, respectively (the "TBA Asset Management Agreements"). The Bank has invested the entrusted assets of third parties and its proprietary funds in the specified asset management schemes managed by TBA. Jilin Province Trust Co., Ltd. is a substantial shareholder of Jilin Dehui Rural Commercial Bank (a significant subsidiary of the Bank) and holds approximately 61.3% equity interest in China Nature Asset Management Co., Ltd. (天治基金管理有限公司), which in turn holds 42.0% equity interest in TBA. As such, TBA is an associate of Jilin Province Trust Co., Ltd, and hence a connected person of the Bank at the subsidiary level.

The principal terms of TBA Asset Management Agreements are set out as follows:

- TBA shall operate and manage the entrusted assets in accordance with the terms and conditions of the TBA Asset Management Agreements subject to the supervision of the asset custodian. The asset management schemes under the TBA Asset Management Agreements will expire in 2017 and 2018, respectively.
- The expected maximum annualized return on investment of the entrusted assets ranges from 6.52% to 8.60%, the annualized management fee rate payable by the Bank to TBA ranges from 0.05% to 0.47%, and the annualized custody fee rate payable by the Bank to the asset custodian is 0.01%.
- The assets entrusted by the Bank to TBA for management shall be separated from the assets of TBA and the asset custodian. All monetary value deriving from the management and operation of the entrusted assets shall form part of the entrusted assets.
- The Bank will make specific investment instructions to TBA on the use of the entrusted assets and TBA shall invest the entrusted assets in accordance with the instructions of the Bank.

## Chapter 7 Significant Events

- TBA shall prepare quarterly report of the entrusted assets and submit it to the asset custodian for review, after which TBA shall disclose the information on investment performance to the Bank. During the term of the agreements, the Bank can make enquiry on the investment to TBA or the asset custodian from time to time and TBA or the asset custodian (as the case may be) shall reply to the Bank's enquiry promptly.

The rate of the management fee payable by the Bank to TBA under the TBA Asset Management Agreements ranges from 0.05% to 0.47%, which is determined through arm's length negotiation by taking into account various factors, including the prevailing management fee rate of comparable asset management schemes available on the market and the estimated maximum annualized return on investment offered by TBA.

For the three years ended December 31, 2016, 2017 and 2018, the annual caps for the management fees payable by the Bank to TBA under the TBA Asset Management Agreements are RMB14.6 million, RMB8.5 million and RMB2.2 million, respectively. The Bank confirms that for the six months ended June 30, 2018, the actual management fees paid by the Bank to TBA under the TBA Asset Management Agreements are RMB0.8 million.

Under the TBA Asset Management Agreements, as the highest applicable percentage ratio based on the relevant annual caps set out above is expected to be between 0.1% and 5% on an annual basis, such transactions are subject to the announcement, reporting and annual review requirements under Chapter 14A of Hong Kong Listing Rules, but are exempted from the independent shareholders' approval requirement. Before listing of H Share of the Bank on the Hong Kong Stock Exchange, the Bank had made an application to the Hong Kong Stock Exchange in respect of the transactions under the TBA Asset Management Agreements, and the Hong Kong Stock Exchange had granted the Bank a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Hong Kong Listing Rules.

On May 28, 2018, the Board resolved to terminate the acting-in-concert agreement with the relevant shareholders of Jilin Dehui Rural Commercial Bank and executed the agreement in relation to termination of acting-in-concert. The acting-in-concert agreement was terminated immediately upon the execution of the termination agreement. Upon termination of acting-in-concert, Jilin Dehui Rural Commercial Bank was no longer considered as a subsidiary of the Bank, so that TBA was no longer deemed as a connected person of the Bank at subsidiary level, and that transactions between the Bank and TBA contemplated under the TBA Asset Management Agreements no longer constituted connected transactions under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to "XI. Termination of Acting-in-concert Agreements in respect of Four Rural Commercial Banks" of this chapter.

### **XI. Termination of Acting-in-concert Agreements in respect of Four Rural Commercial Banks**

On May 28, 2018, the Board resolved to terminate the acting-in-concert arrangements in respect of the Bank and the Four Rural Commercial Banks. The Bank entered into agreements with the relevant concert parties to terminate the acting-in-concert agreements (collectively referred to as the “Termination Agreements”). The acting-in-concert agreements shall be terminated immediately upon the execution of the Termination Agreements.

Termination of acting in concert does not involve any transfer of equity interest or assets between the Bank and the concert parties. Upon the termination of acting in concert, the shareholdings of the existing shareholders of the Four Rural Commercial Banks (including the Bank and the concert parties) will remain unchanged, but the Four Rural Commercial Banks will no longer be considered as subsidiaries of the Bank and their financial results will cease to be consolidated to the financial statements of the Group. As a result, the amounts of various items in the consolidated financial statements of the Group including total assets, total liabilities, operating income and profit will decrease. Despite the impact of de-consolidation as mentioned above, the Bank will retain significant influence over the operating decisions of the Four Rural Commercial Banks after the termination of acting in concert. The Bank’s investments in the Four Rural Commercial Banks will be accounted in the consolidated financial statements of the Group by equity method, which will increase the balance of interests in associates of the Group. After the de-consolidation of the Four Rural Commercial Banks, the non-controlling interests in the consolidated financial statements of the Group will decrease due to the adoption of equity method. However, the total equity attributable to owners of the Bank in the Four Rural Commercial Banks will remain unchanged.

The Board noticed that the foundation of the synergistic development among the Group and the Four Rural Commercial Banks had changed due to the following changes in macroeconomic environment. Firstly, under the policy which encourages to uphold the traditional values and focus on the principal business, the Board considered that it is necessary to enhance the autonomy and flexibility of the Four Rural Commercial Banks in making operating decisions in order to enable the Four Rural Commercial Banks to respond to the market competition and the demand of the three rural and small and micro businesses more effectively. Secondly, pursuant to the new series of regulations, the business strategy of rural financial institutions is encouraged to focus on local operation and further deleverage in interbank and other businesses. The Board believed that the Four Rural Commercial Banks shall undergo business transformation to allocate more efforts to customers in their local markets and to support the development of real economy. Thirdly, the supply-side reform and implementation of macroeconomic control policies continue to facilitate the adjustment of regional economic structure. The Board considered that the organic growth momentum of the Four Rural Commercial Banks shall be enhanced in order to adapt to the regional economic condition.

Based on the aforesaid, the Board is of the view that in order to adapt to the macroeconomic policies and changes in regulations, the termination of acting in concert will facilitate the Group and the Four Rural Commercial Banks to comply with the regulatory policies and to better support the real

## Chapter 7 Significant Events

economic development in their respective regions. In addition, upon the termination of acting in concert, the Bank will continue to benefit from the growth of the Four Rural Commercial Banks through profit sharing and other ways with its shareholdings in the Four Rural Commercial Banks.

For more details in relation to the Termination Agreements, please refer to the Bank's announcement dated May 28, 2018. Details in relation to the quantitative effect of the Termination Agreements on the Bank's profit or loss are as follows:

*RMB million*

	<b>Changbai Mountain Rural Commercial Bank</b>	<b>Jilin Dehui Rural Commercial Bank</b>	<b>Jilin Gongzhuling Rural Commercial Bank</b>	<b>Jilin Chuncheng Rural Commercial Bank</b>	<b>Total</b>
<b>Gains/(losses) on deemed disposal of subsidiaries</b>					
Fair value of retained interest recognised as interest in the associate	441.3	588.0	422.9	408.8	1,861.0
Net assets disposed of	(732.3)	(662.9)	(959.2)	(692.5)	(3,046.9)
Goodwill	(157.2)	(289.7)	(135.1)	(201.1)	(783.1)
Non-controlling interests	448.2	364.6	671.4	484.8	1,969.0
Reclassified from other comprehensive income to profits or losses	—	(2.1)	(4.1)	—	(6.2)
<b>Losses on deemed disposal</b>	<b>—</b>	<b>(2.1)</b>	<b>(4.1)</b>	<b>—</b>	<b>(6.2)</b>

## XII. Public Float

During the initial public offering of the Bank's H Shares, the Bank has applied to the Hong Kong Stock Exchange to ask the Hong Kong Stock Exchange to exercise its discretion to waive the requirement under Rule 8.08(1)(d) of the Hong Kong Listing Rules, and the Hong Kong Stock Exchange has granted the Bank a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Hong Kong Listing Rules. According to the waiver granted by the Hong Kong Stock Exchange, the minimum public float of the Bank will be the highest of:

- a. 16.9% of the Bank's total issued share capital;

## Chapter 7 Significant Events

- b. such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has not been exercised); and
- c. such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has been exercised).

Immediately after the issue and allotment by the Bank and the sale by the selling shareholders of the over-allotment shares due to full exercise of the over-allotment option, the number of H Shares in public hands represents 19.05% of the total issued share capital of the Bank, which satisfies the minimum percentage prescribed in the conditions imposed in the waiver granted by the Hong Kong Stock Exchange from strict compliance with Rule 8.08(1)(a) of the Hong Kong Listing Rules.

Based on the publicly available information and as far as the Directors were aware, as of the Latest Practicable Date, the public float of H Shares of the Bank was 19.05%, which was in compliance with the requirement specified in the waiver granted by the Hong Kong Stock Exchange.

### XIII. Appointment of External Auditor

As considered and approved by the Shareholders at the Bank's annual general meeting for 2017 held on June 12, 2018, the Bank has reappointed ShineWing Certified Public Accountants LLP as the domestic external auditor of the Bank for 2018 to provide auditing services in the PRC in accordance with the PRC GAAP, and SHINEWING (HK) CPA Limited as the international external auditor of the Bank for 2018 to provide auditing and review services overseas in accordance with the IFRS.

The terms of office of the above two external auditors shall commence from the date of approval of the resolution on the engagement of external auditing firms for 2018 by the Bank's annual general meeting for 2017 (i.e. June 12, 2018) and shall expire at the conclusion of the Bank's annual general meeting for 2018.

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

Save as disclosed in this interim report, during the Reporting Period, the Bank had not conducted other acquisition or disposal of assets/businesses of its subsidiaries or associates/corporate mergers.



## **Chapter 7 Significant Events**

### **XV. Review of Interim Report**

The financial statements disclosed in this interim report have not been audited. The interim financial statements for the six months ended June 30, 2018 prepared by the Bank under the IFRS issued by the International Accounting Standards Board have been reviewed by SHINEWING (HK) CPA Limited in accordance with the Hong Kong Standard on Review Engagements 2410. This interim report has been reviewed and adopted by the Board and the audit committee under the Board.

### **XVI. Publication of 2018 Interim Report**

The Bank has prepared its 2018 interim report in accordance with the Hong Kong Listing Rules and the IFRS, which is available on the HKEXnews website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and website of the Bank ([www.jtnsh.com](http://www.jtnsh.com)).

In this interim report, the financial data for the six months ended June 30, 2017 and the six months ended June 30, 2018 have not been audited, while the financial data for the year ended December 31, 2017 have been audited.



# Chapter 8 Report on Review of Condensed Consolidated Financial Statements



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

## TO THE BOARD OF DIRECTORS OF JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED

吉林九台農村商業銀行股份有限公司

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

### Opinion

We have reviewed the condensed consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “Bank”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on pages 121 to 237, which comprise the condensed consolidated statement of financial position as at 30 June 2018, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Chapter 8 Report on Review of Condensed Consolidated Financial Statements (Continued)**

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

### **SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

### **Wong Chuen Fai**

Practising Certificate Number: P05589

Hong Kong

29 August 2018

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Period Ended 30 June 2018

	Notes	Six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Interest income		4,362,325	4,642,002
Interest expenses		(2,608,701)	(2,453,662)
Net interest income	5	1,753,624	2,188,340
Fee and commission income		141,176	351,139
Fee and commission expenses		(13,768)	(16,857)
Net fee and commission income	6	127,408	334,282
Net trading gains	7	385,344	65,763
Dividend income		76,512	100,254
Net gains arising from investment securities	8	7,303	159,480
Losses on deemed disposals of subsidiaries	54	(6,204)	—
Net exchange gains (losses)		11,368	(11,288)
Other operating income, net	9	21,487	31,449
Operating income		2,376,842	2,868,280
Operating expenses	10	(1,288,253)	(1,204,845)
Impairment losses on assets	11	(555,418)	(556,674)
Operating profit		533,171	1,106,761
Share of profits of associates	26	35,937	12,330
Profit before tax		569,108	1,119,091
Income tax expense	12	(94,629)	(218,842)
<b>Profit for the period</b>		<b>474,479</b>	<b>900,249</b>
Earnings per share			
— Basic and diluted (RMB cents)	13	9.29	17.90

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
<b>Profit for the period</b>	<b>474,479</b>	900,249
<b>Other comprehensive (expense) income for the period:</b>		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Financial assets at fair value through other comprehensive income		
– Fair value loss on investments in equity investments at fair value through other comprehensive income	(17,304)	–
<i>Items that may be reclassified subsequently to profit or loss:</i>		
– Available-for-sale financial assets		
– Change in fair value recognised in investment revaluation reserve	–	(334,310)
– Reclassified to the profit or loss upon disposal	–	(9,819)
– Income tax relating to item that may be reclassified subsequently	–	86,032
– Financial assets at fair value through other comprehensive income		
– Fair value gain on debt investments at fair value through other comprehensive income	187,835	–
– Reclassified to the profit or loss upon disposal	1,141	–
– Income tax relating to item that may be reclassified subsequently	(47,244)	–
– Changes in allowance for expected credit loss	(865)	–
– Release of reserve upon deemed disposal of subsidiaries (Note 54)	6,204	–
– Share of other comprehensive income of associates	593	–
	<b>130,360</b>	(258,097)
<b>Total comprehensive income for the period</b>	<b>604,839</b>	642,152

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
<b>Profit for the period attributable to:</b>		
— Owners of the Bank	<b>370,207</b>	692,803
— Non-controlling interests	<b>104,272</b>	207,446
	<b>474,479</b>	900,249
<b>Total comprehensive income for the period attributable to:</b>		
— Owners of the Bank	<b>488,576</b>	459,540
— Non-controlling interests	<b>116,263</b>	182,612
	<b>604,839</b>	642,152

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
<b>Assets</b>			
Cash and deposits with the central bank	14	18,389,103	24,118,157
Deposits with banks and other financial institutions	15	13,802,417	13,219,552
Placements with banks and other financial institutions	16	1,708,338	1,200,000
Financial assets held under resale agreements	17	—	479,923
Financial assets at fair value through profit or loss	18	19,487,635	17,435,090
Interest receivable	19	899,193	821,524
Loans and advances to customers	20	67,448,308	76,492,240
Financial assets at fair value through other comprehensive income	21	6,326,200	—
Financial assets measured at amortised costs	22	23,879,633	—
Available-for-sale financial assets	23	—	8,914,455
Held-to-maturity investments	24	—	10,448,665
Debt securities classified as receivables	25	—	26,659,669
Interests in associates	26	2,088,197	244,569
Property and equipment	27	3,793,532	4,455,914
Goodwill		401,335	1,184,527
Deferred tax assets	28	422,533	555,646
Other assets	29	490,878	778,572
<b>Total assets</b>		<b>159,137,302</b>	<b>187,008,503</b>

## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2018

		At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
	Notes		
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowings from the central bank	31	1,734,900	1,576,170
Deposits from banks and other financial institutions	32	5,407,533	4,690,533
Placements from banks and other financial institutions	33	946,496	1,652,496
Financial assets sold under repurchase agreements	34	7,961,715	9,679,700
Deposits from customers	35	106,452,465	129,881,593
Accrued staff costs	36	50,842	229,329
Taxes payable		34,807	86,579
Interests payable	37	1,569,806	1,964,780
Debts securities issued	38	19,775,653	20,039,565
Other liabilities	39	1,073,062	557,106
<b>Total liabilities</b>		<b>145,007,279</b>	170,357,851
<b>Equity</b>			
Share capital	40	3,984,797	3,984,797
Capital reserve	41	5,319,008	5,315,803
Investment revaluation reserve		(185,465)	(299,747)
Surplus reserve	42	631,095	631,095
General reserve	42	1,445,877	1,538,170
Retained earnings		984,535	1,381,593
Total equity attributable to owners of the Bank		12,179,847	12,551,711
Non-controlling interests		1,950,176	4,098,941
<b>Total equity</b>		<b>14,130,023</b>	16,650,652
<b>Total liabilities and equity</b>		<b>159,137,302</b>	187,008,503

The condensed consolidated financial statements on pages 121 to 237 were approved and authorised for issue by the board of directors of the Bank on 29 August 2018 and are signed on its behalf by:

**Mr. GAO Bing**

*Director*

**Mr. YUAN Chunyu**

*Director*

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2018

	Attributable to owners of the Bank									
	Share Capital	Capital reserve	Investment				Retained earnings	Sub-total	Non-controlling interests	Total
			revaluation reserve	Surplus reserve	General reserve					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2018 (Audited)	3,984,797	5,315,803	(299,747)	631,095	1,538,170	1,381,593	12,551,711	4,098,941	16,650,652	
Change in accounting policy (Note 3)	—	—	(4,087)	—	—	(142,294)	(146,381)	(146,047)	(292,428)	
As 1 January 2018 (Restated)	3,984,797	5,315,803	(303,834)	631,095	1,538,170	1,239,299	12,405,330	3,952,894	16,358,224	
Profit for the period	—	—	—	—	—	370,207	370,207	104,272	474,479	
Other comprehensive expense for the period	—	—	118,369	—	—	—	118,369	11,991	130,360	
Total comprehensive income for the period	—	—	118,369	—	—	370,207	488,576	116,263	604,839	
Changes in ownership in a subsidiary without changes in control	—	3,205	—	—	—	—	3,205	7,350	10,555	
Deemed disposal of subsidiaries (Note 54)	—	—	—	—	—	—	—	(1,969,005)	(1,969,005)	
Appropriation of profits										
— Dividends recognised as distribution (Note 43)	—	—	—	—	—	(717,264)	(717,264)	—	(717,264)	
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(157,326)	(157,326)	
Release of reserve upon deemed disposal of subsidiaries	—	—	—	—	(92,293)	92,293	—	—	—	
At 30 June 2018 (Unaudited)	3,984,797	5,319,008	(185,465)	631,095	1,445,877	984,535	12,179,847	1,950,176	14,130,023	



## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Changes in Equity (Continued)

For the Period Ended 30 June 2018

	Attributable to owners of the Bank								Non- controlling interests RMB'000	Total RMB'000	
	Share Capital RMB'000	Capital reserve RMB'000	Investment			Retained earnings RMB'000	Sub-total RMB'000	General reserve RMB'000			Surplus reserve RMB'000
			revaluation reserve RMB'000	revaluation reserve RMB'000	Surplus reserve RMB'000						
At 1 January 2017 (Audited)	3,294,797	3,347,045	17,921	510,333	1,351,936	1,608,473	10,130,505	3,592,641	13,723,146		
Profit for the period	—	—	—	—	—	692,803	692,803	207,446	900,249		
Other comprehensive expense for the period	—	—	(233,263)	—	—	—	(233,263)	(24,834)	(258,097)		
Total comprehensive income for the period	—	—	(233,263)	—	—	692,803	459,540	182,612	642,152		
Changes in share capital											
— Capital contributed by equity shareholders (Note 40)	690,000	2,105,445	—	—	—	—	2,795,445	—	2,795,445		
Share issue expenses (Note 40)	—	(147,749)	—	—	—	—	(147,749)	—	(147,749)		
— Capital contributed by non-controlling interests	—	—	—	—	—	—	—	200,000	200,000		
Acquisition of a subsidiary (Note 53)	—	—	—	—	—	—	—	86,818	86,818		
Changes in ownership in subsidiaries without changes in control	—	1,184	—	—	—	—	1,184	(1,184)	—		
Appropriation of profits											
— Appropriation to general reserve	—	—	—	—	1,662	(1,662)	—	—	—		
— Dividends recognised as distribution (Note 43)	—	—	—	—	—	(1,195,440)	(1,195,440)	—	(1,195,440)		
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(240,050)	(240,050)		
At 30 June 2017 (Unaudited)	3,984,797	5,305,925	(215,342)	510,333	1,353,598	1,104,174	12,043,485	3,820,837	15,864,322		

# Chapter 9 Unaudited Interim Financial Statements Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	569,108	1,119,091
Adjustments for:		
Depreciation of property and equipment	184,919	145,692
Amortisation of long-term deferred expenses and land use rights	5,533	5,541
Impairment losses on assets	555,418	556,674
Interest expense on debts securities issued	514,504	566,685
Dividend income	(76,512)	(100,254)
Losses (gains) on disposal of property and equipment	31	(55)
Net unrealised trading losses (gains)	60,951	(43,574)
Net gains arising from investment securities	(7,303)	(159,480)
Losses on disposal of subsidiaries	6,204	—
Government grants	(20,012)	(33,625)
Interest income from financial investments	(1,124,095)	(1,110,983)
Share of profits of associates	(35,937)	(12,330)
	<b>632,809</b>	<b>933,382</b>
Changes in operating assets		
Net decrease (increase) in deposits with the central bank	2,646,960	(1,385,226)
Net (increase) decrease in deposits and placements with the banks and other financial institutions	(3,948,680)	10,023,519
Net decrease (increase) in financial assets at fair value through profit or loss	1,043,519	(3,966,192)
Net increase in loans and advances to customers	(10,725,388)	(11,855,594)
Net increase in interest receivable	(146,627)	(218,466)
Net increase in other assets	(182,367)	(57,804)
	<b>(11,312,583)</b>	<b>(7,459,763)</b>
Changes in operating liabilities		
Net increase (decrease) in borrowing from central bank	279,130	(1,580,415)
Net increase in deposits from banks and other financial institutions	3,882,157	74,874
Net increase in placements from banks and other financial institutions	84,000	1,685,000
Net decrease in financial assets sold under repurchase agreements	(749,545)	(5,341,234)
Net increase in deposits from customers	3,243,944	2,881,794
Net decrease in accrued staff costs	(148,595)	(124,291)
Net increase in interests payable	92,986	114,177
Net decrease in other liabilities	(116,190)	(111,755)
	<b>6,567,887</b>	<b>(2,401,850)</b>

## Chapter 9 Unaudited Interim Financial Statements

### Condensed Consolidated Statement of Cash Flows (Continued)

For the Period Ended 30 June 2018

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Cash used in operations	(4,111,887)	(8,928,231)
Income tax paid	(242,955)	(382,025)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,354,842)</b>	<b>(9,310,256)</b>
<b>INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial investments	4,118,890	53,681,558
Interest income from financial investments	1,088,743	1,110,983
Dividend received from associates	54,078	—
Dividend income received	76,512	100,254
Proceeds from disposal of property and equipment	4,792	207
Payments on acquisition of financial investments	(149,930)	(75,353,420)
Payments on acquisition of property and equipment	(239,166)	(701,690)
Net cash outflow arising on deemed disposals of subsidiaries (Note 54)	(2,236,343)	—
Net cash inflow arising on acquisitions of subsidiaries	—	18,860
<b>NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES</b>	<b>2,717,576</b>	<b>(21,143,248)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from capital contribution by equity shareholders	—	2,795,445
Share issue expenses	—	(147,749)
Capital contribution by non-controlling interests	—	200,000
Proceeds from disposal of interests in subsidiaries without loss in control	10,555	—
Government grants received	20,012	33,625
Net proceeds from issue of new debt securities	6,709,218	11,991,779
Repayment of debt securities issued	(7,419,598)	(8,260,000)
Interest paid on debts securities issued	(50,253)	(67,635)
Dividends paid	—	(1,195,440)
Dividends paid to non-controlling interests	(147,032)	(240,050)
<b>NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES</b>	<b>(877,098)</b>	<b>5,109,975</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(2,514,364)</b>	<b>(25,343,529)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>16,354,589</b>	<b>44,294,457</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (Note 47)</b>	<b>13,840,225</b>	<b>18,950,928</b>
Interest received	4,261,535	4,423,286
Interest paid (excluding interest expense on debts securities issued)	(2,953,422)	(2,172,218)

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements

For the Period Ended 30 June 2018

### 1 GENERAL

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

The Bank obtained its finance permit No. B1001H222010001 from the CBRC Jilin Bureau. The Bank obtained its business license (Unified Social Credit Code: 912200001243547911) from Jilin Administration of Industry and Commerce. The legal representative is Gao Bing and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, the People’s Republic of China (the “PRC”).

As at 30 June 2018, the Bank has established 3 branches and 59 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China.

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

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

### 2 BASIS OF PREPARATION

The condensed consolidated financial statement of the Group for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”), issued by the International Accounting Standards Board (“IASB”).

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 2 BASIS OF PREPARATION (Continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

### 3 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new IFRSs, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and revised IFRSs, which include IFRSs, International Accounting Standards (“IAS(s)”), amendments and related Interpretations (“IFRICs”), issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning 1 January 2018.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

The adoption of IFRS 9 resulted in changes in Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of the other new and revised IFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### 3.1 IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for the 1) classification and measurement of financial assets and financial liabilities and 2) impairment of financial assets. The Group has applied IFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 January 2018) in accordance with the transition provisions under IFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained earnings and other components of equity as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 Financial Instruments: Recognition and Measurement.

##### 3.1.1 Classification and measurement of financial assets

At the date of initial application of IFRS 9, the Group's management has reviewed and assessed all financial assets held by the Group on the basis of the Group's business model for managing these financial assets and their contractual cash flow characteristics, and has classified its financial assets and financial liabilities into the appropriate categories of IFRS 9, as explained below:

- (a) Other receivables, interest receivable and loan and advances to customers previously classified as loan and receivables carried at amortised cost:

They are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets continue to be subsequently measured at amortised cost upon application of IFRS 9.

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 3.1 IFRS 9 Financial Instruments (Continued)

##### 3.1.1 Classification and measurement of financial assets (Continued)

- (b) Available-for-sale financial assets
  - (i) *Unlisted equity investments previously classified as available-for-sale investments carried at cost less impairment:*

These equity investments qualified for designation as measured as financial assets at fair value through other comprehensive income (“FVTOCI”) under IFRS 9. The Group has elected the option in respect of certain of unlisted equity instruments amounting to approximately RMB158,750,000 as they are held for medium or long-term strategic purpose, and reclassified them to financial assets at FVTOCI upon initial application of IFRS 9. The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investment revaluation reserve, which will not be reclassified to profit or loss when they are derecognised. On initial application of IFRS 9, the fair value loss of approximately RMB5,027,000, after deducting the effect of deferred tax credit of approximately RMB1,278,000, was adjusted to investment revaluation reserve at 1 January 2018.

For the available-for-sale unlisted equity investments carried at cost less impairment amounting to RMB833,900,000, the Group has not elected the option for designation at FVTOCI and reclassified them to financial assets at fair value through profit or loss (“FVTPL”). The Group measures them at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised in profit or loss. Accordingly, the net fair value gain of approximately RMB223,223,000, after deducting the effect of deferred tax charge of approximately RMB77,817,000, was adjusted to retained earnings as at 1 January 2018. An amount of approximately RMB649,000 resulted from this remeasurement was debited to non-controlling interests.

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 3.1 IFRS 9 Financial Instruments (Continued)

##### 3.1.1 Classification and measurement of financial assets (Continued)

(b) Available-for-sale financial assets (Continued)

(ii) *Debt investments previously classified as available-for-sale financial assets carried at fair value:*

Some of these debt investments amounting to approximately RMB7,820,760,000 satisfy the contractual cash flow characteristics test, and are held within a business model whose objective is achieved by both collecting contractual cash flows and selling these debt investments. Accordingly, these financial assets continue to be subsequently measured at FVTOCI and were reclassified to financial assets at FVTOCI under IFRS 9, and the fair value gains or losses accumulated in the investment revaluation reserve continue to be subsequently reclassified to profit or loss when the debt investments are derecognised.

The remaining debt investments amounting to approximately RMB101,045,000 fail the contractual cash flow characteristics test and therefore were reclassified to financial assets at FVTPL with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under IFRS 9. Related fair value losses of approximately RMB5,000 was adjusted from investment revaluation reserve to retained earnings at 1 January 2018.

(iii) *Debt investments previously classified as held-to-maturity investments and debt securities classified as receivables previously classified as loan and receivables carried at amortised cost:*

All held-to-maturity investments of approximately RMB10,448,665,000 and some of debt securities classified as receivables amounting to approximately RMB24,464,126,000 are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these investments continue to be subsequently measured at amortised cost and were reclassified to financial assets at amortised cost upon adoption of IFRS 9.



# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 3.1 IFRS 9 Financial Instruments (Continued)

##### 3.1.1 Classification and measurement of financial assets (Continued)

(b) Available-for-sale financial assets (Continued)

(iii) *Debt investments previously classified as held-to-maturity investments and debt securities classified as receivables previously classified as loan and receivables carried at amortised cost: (Continued)*

The remaining debt securities classified as receivables amounting to RMB2,195,543,000 which fail the contractual cash flow characteristics test or are held within a business model whose objective is neither to collect the contractual cash flows nor to both collect contractual cash flows and sell these financial assets, were reclassified to financial assets at FVTPL under IFRS 9, with the fair value gains or losses to be recognised in profit or loss. On initial application of IFRS 9, fair value gain relating to these investments amounting to approximately RMB13,839,000, after deducting the effect of deferred tax charge of approximately RMB4,611,000, was adjusted to retained earnings at 1 January 2018. Interest receivable related to these financial assets amounted approximately RMB17,341,000, after deducting the effect of tax credit amounted RMB5,780,000, was adjusted to retained earnings at 1 January 2018.

All other financial assets and financial liabilities continue to be measured on the same bases as are previously measured under IAS 39.

##### 3.1.2 Impairment of financial assets

The Group has the following type of financial instruments that are subject to the new impairment requirements under IFRS 9.

Financial assets with low credit risk/credit risk has not increased significantly:

The Group measured a 12-month expected credit losses (“ECL”) in respect of the following financial instruments:

- Certain listed debt investments determined to be low credit risk as they have high investment grade credit rating

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 3.1 IFRS 9 Financial Instruments (Continued)

##### 3.1.2 Impairment of financial assets (Continued)

- Certain investments determined to be low credit risk as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term
- Other financial assets including cash and deposits with the central bank, certain deposits with banks and other financial institutions, certain placements with banks and other financial institutions, financial assets held under resale agreements and other assets for which credit risk has not increased significantly since initial recognition

Financial assets with low credit risk/credit risk has increased significantly:

Loans and advances to customers at amortised cost:

The Group applied the five categories of loan risk classification approach to provide for ECL under IFRS 9 and recognised lifetime expected losses for all loans and advances to customers. The loans and advances to customers are grouped based on shared credit risk characteristics for measuring ECL.

Financial assets at amortised cost:

The Group applied discount cashflow approach or make reference to the available market information to provide for ECL under IFRS 9 and recognised lifetime expected losses for certain financial assets at amortised cost.

In respect of the Group's certain deposit with banks and other financial institutions, certain financial assets held under resale agreements, certain placements with banks and other financial institutions, the management of the Group considered credit risk and recognised lifetime ECL on initial application of IFRS 9, taking into account that lifetime ECL is recognised if determining whether credit risk has increasing significantly requires undue cost or effort.

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements (Continued)**

For the Period Ended 30 June 2018

### **3 PRINCIPAL ACCOUNTING POLICIES (Continued)**

#### **3.1 IFRS 9 Financial Instruments (Continued)**

##### **3.1.2 Impairment of financial assets (Continued)**

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets, credit commitments and financial guarantee contracts for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9. The results of the assessment and the impact thereof are detailed in note 3.1.4.

As at 1 January 2018, the additional credit loss allowance of approximately RMB681,574,000 and loss shared by non-controlling interest, after deducting the effect of deferred tax credit amounted approximately RMB175,101,000, has been recognised against retained profits. The additional loss allowance is charged against the respective financial assets except credit losses of debt investments. An impairment loss recognised in financial assets at FVTOCI in respect of credit losses of certain debt investments amounted RMB935,000 was reclassified from investment revaluation reserve to retained earnings. An amount of approximately RMB145,398,000 resulted from this remeasurement was debited to non-controlling interest.

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 3.1 IFRS 9 Financial Instruments (Continued)

##### 3.1.3 Summary of effects arising from initial application of IFRS 9

##### (i) Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

	Closing balance at December 31, 2017 – IAS 39 RMB'000	Reclassification		Fair value change		From Available-for-sale investments to fair value 3.1.1(b)(i), (ii) RMB'000	From Opening balance at January 1, 2018-IFRS 9 (Restated) RMB'000
		From Available-for-sale equity investments 3.1.1(b)(i) RMB'000	From Available-for-sale debt investments 3.1.1(b)(ii) RMB'000	From Held-to-maturity investments 3.1.1(c) RMB'000	From Debt securities classified as receivables 3.1.1(c) RMB'000		
<b>Assets</b>							
Cash and deposits with the central bank	24,118,157						24,118,157
Deposits with banks and other financial institutions	13,219,552						13,214,034
Placements with banks and other financial institutions	1,200,000						1,188,834
Financial assets held under resale agreements	479,923						479,886
Financial assets at FVTPL	17,435,090	833,900	101,045		2,195,543	300,391	20,884,419
Interest receivable	821,524						788,403
Loans and advances to customers	76,492,240					(297,811)	76,194,429
Available-for-sale financial assets	8,914,455	(992,650)	(7,921,805)				–
Held-to-maturity investments	10,448,665			(10,448,665)			–
Debt securities classified as receivables	26,659,669				(26,659,669)		–
Financial assets at FVTOCI	–	158,750	7,820,760		24,464,126	(6,305)	7,973,205
Financial assets at amortised cost	–			10,448,665		(376,812)	34,535,979
Deferred tax asset	555,646					175,101	649,597
<b>Liabilities</b>							
Tax payable	86,579						80,799
Other liabilities	557,106					230	557,336
<b>Equity</b>							
Retained earnings	1,381,593		(5)				1,239,299
Investment revaluation reserve	(299,747)		5				(303,834)
Non-controlling interests	4,098,941					(649)	3,952,894

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 3 PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 3.1 IFRS 9 Financial Instruments (Continued)

##### 3.1.4 Summary of effects on impairment financial assets arising from initial application of IFRS 9

All loss allowances for financial assets including loan and advance to customers, deposits with bank and other financial institutions, placements with banks and other financial institutions, financial asset held under resale agreement, financial asset at amortised cost and credit commitments and financial guarantees as at 31 December 2017 reconcile to the opening loss allowance as at 1 January 2018 is as follows:

	Loan and advance to customers RMB'000 (Note 20)	Deposits with banks and other financial institutions RMB'000 (Note 15)	Placements with banks and other financial institutions RMB'000 (Note 16)	Financial asset held under resale agreement RMB'000 (Note 17)	Financial asset at amortised cost RMB'000 (Note 22)	Provision for credit commitments and financial guarantees RMB'000 (Note 39)	Total RMB'000
At							
31 December							
2017	2,334,931	–	–	–	387,704	–	2,722,635
Amounts							
remeasured							
under ECL							
model							
charged							
to opening							
retained							
earnings	297,811	5,518	1,166	37	376,812	230	681,574
<b>At 1 January</b>							
<b>2018</b>	<b>2,632,742</b>	<b>5,518</b>	<b>1,166</b>	<b>37</b>	<b>764,516</b>	<b>230</b>	<b>3,404,209</b>

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 4 CHANGE IN ACCOUNTING POLICIES

#### 4.1 IFRS 9 Financial Instruments

##### 4.1.1 Classification and measurement of financial assets

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 4 CHANGE IN ACCOUNTING POLICIES (Continued)

##### 4.1 IFRS 9 Financial Instruments (Continued)

###### 4.1.1 Classification and measurement of financial assets (Continued)

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

###### ***Equity instruments designated as at FVTOCI***

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Dividend income" line item in profit or loss.

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 4 CHANGE IN ACCOUNTING POLICIES (Continued)

#### 4.1 IFRS 9 Financial Instruments (Continued)

##### 4.1.1 Classification and measurement of financial assets (Continued)

###### *Debt instruments classified as at FVTOCI*

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investments revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

###### *Financial assets at FVTPL*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The gains or losses recognised in profit or loss excludes interest earned on the financial assets and is included in the “Net trading gains” line item.

In respect of the Group’s equity instruments at FVTPL, the Group subsequently measures them at fair value, with fair value gains and losses recognised in “Net trading gains”. Dividends from equity instruments continue to be recognised in profit or loss as dividend income when the Group’s right to receive payments is established. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value.

##### 4.1.2 Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including loans and advances to customers, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under resale agreements, financial assets measured at amortised cost, financial assets measured at FVTOCI, other receivables, credit commitments and financial guarantee contracts). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 4 CHANGE IN ACCOUNTING POLICIES (Continued)

##### 4.1 IFRS 9 Financial Instruments (Continued)

###### 4.1.2 Impairment of financial assets (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument (for stage 2 and stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date (for stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

###### 4.1.3 Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements (Continued)**

For the Period Ended 30 June 2018

#### **4 CHANGE IN ACCOUNTING POLICIES (Continued)**

##### **4.1 IFRS 9 Financial Instruments (Continued)**

###### **4.1.3 Significant increase in credit risk (Continued)**

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 4 CHANGE IN ACCOUNTING POLICIES (Continued)

##### 4.1 IFRS 9 Financial Instruments (Continued)

##### 4.1.3 Significant increase in credit risk (Continued)

For credit commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### ***Measurement and recognition of ECL***

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements (Continued)**

For the Period Ended 30 June 2018

#### **4 CHANGE IN ACCOUNTING POLICIES (Continued)**

##### **4.1 IFRS 9 Financial Instruments (Continued)**

###### **4.1.3 Significant increase in credit risk (Continued)**

###### ***Measurement and recognition of ECL (Continued)***

For undrawn credit commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the credit commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on credit commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, credit commitments and financial guarantees contracts, the Group recognises an impairment gain or loss in profit or loss for all other financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

For financial guarantee contracts and credit commitments, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 4 CHANGE IN ACCOUNTING POLICIES (Continued)

##### 4.2 IFRS 15 Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods and services to customers at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services to a customer. Specifically, the Group uses a five-step approach to recognise revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligations is transferred to customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same. For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements (Continued)**

For the Period Ended 30 June 2018

#### **4 CHANGE IN ACCOUNTING POLICIES (Continued)**

##### **4.2 IFRS 15 Revenue from contracts with customers (Continued)**

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 4 CHANGE IN ACCOUNTING POLICIES (Continued)

##### 4.2 IFRS 15 Revenue from contracts with customers (Continued)

###### **Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

The Group recognises the wealth management service fees, credit card services and advisory fee overtime as the related services are transferred overtime. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Regarding the syndicated loan service fees, those contracts that contain more than one performance obligations, the syndicated loan service and the benefit from exchanging of points, the Group allocates the transaction price to each performance obligations on a relative stand-alone fair value of these performance obligations.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised loan service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

In current period, the Group's revenue mainly includes interest income and fee and commission income, among which fee and commission income will be within the scope of IFRS 15, while interest income is within the scope of IFRS 9 for the annual periods beginning on or after January 1, 2018.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 5 NET INTEREST INCOME

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Interest income arising from		
– Deposits with the central bank	122,611	123,149
– Deposits with banks and other financial institutions	322,171	625,289
– Placements with banks and other financial institutions	26,931	10,650
– Financial assets at FVTPL	—	327,578
– Financial assets at FVTOCI	188,548	—
– Financial assets measured at amortised costs	935,547	—
– Loans and advances to customers:		
– Corporate loans and advances	1,921,916	1,813,177
– Finance lease loans	45,064	—
– Personal loans and advances	660,302	500,497
– Discounted bills	1,535	382
– Financial assets held under resale agreements	137,700	130,297
– Available-for-sale financial assets	—	458,738
– Held-to-maturity investments	—	67,414
– Debt securities classified as receivables	—	584,831
	<b>4,362,325</b>	4,642,002
Less: Interest expenses arising from		
– Borrowings from the central bank	(5,911)	(8,316)
– Deposits from banks and other financial institutions	(171,502)	(131,511)
– Placements from banks and other financial institutions	(15,032)	(26,424)
– Deposits from customers:		
Corporate customers	(643,010)	(689,859)
Individual customers	(1,038,344)	(801,564)
– Financial assets sold under repurchase agreements	(220,398)	(229,303)
– Debts securities issued	(514,504)	(566,685)
	<b>(2,608,701)</b>	(2,453,662)
	<b>1,753,624</b>	2,188,340



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 6 NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Fee and commission income		
– Advisory fees	21,839	136,052
– Settlement and clearing fees	26,475	24,185
– Wealth management service fees	8,598	127,070
– Agency service fees	10,729	19,105
– Syndicated loan service fees	67,427	38,828
– Bank card service fees	3,102	3,416
– Others	3,006	2,483
	<b>141,176</b>	351,139
Fee and commission expenses		
– Settlement and clearing fees	(10,378)	(11,509)
– Others	(3,390)	(5,348)
	<b>(13,768)</b>	(16,857)
	<b>127,408</b>	334,282

#### 7 NET TRADING GAINS

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Financial assets at FVTPL/Trading financial instruments		
– Unlisted equity investments	(3,352)	–
– Debt securities	(24,163)	(3,612)
– Financial instruments designated at FVTPL	(19,171)	69,375
Interest income from financial assets at FVTPL	432,030	–
	<b>385,344</b>	65,763

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 8 NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Net losses on disposal of available-for-sale debt investment	—	(38,567)
Net gains on disposal of debt securities classified as receivables	—	188,228
Net gains on disposal of financial assets measured at amortised cost	5,536	—
Net gains on disposal of financial assets at FVTOCI	2,908	—
Net revaluation (losses) gains reclassified from other comprehensive income on disposal	(1,141)	9,819
	<b>7,303</b>	159,480

#### 9 OTHER OPERATING INCOME, NET

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Government grants (Note)	20,012	33,625
(Losses) gains on disposal of property and equipment	(31)	55
Others operating income (expenses)	1,506	(2,231)
	<b>21,487</b>	31,449

Note: Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 10 OPERATING EXPENSES

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	486,493	465,429
– Staff welfares	37,478	37,420
– Social insurance	151,301	128,938
– Housing allowances	45,417	38,476
– Labour union and staff education expenses	10,635	11,626
	<b>731,324</b>	681,889
Premises and equipment expenses		
– Depreciation of property and equipment	184,919	145,692
– Amortisation of long-term deferred expenses	5,099	4,577
– Amortisation of land use rights	434	964
– Rental and property management expenses	129,884	121,989
	<b>320,336</b>	273,222
Other tax and surcharges	45,815	30,719
Other general and administrative expenses (Note)	190,778	219,015
	<b>1,288,253</b>	1,204,845

Note: Auditor's remuneration for the period ended 30 June 2018 was RMB1,885,000 (2017: RMB1,848,000).

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 11 IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Loans and advances to customers		
Charge for the period	393,742	407,765
Reverse for the period	(6,379)	(324)
	<b>387,363</b>	407,441
Debt securities classified as receivables	—	144,500
Other receivables and repossessed assets	13,612	4,733
Financial assets at FVTOCI	(865)	—
Deposits with bank and other financial institutions	5,760	—
Placements with banks and other financial institutions	613	—
Credit commitments and financial guarantees	9	—
Financial assets held under resale agreements	(37)	—
Financial assets measured at amortised costs	148,963	—
	<b>555,418</b>	556,674

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 12 INCOME TAX EXPENSE

##### (a) Income tax:

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	195,930	323,570
Under (over) provision in prior period:		
— Mainland China Enterprise Income Tax	8,996	(3,289)
Deferred taxation (Note 28)		
— Current year	(110,297)	(101,439)
	<b>94,629</b>	218,842

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%. During the period ended 30 June 2018 and 2017, certain branches with operations in a subsidiary, Changbai Mountain Rural Commercial Bank Co., Ltd. (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”) obtained approvals from tax authorities to adopt the preferential income tax rate of 15%.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 12 INCOME TAX EXPENSE (Continued)

(b) The tax charge for the period can be reconciled to the profit before tax per the condensed consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Profit before tax	569,108	1,119,091
Tax at domestic income tax rate of 25%	142,277	279,773
Tax effect of share of profit of associates	(8,984)	(3,083)
Tax effect of expenses not deductible for tax purpose (Note i)	720	396
Tax effect of income that are not taxable for tax purpose (Note ii)	(46,480)	(49,825)
Under (over) provision in respect of prior years	8,996	(3,289)
Income tax on concessionary rate	(1,900)	(5,130)
Income tax expense	94,629	218,842

Notes:

- (i) Expenses not deductible for tax purpose consists of a portion of expenditure, such as entertainment expense and donations, which exceed the tax deduction limits in accordance with Mainland China tax regulation.
- (ii) Income not taxable for tax purpose consists of interest income from the Mainland China government bonds and income from equity investment between qualified resident enterprises such as dividends and bonuses, which are exempted from income tax under the Mainland China tax regulation.

Details of the deferred taxation are set out in Note 28.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 13 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Profit for the period attributable to owners of the Bank (RMB'000)	<b>370,207</b>	692,803
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	<b>3,984,797</b>	3,869,798

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period ended 30 June 2018 and 2017.

#### 14 CASH AND DEPOSITS WITH THE CENTRAL BANK

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Cash on hand	<b>699,328</b>	987,228
Deposits with the central bank		
– Statutory deposit reserves (Note a)	<b>11,382,750</b>	16,879,576
– Surplus deposit reserves (Note b)	<b>6,226,858</b>	6,119,287
– Fiscal deposits	<b>80,167</b>	132,066
	<b>17,689,775</b>	23,130,929
	<b>18,389,103</b>	24,118,157

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 14 CASH AND DEPOSITS WITH THE CENTRAL BANK (Continued)

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. At 30 June 2018 and 31 December 2017, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Audited)
Reserve ratio for RMB deposits	13.5%	14.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are restricted balances with central bank and are not available for the Bank's daily business. The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of cash settlement and other kinds of unrestricted deposits.

#### 15 DEPOSITS WITH BANK AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Deposits in Mainland China		
– Banks	13,740,463	13,175,764
– Other financial institutions	54,710	1,200
	<b>13,795,173</b>	13,176,964
Deposits outside Mainland China		
– Banks	16,066	42,588
Less: provision for impairment losses	(8,822)	—
	<b>13,802,417</b>	13,219,552



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 15 DEPOSITS WITH BANK AND OTHER FINANCIAL INSTITUTIONS (Continued)

##### Movements of provision for impairment losses

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
At 1 January, (Restated) (Note 3.1.4)	5,518	—
Impairment losses recognised	5,760	—
Derecognised on deemed disposals of subsidiaries	(2,456)	—
At 30 June/31 December	<b>8,822</b>	—

#### 16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Placements in Mainland China		
— Banks	100,000	—
— Other financial institutions	1,610,000	1,200,000
	<b>1,710,000</b>	1,200,000
Less: provision for impairment losses	(1,662)	—
	<b>1,708,338</b>	1,200,000

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (Continued)

##### Movements of provision for impairment losses

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
At 1 January (Restated) (Note 3.1.4)	1,166	—
Impairment losses recognised	613	—
Derecognised on deemed disposals of subsidiaries	(117)	—
At 30 June/31 December	1,662	—

#### 17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

##### (a) Analysed by type and location of counterparty

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
In Mainland China		
— Banks	—	263,500
— Other financial institutions	—	216,423
	—	479,923

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

##### (b) Analysed by type of security held

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Debt securities		
– Government	—	70,000
– Banks and other financial institutions	—	409,923
	—	479,923

##### Movements of provision for impairment losses

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
At 1 January (restated) (Note 3.1.4)	37	—
Impairment losses reversed	(37)	—
At 30 June/31 December	—	—

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 18 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Debt securities held for trading (Note a)	—	221,982
Financial assets designated at FVTPL (Note b)	17,279,012	17,213,108
Unlisted equity investments measured at FVTPL	937,019	—
Other debt instruments (Note c)	1,271,604	—
	<b>19,487,635</b>	17,435,090

Notes:

(a) Debt securities held for trading

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Issued by institutions in Mainland China		
— Banks and other financial institutions	—	149,584
— Corporations	—	72,398
	—	221,982
Analysed as:		
— Listed outside Hong Kong	—	221,982

As at 31 December 2017, no debt securities held for trading were subject to material restrictions on the realisation.

All debt securities held for trading are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

(b) Financial assets designated at FVTPL

Financial assets designated at FVTPL mainly represented investments, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under deposits from customers.

(c) Other debt instruments

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Trusts plans	481,134	—
Asset management plans	790,182	—
Other investment	288	—
	<b>1,271,604</b>	—

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 19 INTERESTS RECEIVABLE

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Interests receivable arising from:		
– Investments	<b>618,473</b>	653,825
– Loans and advances to customers	<b>141,347</b>	145,623
– Financial assets held under resale agreements	—	413
– Deposits and placements with banks and other financial institutions	<b>139,373</b>	21,663
	<b>899,193</b>	821,524

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 20 LOANS AND ADVANCES TO CUSTOMERS

##### (a) Analysed by nature

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
<b>Gross loans and advances to customers</b>		
Corporate loans and advances		
– Loans	48,416,215	57,592,135
– Finance lease loans	1,602,578	1,477,084
	<b>50,018,793</b>	59,069,219
Personal loans and advances		
– Personal business loans	13,353,032	13,470,571
– Personal consumption loans	3,240,544	3,407,041
– Residential and commercial mortgage loans	2,826,707	2,859,702
– Credit card overdrafts	12,062	7,608
	<b>19,432,345</b>	19,744,922
Discounted bills	54,559	13,030
	<b>69,505,697</b>	78,827,171
<b>Less: Provision for impairment losses</b>		
– Individually assessed	(676,288)	(576,584)
– Collectively assessed	(1,381,101)	(1,758,347)
	<b>(2,057,389)</b>	(2,334,931)
	<b>67,448,308</b>	76,492,240

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (b) Analysed by industry sector

	At 30 June 2018		
	Amount (Unaudited) RMB'000	Percentage (Unaudited)	Loans and advances secured by collaterals (Unaudited) RMB'000
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Wholesale and retail	11,222,547	16.15%	4,338,215
– Manufacturing	10,730,849	15.44%	4,443,221
– Construction	5,773,221	8.31%	2,082,420
– Agriculture, forestry, animal husbandry and fishery	4,557,173	6.56%	1,501,155
– Real estate	3,307,145	4.76%	1,695,465
– Leasing and business services	4,039,803	5.81%	1,185,883
– Transportation, storage and postal services	2,131,345	3.07%	582,045
– Electricity, gas and water production and supply	1,451,798	2.09%	207,790
– Education	1,683,630	2.42%	609,290
– Accommodation and catering	841,040	1.21%	721,250
– Scientific research, technical services and geological prospecting	1,291,523	1.86%	226,121
– Information transmission, computer services and software	836,466	1.20%	155,226
– Resident and other services	355,450	0.51%	82,824
– Cultural, sports and entertainment	514,150	0.74%	246,050
– Health and social services	722,932	1.04%	164,432
– Water, environment and public facility management	199,780	0.29%	64,500
– Mining	87,549	0.11%	10,660
– Finance	110,000	0.16%	–
– Public administration, social security and social organisations	162,392	0.23%	114,000
	50,018,793	71.96%	18,430,547
Personal loans and advances	19,432,345	27.96%	10,839,856
Discounted bills	54,559	0.08%	–
	69,505,697	100%	29,270,403
<b>Less: Provision for impairment losses</b>			
– Individually assessed	(676,288)		
– Collectively assessed	(1,381,101)		
	(2,057,389)		
	67,448,308		

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

#### (b) Analysed by industry sector (Continued)

	At 31 December 2017		
	Amount (Audited) RMB'000	Percentage (Audited)	Loans and advances secured by collaterals (Audited) RMB'000
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Wholesale and retail	13,608,881	17.26%	6,973,756
– Manufacturing	11,858,255	15.04%	5,026,617
– Construction	6,506,270	8.25%	3,100,102
– Agriculture, forestry, animal husbandry and fishery	5,278,700	6.70%	1,740,889
– Real estate	4,908,408	6.23%	2,305,918
– Leasing and business services	3,286,887	4.17%	1,165,676
– Transportation, storage and postal services	2,594,692	3.29%	904,828
– Electricity, gas and water production and supply	2,513,179	3.19%	481,393
– Education	1,736,017	2.20%	497,077
– Accommodation and catering	1,406,117	1.78%	1,039,647
– Scientific research, technical services and geological prospecting	1,144,723	1.45%	188,300
– Information transmission, computer services and software	896,075	1.14%	267,650
– Resident and other services	772,190	0.98%	235,024
– Cultural, sports and entertainment	520,050	0.66%	190,550
– Health and social services	687,256	0.87%	218,256
– Water, environment and public facility management	479,640	0.61%	143,500
– Mining	391,429	0.50%	8,410
– Finance	352,000	0.45%	–
– Public administration, social security and social organisations	128,450	0.16%	67,000
	59,069,219	74.93%	24,554,593
Personal loans and advances	19,744,922	25.05%	10,761,922
Discounted bills	13,030	0.02%	–
	78,827,171	100.00%	35,316,515
<b>Less: Provision for impairment losses</b>			
– Individually assessed	(576,584)		
– Collectively assessed	(1,758,347)		
	(2,334,931)		
	76,492,240		



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (b) Analysed by industry sector (Continued)

As at 30 June 2018 and 31 December 2017, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At 30 June 2018				
	Impaired loans and advances (Unaudited) RMB'000	Individually assessed provision for impairment losses (Unaudited) RMB'000	Collectively assessed provision for impairment losses (Unaudited) RMB'000	Impairment (reversed)/ charged during the period (Unaudited) RMB'000	Written-off during the period (Unaudited) RMB'000
– Wholesale and retail	144,791	65,716	135,222	(1,295)	–
– Manufacturing	444,385	241,000	244,242	92,073	–

	At 31 December 2017				
	Impaired loans and advances (Audited) RMB'000	Individually assessed provision for impairment losses (Audited) RMB'000	Collectively assessed provision for impairment losses (Audited) RMB'000	Impairment charged during the year (Audited) RMB'000	Written-off during the year (Audited) RMB'000
– Wholesale and retail	174,181	102,164	257,142	85,678	–
– Manufacturing	373,541	218,150	224,971	130,511	–

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (c) Analysed by type of collateral

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
<b>Gross loans and advances to customers</b>		
Unsecured loans	2,805,665	2,371,287
Guaranteed loans	30,846,076	29,760,568
Collateralised loans	29,270,403	35,316,515
Pledged loans	6,583,553	11,378,801
	<b>69,505,697</b>	78,827,171
<b>Less: Provision for impairment losses</b>		
— Individually assessed	(676,288)	(576,584)
— Collectively assessed	(1,381,101)	(1,758,347)
	<b>(2,057,389)</b>	(2,334,931)
	<b>67,448,308</b>	76,492,240

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	At 30 June 2018				
	Overdue within three months (inclusive) (Unaudited) RMB'000	Overdue more than three months to one year (inclusive) (Unaudited) RMB'000	Overdue more than one year to three years (inclusive) (Unaudited) RMB'000	Overdue more than three years (Unaudited) RMB'000	Total (Unaudited) RMB'000
Unsecured loans	4,948	2,721	651	4,672	12,992
Guaranteed loans	187,854	157,076	259,124	35,502	639,556
Collateralised loans	850,631	313,714	343,318	330,794	1,838,457
Pledged loans	54,160	15	29,368	28,178	111,721
	<b>1,097,593</b>	<b>473,526</b>	<b>632,461</b>	<b>399,146</b>	<b>2,602,726</b>
As a percentage of gross loans and advances to customers	<b>1.58%</b>	<b>0.68%</b>	<b>0.91%</b>	<b>0.57%</b>	<b>3.74%</b>

  

	At 31 December 2017				
	Overdue within three months (inclusive) (Audited) RMB'000	Overdue more than three months to one year (inclusive) (Audited) RMB'000	Overdue more than one year to three years (inclusive) (Audited) RMB'000	Overdue more than three years (Audited) RMB'000	Total (Audited) RMB'000
Unsecured loans	6,435	2,735	9,599	40,987	59,756
Guaranteed loans	140,809	179,517	198,365	100,925	619,616
Collateralised loans	313,107	276,309	658,672	264,810	1,512,898
Pledged loans	17,250	79,051	119,325	97,215	312,841
	<b>477,601</b>	<b>537,612</b>	<b>985,961</b>	<b>503,937</b>	<b>2,505,111</b>
As a percentage of gross loans and advances to customers	<b>0.61%</b>	<b>0.68%</b>	<b>1.25%</b>	<b>0.64%</b>	<b>3.18%</b>

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	At 30 June 2018			
	Stage 1	Stage 2	Stage 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers	66,534,038	1,450,582	1,521,077	69,505,697
Less: Provision for impairment losses	(1,007,476)	(132,278)	(917,635)	(2,057,389)
	65,526,562	1,318,304	603,442	67,448,308

	At 31 December 2017					Gross impaired loans and advances as a percentage of gross loans and advances (Audited)
	Loans and advances for which provision are collectively assessed (Note (i)) (Audited) RMB'000	Impaired loans and advances (Note (ii))		Subtotal (Audited) RMB'000	Total (Audited) RMB'000	
		For which provision are collectively assessed (Audited) RMB'000	For which provision are individually assessed (Audited) RMB'000			
Gross loans and advances to customers	77,465,572	374,363	987,236	1,361,599	78,827,171	1.73%
Less: Provision for impairment losses	(1,547,072)	(211,275)	(576,584)	(787,859)	(2,334,931)	
	75,918,500	163,088	410,652	573,740	76,492,240	

Notes:

- (i) Loans and advances collectively assessed for impairment bear relatively insignificant impairment losses as a proportion of the total portfolio. These loans and advances include those which are graded normal or special-mention.
- (ii) Impaired loans and advances include those for which objective evidence of impairment has been identified and assessed using the individually assessment methods.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	Total (Unaudited) RMB'000
At 1 January 2018	2,334,931
Adjustments on opening balance as adoption of IFRS 9	297,811
Impairment losses recognised	
Charge for the period	393,742
Reverse for the period	(6,379)
	3,020,105
Recoveries of loans and advances previously written off	8,233
Amounts written off as uncollectible	(18,579)
Derecognised on deemed disposals of subsidiaries	(952,370)
At 30 June 2018	2,057,389

	Year ended 31 December 2017		
	Provision for loans and advances which are collectively assessed (Audited) RMB'000	Provision for impaired loans and advances which are individually assessed (Audited) RMB'000	Total (Audited) RMB'000
At 1 January 2017	1,518,677	295,736	1,814,413
Impairment losses recognised			
Charge for the year	231,374	280,849	512,223
Reverse for the year	(41,354)	(107,655)	(149,009)
	190,020	173,194	363,214
Recoveries of loans and advances previously written off	37,621	82,366	119,987
Amounts written off as uncollectible	(5,374)	(667)	(6,041)
Acquisition of a subsidiary	17,403	25,955	43,358
At 31 December 2017	1,758,347	576,584	2,334,931

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 20 LOANS AND ADVANCES TO CUSTOMERS (Continued)

##### (g) Analysed by geographical sector

	At 30 June 2018		
	Gross loan balance (Unaudited) RMB'000	Percentage (Unaudited)	Loan and advances secured by collaterals (Unaudited) RMB'000
Jilin Region	58,505,323	84.17%	23,424,625
Mainland China excluding Jilin Region	11,000,374	15.83%	5,845,778
	69,505,697	100%	29,270,403

	At 31 December 2017		
	Gross loan balance (Audited) RMB'000	Percentage (Audited)	Loan and advances secured by collaterals (Audited) RMB'000
Jilin Region	69,234,512	87.83%	30,384,680
Mainland China excluding Jilin Region	9,592,659	12.17%	4,931,835
	78,827,171	100.00%	35,316,515

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 21 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
— Government	3,061,569	—
— Banks and other financial institutions	2,031,959	—
— Corporations	661,818	—
— Interbank deposit	127,309	—
	<b>5,882,655</b>	—
Asset management plans	322,278	—
Unlisted equity investments measured at FVTOCI	121,267	—
	<b>6,326,200</b>	—
Analysed as:		
Listed outside Hong Kong	5,882,655	—
Unlisted outside Hong Kong	443,545	—
	<b>6,326,200</b>	—

At 1 January 2018, the Group made an irrevocable election to present changes in the fair value of certain of its equity investments and debt investments (previously classified as available-for-sale equity investments and available-for-sale debt investments respectively) in other comprehensive income, as explained in note 3.

All financial assets at FVTOCI are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

At 30 June 2018, parts of financial assets at FVTOCI were pledged as security for repurchase agreement (Note 30(a)).

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 22 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	5,530,757	—
– Banks and other financial institutions	1,595,737	—
	<b>7,126,494</b>	—
Wealth management products issued by other financial institutions	200,000	—
Trust plans	8,777,982	—
Asset management plans	7,683,260	—
Investment funds	640,000	—
	<b>17,301,242</b>	—
Less: Provision for impairment losses	<b>(548,103)</b>	—
	<b>23,879,633</b>	—
Analysed as:		
Listed outside Hong Kong	7,126,494	—
Unlisted outside Hong Kong	16,753,139	—
	<b>23,879,633</b>	—



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 22 FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

##### Movements of allowance for impairment losses

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
At 1 January, (restated) (Note 3.1.4)	387,704	—
Adjustments on opening balance as adoption of IFRS 9	376,812	—
Impairment losses recognised	148,963	—
Derecognised on deemed disposals of subsidiaries	(365,376)	—
At 30 June/31 December	548,103	—

*Notes:*

- (a) The Group had an objective to hold these investments in order to collect contractual cash flows and had measured them at their amortised cost.
- (b) All debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".
- (c) At 30 June 2018, parts of financial assets at amortised cost were pledged as security for repurchase agreement (Note 30(a)).

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 23 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Available-for-sale debt investments (Note a)	—	7,921,805
Available-for-sale equity investments (Note b)	—	992,650
	—	8,914,455
Analysed as:		
Listed outside Hong Kong	—	7,180,760
Unlisted outside Hong Kong	—	1,733,695
	—	8,914,455

Notes:

(a) Available-for-sale debt investments

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
— Government	—	3,295,072
— Banks and other financial institutions	—	2,871,025
— Corporations	—	1,014,663
	—	7,180,760
Asset management plans	—	741,045
	—	7,921,805

All available-for-sale debt investments were stated at fair value.

All available-for-sale debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

At 31 December 2017, part of the available-for-sale debt investments were pledged as security for repurchase agreement.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 24 HELD-TO-MATURITY INVESTMENTS

Analysed by type and location of issuers:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
<b>Carrying value</b>		
Debt securities issued by the following institutions in		
Mainland China		
— Government	—	6,549,173
— Banks and other financial institutions	—	3,899,492
	—	10,448,665
Analysed as:		
Listed outside Hong Kong	—	10,448,665
Fair value	—	9,965,121

Notes:

- (a) All held-to-maturity investments are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".
- (b) At 31 December 2017, part of the held-to-maturity investments were pledged as security for repurchase agreement.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 25 DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Trust plans	—	14,232,394
Asset management plans	—	10,107,979
Wealth management products issued by other financial institutions	—	1,627,000
Investment funds	—	1,080,000
	—	27,047,373
<b>Less: Provision for impairment losses</b>	—	<b>(387,704)</b>
	—	26,659,669
Analysed as:		
Unlisted outside Hong Kong	—	26,659,669

The carrying values of debt securities classified as receivables were approximate to their fair values.

Movements of allowance for impairment losses

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
At 1 January	—	11,800
Impairment losses recognised	—	375,904
At 30 June/31 December	—	387,704

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 26 INTERESTS IN ASSOCIATES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Costs of investments in associates, unlisted	<b>2,017,703</b>	210,012
Share of post-acquisition profits and other comprehensive income	<b>70,494</b>	34,557
	<b>2,088,197</b>	244,569

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 26 INTERESTS IN ASSOCIATES (Continued)

As at 30 June 2018 and 31 December 2017, the Group had interests in the following associates:

Name of the bank	Form of entity	Country of incorporation/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				30 June 2018	31 December 2017	30 June 2018	31 December 2017	
Haikou United Rural Commercial Bank Co., Ltd.* (“海口聯合農村商業銀行股份有限公司”, “Haikou United Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	20%	20%	24%	24%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank Co., Ltd.* (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	38.8%	—	38.8%	—	Corporate and retail bank
Jilin Dehui Rural Commercial Bank Co., Ltd.* (“吉林德惠農村商業銀行股份有限公司”, “Jilin Dehui Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	45%	—	45%	—	Corporate and retail bank
Jilin Gongzhuling Rural Commercial Bank Co., Ltd.* (“吉林公主嶺農村商業銀行股份有限公司”, “Jilin Gongzhuling Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	30%	—	30%	—	Corporate and retail bank
Jilin Chuncheng Rural Commercial Bank Co., Ltd.* (“吉林春城農村商業銀行股份有限公司”, “Jilin Chuncheng Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	30%	—	30%	—	Corporate and retail bank

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

\* The English translation is for identification only.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 26 INTERESTS IN ASSOCIATES (Continued)

On 28 May 2018, certain shareholders who holds certain ownership and voting power of the banks including Jilin Gongzhuling Rural Commercial Bank, Changbai Mountain Rural Commercial Bank, Jilin Dehui Rural Commercial Bank and Jilin Chuncheng Rural Commercial Bank, terminated the act in concert contracts. Hence, the Group loss control over these banks as the Group did not obtain more than half of the voting power in the shareholder meetings of these banks. Details are set out in note 53.

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	30 June 2018 (Unaudited) RMB'000	30 June 2017 (Unaudited) RMB'000
The Group's share of profit and comprehensive income for the period for all immaterial associates	<b>35,937</b>	12,330

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Carrying amount of the Group's interests in these associates	<b>2,088,197</b>	244,569

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 27 PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2017	1,874,943	492,770	582,089	996,181	14,958	3,960,941
Additions	534,665	80,808	123,974	714,547	825	1,454,819
Transfers in/(out) of construction in progress	1,289,359	12,947	6,766	(1,309,072)	—	—
Transfer out to land use rights	—	—	—	(21,656)	—	(21,656)
Acquired on acquisitions of subsidiaries	34,940	781	1,422	—	26	37,169
Disposals	(1,778)	—	(7,460)	—	(1,655)	(10,893)
At 31 December 2017 and 1 January 2018	<b>3,732,129</b>	<b>587,306</b>	<b>706,791</b>	<b>380,000</b>	<b>14,154</b>	<b>5,420,380</b>
Additions	<b>490</b>	<b>19,906</b>	<b>43,674</b>	<b>173,705</b>	<b>1,391</b>	<b>239,166</b>
Transfers in/(out) of construction in progress	<b>47,252</b>	<b>146</b>	<b>566</b>	<b>(47,964)</b>	—	—
Derecognised on deemed disposals of subsidiaries (Note 54)	<b>(487,987)</b>	<b>(23,006)</b>	<b>(153,795)</b>	<b>(269,824)</b>	<b>(5,175)</b>	<b>(939,787)</b>
Disposals	—	(6,466)	—	—	(911)	(7,377)
At 30 June 2018 (Unaudited)	<b>3,291,884</b>	<b>577,886</b>	<b>597,236</b>	<b>235,917</b>	<b>9,459</b>	<b>4,712,382</b>



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 27 PROPERTY AND EQUIPMENT (Continued)

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Accumulated depreciation and impairment</b>						
At 1 January 2017	218,279	170,275	270,553	—	12,239	671,346
Provided for the year	102,693	73,234	124,393	—	1,614	301,934
Impairment loss recognised						
in profit or loss	526	—	—	—	—	526
Eliminated on disposals	(1,124)	—	(6,822)	—	(1,394)	(9,340)
At 31 December 2017 and 1 January 2018	<b>320,374</b>	<b>243,509</b>	<b>388,124</b>	—	<b>12,459</b>	<b>964,466</b>
Provided for the period	<b>89,872</b>	<b>36,401</b>	<b>58,313</b>	—	<b>333</b>	<b>184,919</b>
Eliminated on deemed disposals of subsidiaries (Note 54)	<b>(112,943)</b>	<b>(6,947)</b>	<b>(104,319)</b>	—	<b>(3,772)</b>	<b>(227,981)</b>
Eliminated on disposals	—	<b>(1,681)</b>	—	—	<b>(873)</b>	<b>(2,554)</b>
At 30 June 2018 (Unaudited)	<b>297,303</b>	<b>271,282</b>	<b>342,118</b>	—	<b>8,147</b>	<b>918,850</b>
<b>Net book value</b>						
At 30 June 2018 (Unaudited)	<b>2,994,581</b>	<b>306,604</b>	<b>255,118</b>	<b>235,917</b>	<b>1,312</b>	<b>3,793,532</b>
At 31 December 2017 (Audited)	3,411,755	343,797	318,667	380,000	1,695	4,455,914

At 30 June 2018, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB2,361,630,000 (31 December 2017: approximately RMB2,655,779,000). Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB247,261,000 (31 December 2017: approximately RMB336,967,000).

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 27 PROPERTY AND EQUIPMENT (Continued)

At 30 June 2018 and 31 December 2017, the net book values of premises are analysed by the remaining terms of the leases as follows:

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Held in Mainland China		
– Long term leases (over 50 years)	64,909	91,207
– Medium term leases (10–50 years)	2,879,031	3,268,606
– Short term leases (less than 10 years)	50,641	51,942
	<b>2,994,581</b>	3,411,755

#### 28 DEFERRED TAXATION

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Deferred tax assets	573,609	636,205
Deferred tax liabilities	(151,076)	(80,559)
	<b>422,533</b>	555,646

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 28 DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current period and prior year:

	Provision for impairment losses on assets RMB'000 Note (i)	Change in fair value of available-for-sale financial assets RMB'000 Note (ii)	Change in fair value of financial asset at FVTOCI RMB'000 Note (ii)	Net losses/(gains) from fair value changes of financial asset at FVTPL RMB'000 Note (ii)	Tax losses RMB'000 Note (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 2017	310,907	(2,489)	—	(63,344)	32,856	7,203	285,133
Credit/(charge) to profit or loss	156,884	—	—	(17,215)	10,244	(5,355)	144,558
Charge to other comprehensive income	—	111,494	—	—	—	—	111,494
Effect of change in tax rate	14,461	—	—	—	—	—	14,461
At 31 December 2017 and 1 January 2018	<b>482,252</b>	<b>109,005</b>	<b>—</b>	<b>(80,559)</b>	<b>43,100</b>	<b>1,848</b>	<b>555,646</b>
Adjustment on opening balance as adoption on IFRS 9	<b>175,101</b>	<b>(109,005)</b>	<b>109,255</b>	<b>(81,400)</b>	<b>—</b>	<b>—</b>	<b>93,951</b>
Credit/(charge) to profit or loss	<b>95,187</b>	<b>—</b>	<b>—</b>	<b>14,218</b>	<b>(386)</b>	<b>1,279</b>	<b>110,298</b>
Credit to other comprehensive income	<b>—</b>	<b>—</b>	<b>(47,244)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(47,244)</b>
Derecognised on deemed disposals of subsidiaries	<b>(280,650)</b>	<b>—</b>	<b>(6,133)</b>	<b>(3,335)</b>	<b>—</b>	<b>—</b>	<b>(290,118)</b>
At 30 June 2018 (Unaudited)	<b>471,890</b>	<b>—</b>	<b>55,878</b>	<b>(151,076)</b>	<b>42,714</b>	<b>3,127</b>	<b>422,533</b>

*Notes:*

- (i) The Group made provision for impairment losses on loans and advances to customers and other financial assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At 30 June 2018, the Group has unused tax losses of RMB170,856,000 (31 December 2017: approximately RMB172,401,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 29 OTHER ASSETS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Other receivables and prepayments (Note (i))	179,989	145,141
Repossessed assets (Note (ii))	107,861	426,437
Long-term deferred expenses (Note (iii))	105,323	127,125
Land use rights (Note (iv))	26,221	70,785
Dividend receivable	45,000	—
Other	26,484	9,084
	<b>490,878</b>	<b>778,572</b>

Notes:

(i)

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Other receivables and prepayments	190,182	152,177
Less: Provision for impairment losses	(10,193)	(7,036)
	<b>179,989</b>	<b>145,141</b>

Movements of allowance for impairment losses

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
At 1 January	7,036	8,942
Impairment losses recognised	13,612	—
Impairment losses reversed	—	(1,377)
Amounts written off as uncollectible	—	(529)
Derecognised on deemed disposals of subsidiaries	(10,455)	—
At 30 June/31 December	<b>10,193</b>	<b>7,036</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 29 OTHER ASSETS (Continued)

Notes: (Continued)

(ii)

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Reposessed assets	121,161	521,615
Less: Provision for impairment losses	(13,300)	(95,178)
	107,861	426,437

Movements of allowance for impairment losses

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
At 1 January	95,178	101,820
Impairment losses recognised	—	9,782
Amounts written off as uncollectible	—	(16,424)
Derecognised on deemed disposals of subsidiaries	(81,878)	—
	13,300	95,178

(iii) Long-term deferred expenses represent prepaid rent and prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period. Amortisation of long-term deferred expenses for the period ended 30 June 2018 was approximately RMB5,099,000 (30 June 2017: approximately RMB4,577,000)

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 29 OTHER ASSETS (Continued)

Notes: (Continued)

(iv) Movements of land use rights

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
<b>Cost</b>		
At 1 January	75,237	53,393
Additions	—	21,844
Derecognised on deemed disposals of subsidiaries	(45,868)	—
At 30 June/31 December	29,369	75,237
<b>Accumulated amortisation</b>		
At 1 January	4,452	2,324
Amortised for the period/year	434	2,128
Derecognised on deemed disposal of subsidiaries	(1,738)	—
At 30 June/31 December	3,148	4,452
<b>Carrying amounts</b>		
At 30 June/31 December	26,221	70,785

These lands are located in PRC with medium term leases (10–50 years).

At 30 June 2018, the net book value of land use rights of which title deeds were not yet finalised by the Group were approximately RMB1,194,000 (2017: approximately RMB5,052,000).

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

### 30 PLEDGED ASSETS

#### (a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include financial assets held under resale agreement and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 30 June 2018 is approximately RMB8,184,761,000 (31 December 2017: approximately RMB10,177,577,000).

#### (b) Received pledged assets

The Group and the Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 31 BORROWINGS FROM THE CENTRAL BANK

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Borrowings:		
– Unsecured	1,684,900	1,156,170
– Secured	50,000	420,000
	1,734,900	1,576,170

#### 32 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Deposits in Mainland China		
– Banks	5,127,533	4,690,533
– Other financial institutions	280,000	–
	5,407,533	4,690,533

#### 33 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Placements in Mainland China		
– Banks	946,496	1,652,496

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 34 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

##### (a) Analysed by type and location of counterparty

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
In Mainland China		
– Banks	7,961,715	9,364,507
– Other financial institutions	–	315,193
	<b>7,961,715</b>	<b>9,679,700</b>

##### (b) Analysed by collateral

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Debt securities	7,961,715	9,679,700



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 35 DEPOSITS FROM CUSTOMERS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Demand deposits		
– Corporate customers	<b>23,260,833</b>	25,868,261
– Individual customers	<b>15,320,327</b>	21,295,486
	<b>38,581,160</b>	47,163,747
Time deposits		
– Corporate customers	<b>15,827,350</b>	20,835,862
– Individual customers	<b>48,596,120</b>	57,574,478
	<b>64,423,470</b>	78,410,340
Pledged deposits		
– Acceptances	<b>967,518</b>	948,177
– Guarantees and letters of guarantees	<b>2,060,134</b>	1,645,601
	<b>3,027,652</b>	2,593,778
Others	<b>420,183</b>	1,713,728
	<b>106,452,465</b>	129,881,593

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 36 ACCRUED STAFF COSTS

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Salary and bonus payable	45,714	219,965
Social pension schemes payable	1,135	411
Other social insurances payable	1,986	674
Other staff welfare payable	2,007	8,279
	<b>50,842</b>	<b>229,329</b>

#### 37 INTERESTS PAYABLE

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Deposits from customers	1,388,291	1,826,581
Deposits from banks and other financial institutions	111,156	73,215
Debts securities issued	61,659	43,876
Others	8,700	21,108
	<b>1,569,806</b>	<b>1,964,780</b>

#### 38 DEBT SECURITIES ISSUED

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Note (i))	2,394,779	2,394,377
Interbank deposits (Note (ii))	17,380,874	17,645,188
	<b>19,775,653</b>	<b>20,039,565</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 38 DEBT SECURITIES ISSUED (Continued)

Notes:

- (i) Fixed rate subordinated debts/tier-two capital bonds issued
- (a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00%. The Group has an option to redeem the debts on 30 December 2018 at the nominal amount. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 30 June 2018, the outstanding balance of this fixed rate subordinated debts issued is RMB698,649,000 (31 December 2017: RMB698,500,000).
- (b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The Group has an option to redeem the debts on 13 April 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.34%. As at 30 June 2018, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB798,372,000 (31 December 2017: approximately RMB798,253,000).
- (c) Fixed rate tier-two capital bonds at a face value of RMB900,000,000 with a term of ten years were issued on 20 October 2016. The coupon rate is 4.20%. The Group has an option to redeem the debts on 20 October 2021 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.24%. As at 30 June 2018, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB897,758,000 (31 December 2017: approximately RMB897,624,000).
- (ii) Interbank deposits
- (a) For the period ended 30 June 2018, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB7,010,000,000 and duration between 3 months to 1 year. As at 30 June 2018, the outstanding balance of interbank deposits issued is approximately RMB17,380,874,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 4.70% to 5.32%.
- (b) For the year ended 31 December 2017, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB24,300,000,000 and duration between 1 month to 1 year. As at 31 December 2017, the outstanding balance of interbank deposits issued by the Group is approximately RMB17,645,188,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 4.55% to 5.33%.

#### 39 OTHER LIABILITIES

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Other payable and accrued expenses	168,585	254,438
Clearance of inter-bank accounts	116,814	182,035
Other taxes payables	30,692	80,793
Agency business liabilities	4,608	26,995
Dividend payable	728,060	502
Deferred leasing income (Note)	24,070	12,343
Provisions for credit commitments and financial guarantees	233	—
	<b>1,073,062</b>	557,106

Note: Deferred leasing income represents deferred financial leasing income received from lessees under finance leases for which the income will be amortised over the leasing periods.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 40 SHARE CAPITAL

Share capital of the Group as at 30 June 2018 and 31 December 2017 represented share capital of the Bank, which is fully paid.

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each: — Ordinary shares	<b>3,984,797</b>	3,984,797
At the beginning of the year	<b>3,984,797</b>	3,294,797
Issuance of shares (Note)	—	690,000
At end of the period/ year	<b>3,984,797</b>	3,984,797

*Note:* On 12 January 2017, the Bank was listed on The Stock Exchange of Hong Kong Limited. A total of 690,000,000 H shares (including an over-allotment of 90,000,000 H-shares issued on 19 January 2017) at par value RMB1 per share were issued at an offer price of HKD4.56 per share. Total gross proceeds from the share issuance amounted to approximately RMB2,795,445,000 (equivalent to HKD3,146,400,000) giving rise to share premium approximately RMB2,105,445,000 credit to capital reserve. Share issuance expenses approximately RMB147,749,000 was debited to capital reserve.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 40 SHARE CAPITAL (Continued)

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

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Domestic shareholders	3,225,797	3,225,797
H shareholders	759,000	759,000
At end of the period/year	<b>3,984,797</b>	3,984,797

#### 41 CAPITAL RESERVE

	30 June 2018 (Unaudited) RMB'000	31 December 2017 (Audited) RMB'000
Share premium	5,051,289	5,051,289
Changes in ownership in subsidiaries without changes in control	267,719	264,514
	<b>5,319,008</b>	5,315,803

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 42 SURPLUS RESERVE AND GENERAL RESERVE

#### (a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 30 June 2018 is approximately RMB614,436,000 (31 December 2017: approximately RMB614,436,000), while other surplus reserve is approximately RMB16,659,000 as at 30 June 2018 (31 December 2017: approximately RMB16,659,000). The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

#### (b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

### 43 DIVIDENDS

	30 June 2018 (Unaudited) RMB'000	30 June 2017 (Unaudited) RMB'000
2017 final dividend (Note a)	717,264	—
2016 final dividend (Note b)	—	1,195,440

Notes:

- (a) Pursuant to the resolution of the shareholders meeting of 2017 on 12 June 2018, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 3,984,797,692 shares held amounting to approximately RMB717,264,000 during the period ended 30 June 2018.
- (b) Pursuant to the resolution of the shareholders meeting of 2016 on 15 May 2017, the Bank distributed cash dividends of RMB0.3 per share (tax included) based on 3,984,797,692 shares held amounting to approximately RMB1,195,440,000 during the year ended 31 December 2017.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 44 STRUCTURED ENTITIES

##### (a) Consolidated structured entities

The condensed consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at 30 June 2018 and 31 December 2017, the amount of assets held by the condensed consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB12,290,823,000 and approximately RMB17,211,194,000 respectively.

##### (b) Uncondensed consolidated structured entities

###### (i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust plans, asset management plans and wealth management products issued by other financial institutions.

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 30 June 2018 and 31 December 2017:

	30 June 2018			
	Financial assets			
	Financial assets at FVTOCI	measured at amortised cost	Carrying amount	Maximum exposure
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Trust plans	—	8,348,295	8,348,295	8,348,295
Asset management plans	322,278	7,588,075	7,910,353	7,910,353
Wealth management products issued by other financial institutions	—	197,057	197,057	197,057
Investment funds	—	619,712	619,712	619,712
	<b>322,278</b>	<b>16,753,139</b>	<b>17,075,417</b>	<b>17,075,417</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 44 STRUCTURED ENTITIES (Continued)

##### (b) Uncondensed consolidated structured entities (Continued)

##### (i) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	31 December 2017			
	Available- for-sale financial assets (Audited) RMB'000	Debt securities classified as receivables (Audited) RMB'000	Carrying amount (Audited) RMB'000	Maximum exposure (Audited) RMB'000
Trust plans	—	13,924,618	13,924,618	13,924,618
Asset management plans	741,045	10,028,051	10,769,096	10,769,096
Wealth management products issued by other financial institutions	—	1,627,000	1,627,000	1,627,000
Investment funds	—	1,080,000	1,080,000	1,080,000
	741,045	26,659,669	27,400,714	27,400,714

##### (ii) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of uncondensed consolidated 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 30 June 2018 and 31 December 2017, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

As at 30 June 2018, the amount of assets held by the uncondensed consolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB1,166,470,000 (31 December 2017: approximately RMB2,939,020,000).



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 44 STRUCTURED ENTITIES (Continued)

##### (b) Uncondensed consolidated structured entities (Continued)

##### (iii) Uncondensed consolidated structured entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2018 and 31 December 2017:

During the period ended 30 June 2018, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 30 June 2018 amounted to approximately RMB1,489,920,000 (31 December 2017: approximately RMB4,288,590,000).

#### 45 CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements (Continued)**

For the Period Ended 30 June 2018

#### **45 CAPITAL MANAGEMENT (Continued)**

Since 1 January 2013, the Group started computing its capital adequacy ratios in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)” and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with “Administrative Measures for the Capital of Commercial Banks (Provisional)”. For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group’s statutory financial statements prepared in accordance with the generally accepted accounting principles in the PRC. During the period/year ended 30 June 2018 and 31 December 2017, the Group has complied with all its externally imposed capital requirements.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 45 CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at 30 June 2018 and 31 December 2017 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Total core tier-one capital		
Share capital	3,984,797	3,984,797
Qualifying portion of capital reserve	5,319,008	5,315,803
Investment revaluation reserve	(185,465)	(299,747)
Surplus reserve	631,095	631,095
General reserve	1,445,877	1,538,170
Retained earnings	984,535	1,381,593
Qualifying portions of non-controlling interests	884,998	2,118,601
Core tier-one capital deductions (Note)	(1,728,135)	(1,266,674)
Net core tier-one capital	11,336,710	13,403,638
Eligible portion of non-controlling interests	99,079	268,268
Net tier-one capital	11,435,789	13,671,906
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	1,980,000	2,050,000
Surplus provision for loan impairment	730,421	973,332
Eligible portion of non-controlling interests	240,463	570,736
Net capital base	14,386,673	17,265,974
Total risk weighted assets	128,129,057	141,481,055
Core tier-one capital adequacy ratio	8.85%	9.47%
Tier-one capital adequacy ratio	8.93%	9.66%
Capital adequacy ratio	11.23%	12.20%

Note: Core tier-one capital deductions primarily include other intangible assets excluding land use rights, goodwill, deferred tax assets recognised for tax losses and significant minority investments in capital.

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements (Continued)**

For the Period Ended 30 June 2018

#### **46 FINANCIAL RISK MANAGEMENT**

The primary objectives of risk management of the Group are to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group's risk management policies are designed and controls are set up to identify, analyse, monitor and report risks arising from normal operation. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

Details of the financial instruments are disclosed in respective notes to the condensed consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (i.e. interest rate risk and exchange rate risk). The policies on how to mitigate these risks for the six-month period ended June 30, 2018 are the same as those presented in the Group's consolidated financial statements for the year ended 31 December 2017, except that credit risk management has been changed due to the adoption of IFRS 9. Key changes are summarised below:

##### **Credit risk**

After the adoption of IFRS 9, in addition to the credit risk management in prior years, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather 12m ECL.

In order to minimize credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 46 FINANCIAL RISK MANAGEMENT (Continued)

##### Credit risk (Continued)

The five category classifications in which the Group classifies its loans and advances to customers at amortised cost and trust beneficiary rights and asset management plans measured at amortised cost 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 able to repay their loans currently, although repayment may be adversely affected by specific factors.
- Substandard: Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.
- Doubtful: Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.
- Loss: Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

An analysis of the Group's credit risk exposure per class of financial asset, internal rating and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 46 FINANCIAL RISK MANAGEMENT (Continued)

##### Credit risk (Continued)

The tables below analyse the movement of the loss allowance during the period per class of assets.

Loss allowance – Loans and advances to customers at amortised cost	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at 1 January 2018	1,169,497	178,588	1,284,657	2,632,742
Changes in the loss allowance				
– Transfer to stage 1	51,110	(50,285)	(825)	–
– Transfer to stage 2	(12,090)	15,636	(3,546)	–
– Transfer to stage 3	(3,069)	(10,726)	13,795	–
– Write-offs	–	–	(18,579)	(18,579)
– Charge to profit or loss	92,907	38,360	256,096	387,363
– Recoveries of loans and advances previously written off	–	–	8,233	8,233
– Derecognised on deemed disposals of subsidiaries	(290,879)	(39,295)	(622,196)	(952,370)
Loss allowance at 30 June 2018	1,007,476	132,278	917,635	2,057,389

Loss allowance – financial assets at amortised cost	Stage 1 12m ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Loss allowance at 1 January 2018	139,910	141,117	483,488	764,515
Changes in the loss allowance				
– Transfer to stage 3	(51)	(121,894)	121,945	–
– Charge (reversal) to profit or loss	(2,394)	(3,434)	92,524	86,696
– Derecognised on deemed disposals of subsidiaries	(21,621)	(5,767)	(275,720)	(303,108)
Loss allowance at 30 June 2018	115,844	10,022	422,237	548,103

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements (Continued)**

For the Period Ended 30 June 2018

#### **46 FINANCIAL RISK MANAGEMENT (Continued)**

##### **Financial assets at FVTOCI**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of investment securities measured at FVTOCI is at Stage 1 of which the loss allowance is measured at 12 month ECL.

##### **Placements with banks and other financial institutions**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of placements with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12 month ECL.

##### **Deposits with banks and other financial institutions**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12 month ECL.

##### **Financial assets held under resale agreements**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial assets held under resale agreements is at Stage 1 of which the loss allowance is measured at 12 month ECL.

##### **Credit commitments and financial guarantees**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial guarantees and loans commitment is at Stage 1 of which the loss allowance is measured at 12 month ECL.

##### **Other receivables**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial guarantees and loans commitment is at Stage 1 of which the loss allowance is measured at 12 month ECL.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 47 CASH AND CASH EQUIVALENTS

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

	At 30 June 2018 (Unaudited) RMB'000	At 30 June 2017 (Unaudited) RMB'000
Cash on hand	699,328	845,646
Deposits with the central bank	6,226,858	11,247,093
Deposits with banks and other financial institutions	6,374,039	6,383,579
Placements with banks and other financial institutions	540,000	140,000
Financial assets held under resale agreements	—	334,610
<b>Total</b>	<b>13,840,225</b>	<b>18,950,928</b>

#### 48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

##### (a) Related parties of the Group

##### (i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	At 30 June 2018 (Unaudited)	At 31 December 2017 (Unaudited)
Jilin Province Trust Co., Ltd. ("吉林省信託有限責任公司")	9.61%	9.61%
Changchun Huaxing Construction Co., Ltd. ("長春華星建築有限責任公司")	8.23%	8.23%



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (a) Related parties of the Group (Continued)

###### (ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 48(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

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

During the period, the Group had the following material balances and entered into the following material transactions with related parties other than key management personnel under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

###### (i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

###### (ii) Transactions between the Group and associates

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Transactions during the period		
Interest income	10,527	7
Interest expense	1,607	683
Rental income	3,400	—

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

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

##### (ii) Transactions between the Group and associates (Continued)

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Balances at end of the period/year		
Deposits with banks and other financial institutions	2,155,341	789,859
Interest receivables	15,421	—
Placements with banks and other financial institutions	255,633	—
Borrowings from banks and other financial institutions	100,000	—
Interest payable	3,317	—

##### (iii) Transactions between the Group and major shareholders

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Transactions during the period		
Interest income	18,943	15,328
Interest expense	245	547
Rental expense	87	350

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Balances at end of the period/year		
Placements with banks and other financial institutions	140,000	140,000
Financial assets held under resale agreements	—	216,423
Loans and advances to customers	278,000	380,000
Interests receivable	93	314
Interests payable	4	11
Deposits from customers	42,560	102,019

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

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

##### (iv) Transactions between the Group and other related parties

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Transactions during the period		
Interest income	19,246	16,289
Interest expense	12,869	295

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
	Balances at end of the period/year	
Loans and advances to customers	629,780	671,780
Interests receivable	124	2,458
Interests payable	7,228	8,345
Deposits from customers	696,801	690,622

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

##### (i) Transactions between the Group and key management personnel

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Transactions during the period		
Interest income	103	32
Interest expense	9	90
Rental expense	1,139	1,118

	At 30 June	At 31 December
	2018 (Unaudited) RMB'000	2017 (Audited) RMB'000
Balances at end of the period/year		
Interest payable	—	1
Interest receivable	132	56
Loans and advances to customers	7,773	8,731
Deposits from customers	7,722	6,569

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 48 RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (c) Key management personnel (Continued)

##### (ii) Key management personnel compensation

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

	Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Short-term staff benefits	3,010	3,508
Retirement benefits		
— Basic social pension insurance	2,032	2,038
	5,042	5,546

##### (d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Loans and advances to directors, supervisors and officers	7,773	8,731

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements (Continued)**

For the Period Ended 30 June 2018

#### **49 SEGMENT REPORTING**

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

##### **Corporate banking**

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

##### **Retail banking**

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

##### **Treasury operations**

This segment covers the Group's treasury operations. The treasury operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including the issuance of debts.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 49 SEGMENT REPORTING (Continued)

##### Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/(expense)". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/(expense)".

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

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 49 SEGMENT REPORTING (Continued)

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

	Period ended 30 June 2018				
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
Operating income					
External net interest income/(expense)	1,341,134	(394,002)	806,492	—	1,753,624
Internal net interest income/(expense)	(324,732)	1,440,247	(1,115,515)	—	—
Net interest income/(expense)	1,016,402	1,046,245	(309,023)	—	1,753,624
Net fee and commission income	91,994	11,065	24,349	—	127,408
Net trading gains	—	—	385,344	—	385,344
Dividend income	—	—	—	76,512	76,512
Net gains arising from investment securities	—	—	7,303	—	7,303
Loss on deemed disposal of subsidiaries	—	—	—	(6,204)	(6,204)
Net exchange gains	—	—	—	11,368	11,368
Other operating income, net	—	—	—	21,487	21,487
Operating income	1,108,396	1,057,310	107,973	103,163	2,376,842
Operating expenses	(594,467)	(555,377)	(72,154)	(66,255)	(1,288,253)
Impairment losses on assets	(254,488)	(132,883)	(154,435)	(13,612)	(555,418)
Operating profit/(loss)	259,441	369,050	(118,616)	23,296	533,171
Share of profits of associates	—	—	—	35,937	35,937
Profit before tax	259,441	369,050	(118,616)	59,233	569,108
Other segment information					
— Depreciation and amortisation	92,579	78,136	7,283	12,454	190,452
— Capital expenditure	127,616	74,062	13,812	23,676	239,166



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 49 SEGMENT REPORTING (Continued)

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

	At 30 June 2018				
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
	Segment assets	50,826,537	20,345,006	83,446,495	4,096,731
Deferred tax assets	—	—	—	422,533	422,533
<b>Total assets</b>	<b>50,826,537</b>	<b>20,345,006</b>	<b>83,446,495</b>	<b>4,519,264</b>	<b>159,137,302</b>
Segment liabilities	43,171,108	64,892,465	36,020,033	195,613	144,279,219
Dividend payable	—	—	—	728,060	728,060
<b>Total liabilities</b>	<b>43,171,108</b>	<b>64,892,465</b>	<b>36,020,033</b>	<b>923,673</b>	<b>145,007,279</b>

# Chapter 9 Unaudited Interim Financial Statements

## Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

### 49 SEGMENT REPORTING (Continued)

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

	Period ended 30 June 2017				
	Corporate	Retail	Treasury	Others	Total
	banking (Unaudited) RMB'000	banking (Unaudited) RMB'000	operations (Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating income					
External net interest income/(expense)	1,123,701	(301,067)	1,365,706	—	2,188,340
Internal net interest income/(expense)	61,188	933,157	(994,345)	—	—
Net interest income	1,184,889	632,090	371,361	—	2,188,340
Net fee and commission income	63,636	13,439	257,207	—	334,282
Net trading gains	—	—	65,763	—	65,763
Dividend income	—	—	—	100,254	100,254
Net gains arising from investment securities	—	—	159,480	—	159,480
Net exchange losses	—	—	—	(11,288)	(11,288)
Other operating income	—	—	—	31,449	31,449
Operating income	1,248,525	645,529	853,811	120,415	2,868,280
Operating expenses	(651,797)	(334,179)	(168,553)	(50,316)	(1,204,845)
Impairment losses on assets	(348,121)	(59,320)	(144,500)	(4,733)	(556,674)
Operating profit	248,607	252,030	540,758	65,366	1,106,761
Share of profits of associates	—	—	—	12,330	12,330
Profit before tax	248,607	252,030	540,758	77,696	1,119,091
Other segment information					
— Depreciation and amortisation	89,052	38,955	15,933	7,293	151,233
— Capital expenditure	439,274	83,112	444,636	155,505	1,122,527

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 49 SEGMENT REPORTING (Continued)

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

	At 31 December 2017				
	Corporate banking (Audited) RMB'000	Retail banking (Audited) RMB'000	Treasury operations (Audited) RMB'000	Others (Audited) RMB'000	Total (Audited) RMB'000
Segment assets	53,091,834	27,778,056	102,460,570	3,122,397	186,452,857
Deferred tax assets	—	—	—	555,646	555,646
<b>Total assets</b>	<b>53,091,834</b>	<b>27,778,056</b>	<b>102,460,570</b>	<b>3,678,043</b>	<b>187,008,503</b>
Segment liabilities	54,869,860	77,403,462	37,813,515	270,512	170,357,349
Dividend payable	—	—	—	502	502
<b>Total liabilities</b>	<b>54,869,860</b>	<b>77,403,462</b>	<b>37,813,515</b>	<b>271,014</b>	<b>170,357,851</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 49 SEGMENT REPORTING (Continued)

##### (b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipments, deposits paid for acquisition of property and equipment, long-term deferred expenses and land use rights. 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 which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jilin Region” refers to the head quarter of the Bank and the 13 (31 December 2017: 17) subsidiaries of the Group.
- “Mainland China excluding Jilin Region” refers to the following areas serviced by the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

	Operating Income Six months ended 30 June	
	2018 (Unaudited) RMB'000	2017 (Unaudited) RMB'000
Jilin Region	2,060,145	2,630,443
Mainland China excluding Jilin Region	316,697	237,837
	<b>2,376,842</b>	2,868,280

	Non-current asset	
	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Jilin Region	3,448,508	4,157,944
Mainland China excluding Jilin Region	476,568	495,880
	<b>3,925,076</b>	4,653,824

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 50 FAIR VALUE OF FINANCIAL INSTRUMENTS

##### (a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

##### (i) Debt securities

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

##### (ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

##### (iii) Unlisted equity investments

The fair value of the unlisted equity investment has been estimated by using the market approach, using ratio of price to book value ("PB ratio") of certain listed companies in the same industry, in arriving at an indicated value of the unlisted equity interest. The valuation takes account of a discount for lack of marketability on this investment.

##### (iv) Trust plans, asset management plan and other investments

The fair value of the trust plans are based on the net assets values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

##### (v) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the reporting period. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

## **Chapter 9 Unaudited Interim Financial Statements**

### **Notes to the Condensed Consolidated Financial Statements (Continued)**

For the Period Ended 30 June 2018

#### **50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

##### **(b) Fair value measurement**

###### **(i) Financial assets**

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, placement with other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale debt investments, financial assets at FVTPL and financial assets at FVTOCI are stated at fair value. The carrying amount and fair value of held-to-maturity investments is disclosed in Note 24.

###### **(ii) Financial liabilities**

The Group's financial liabilities mainly include deposits from banks and other financial institutions, financial assets sold under repurchase agreements, placement with other financial institutions, deposits from customers and debts securities issued.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the condensed consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

	At 30 June 2018			
	Level 1	Level 2	Level 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Financial assets at FVTPL (Note 18)				
– Debt instruments	–	1,271,604	–	1,271,604
– Unlisted equity investments measured at FVTPL	–	–	937,019	937,019
– Financial assets designated at FVTPL	–	17,279,012	–	17,279,012
Financial assets at FVTOCI (Note 21)				
– Debt securities	–	5,882,655	–	5,882,655
– Asset management plans	–	322,278	–	322,278
– Unlisted equity investments measured at FVTOCI	–	–	121,267	121,267
	–	24,755,549	1,058,286	25,813,835

	At 31 December 2017			
	Level 1	Level 2	Level 3	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Financial assets at FVTPL (Note 18)				
– Debt securities held for trading	–	221,982	–	221,982
– Financial assets designated at FVTPL	–	17,213,108	–	17,213,108
Available-for-sale financial assets (Note 23(a))				
– Debt securities	–	7,180,760	–	7,180,760
– Asset management plans	–	741,045	–	741,045
	–	25,356,895	–	25,356,895

- (i) During the period ended 30 June 2018 and year ended 31 December 2017, there were no significant transfers between Level 1 and 2.
- (ii) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.



## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 50 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Unlisted equity investment RMB'000	Total RMB'000
At 31 December 2017	—	—
Effect of adoption of IFRS 9 at 1 January 2018	1,289,582	1,289,582
Changes in fair value	(50,819)	(50,819)
Derecognised on deemed disposals of subsidiaries	(180,477)	(180,477)
<b>At 30 June 2018 (Unaudited)</b>	<b>1,058,286</b>	<b>1,058,286</b>

The fair value of equity investment is determined with reference to PB ratio of certain listed companies with an adjustment of discount for lack of marketability, which are unobservable inputs for the fair value measurement. The higher the discount for lack of marketability, the lower the fair value.

#### 51 ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Entrusted loans	7,029,901	11,687,857
Entrusted funds	7,029,901	11,687,857

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 52 COMMITMENTS

##### (a) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit and financial guarantees.

The Group provides financial guarantees 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 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Acceptances	1,924,094	2,056,766
Letters of guarantees	2,099,708	1,871,112
Letters of credit	68,320	94,202
Unused credit card commitments	116,245	94,153
	<b>4,208,367</b>	4,116,233

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

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 52 COMMITMENTS (Continued)

##### (b) Operating lease commitments

At 30 June 2018 and 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

##### The Group as lessee

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Within one year	156,357	158,963
In the second to fifth years inclusive	538,459	557,188
Over five years	217,195	230,770
	<b>912,011</b>	946,921

##### (c) Capital commitments

At 30 June 2018 and 31 December 2017, the Group's authorised capital commitments are as follows:

	At 30 June 2018 (Unaudited) RMB'000	At 31 December 2017 (Audited) RMB'000
Purchase of property and equipment — Contracted for but not provided	38,652	46,613

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 53 ACQUISITION OF A SUBSIDIARY

##### Acquisition of Qingdao Jimo Huimin Village and Township Bank

On 21 March 2017, the Group acquired 59% of the issued share capital of Qingdao Jimo Huimin Village and Township Bank for consideration of RMB135,700,000. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was approximately RMB10,771,000. Qingdao Jimo Huimin Village and Township Bank is engaged in the provision of banking services. Qingdao Jimo Huimin Village and Township Bank was acquired so as to continue the expansion of the Group's banking business.

##### Consideration Transferred

	RMB'000
Cash consideration	135,700

##### Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Cash and deposits with the central bank	33,507
Deposits with banks and other financial institutions	121,053
Interest receivable	250
Loans and advances to customers	285,886
Property and equipment	37,169
Deferred tax assets	14,461
Other assets	1,080
Deposits from banks and other financial institutions	(60,000)
Deposits from customers	(212,660)
Accrued staff costs	(6,920)
Interests payable	(1,898)
Other liabilities	(181)
	211,747

The fair value of loans and advances to customers at the date of acquisition amounted to approximately RMB285,886,000. The gross contractual amounts of those loans and advances to customers acquired amounted to approximately RMB329,244,000 at the date of acquisition.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 53 ACQUISITION OF A SUBSIDIARY (Continued)

##### Acquisition of Qingdao Jimo Huimin Village and Township Bank (Continued)

###### Goodwill arising on acquisition:

	RMB'000
Consideration transferred	135,700
Plus: non-controlling interest (41% in Qingdao Jimo Huimin Village and Township Bank)	86,818
Less: net assets acquired	(211,747)
Goodwill arising on acquisition	10,771

The non-controlling interests (41%) in Qingdao Jimo Huimin Village and Township Bank recognised at the acquisition date was measured by reference to the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

Goodwill arose in the acquisition of Qingdao Jimo Huimin Village and Township Bank because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Qingdao Jimo Huimin Village and Township Bank. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

###### Net cash inflow on acquisition of Qingdao Jimo Huimin Village and Township Bank

	RMB'000
Cash consideration paid	(135,700)
Less: cash and cash equivalent balances acquired	154,560
	18,860

Included in the profit for the year is approximately RMB26,601,000 attributable to the additional business generated by Qingdao Jimo Huimin Village and Township Bank. Operating income for the year includes approximately RMB20,987,000 generated from Qingdao Jimo Huimin Village and Township Bank.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 53 ACQUISITION OF A SUBSIDIARY (Continued)

##### Acquisition of Qingdao Jimo Huimin Village and Township Bank (Continued)

Had the acquisition been completed on 1 January 2017, operating income of the Group for the period ended 30 June 2017 would have been approximately RMB2,873,559,000, and profit for the year would have been approximately RMB913,879,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2017, nor is it intended to be a projection of future results.

In determining the “pro-forma” operating income and profit of the Group had Qingdao Jimo Huimin Village and Township Bank been acquired at the beginning of the period ended 30 June 2017, the directors of the Bank have:

- calculated depreciation of property and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements; and
- determined borrowing costs based on the funding levels, credit ratings and debt/equity position of the Group after the business combination.

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 54 DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES

**(i) Deemed disposal of interest in Jilin Gongzhuling Rural Commercial Bank Co., Ltd (“吉林公主嶺農村商業銀行股份有限公司”, “Jilin Gongzhuling Rural Commercial Bank”)**

On 28 May 2018, three of the shareholders who holds 30% of ownership and voting power of Jilin Gongzhuling Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Jilin Gongzhuling Rural Commercial Bank.

The Group holds 30% equity interest in and has significant influence in Jilin Gongzhuling Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

**Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:**

	RMB'000
Cash and deposits with the central bank	1,704,252
Deposits with banks and other financial institutions	597,941
Financial assets at fair value through profit or loss	16,000
Interest receivable	37,274
Loans and advances to customers	7,974,198
Financial assets at fair value through other comprehensive income	1,031,633
Financial assets measured at amortised costs	2,370,884
Property and equipment	162,318
Deferred tax assets	117,284
Other assets	322,509
Borrowing from the central bank	(18,238)
Placements from banks and other financial institutions	(790,000)
Deposits from banks and other financial institutions	(879,701)
Financial assets sold under repurchase agreements	(116,800)
Deposits from customers	(11,275,854)
Accrued staff costs	(21,826)
Taxes payable	(11,711)
Interests payable	(224,860)
Other liabilities	(36,117)
Net assets disposed of	959,186

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 54 DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

(i) **Deemed disposal of interest in Jilin Gongzhuling Rural Commercial Bank Co., Ltd (“吉林公主嶺農村商業銀行股份有限公司”, “Jilin Gongzhuling Rural Commercial Bank”) (Continued)**

**Loss on deemed disposal of a subsidiary:**

	RMB'000
Fair value of retained interest recognised as interests in associates	422,899
Net assets disposed of	(959,186)
Goodwill	(135,142)
Release of reserve upon deemed disposal of subsidiary	(4,101)
Non-controlling interests	671,429
	<hr/>
Loss on deemed disposal	(4,101)
	<hr/>

**Net cash outflow arising on disposal**

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(939,974)
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	(939,974)
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## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 54 DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

**(ii) Deemed disposal of interest in Changbai Mountain Rural Commercial Bank Co., Ltd. (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”)**

On 28 May 2018, three of the shareholders who holds 27.9% of ownership and voting power of Changbai Mountain Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Changbai Mountain Rural Commercial Bank.

The Group holds 38.8% equity interest in and has significant influence in Changbai Mountain Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

**Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:**

	RMB'000
Cash and deposits with the central bank	341,868
Deposits with banks and other financial institutions	556,380
Placement with banks and other financial intuition	99,882
Financial assets at fair value through profit or loss	252,520
Interest receivable	14,733
Loans and advances to customers	2,011,650
Financial assets at fair value through other comprehensive income	200
Financial assets measured at amortised costs	596,208
Property and equipment	81,791
Deferred tax assets	11,355
Taxes recoverable	77
Other assets	6,779
Borrowing from the central bank	(102,160)
Deposits from banks and other financial institutions	(575,456)
Financial assets sold under repurchase agreements	(147,140)
Deposits from customers	(2,374,168)
Accrued staff costs	(3,099)
Interests payable	(32,496)
Other liabilities	(6,603)
<b>Net assets disposed of</b>	<b>732,321</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 54 DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (ii) Deemed disposal of interest in Changbai Mountain Rural Commercial Bank Co., Ltd. (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”) (Continued)

###### Gain on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interests in associates	441,346
Net assets disposed of	(732,321)
Goodwill	(157,206)
Non-controlling interests	448,181
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Gain on deemed disposal	—

###### Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(396,701)
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	(396,701)

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 54 DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (iii) Deemed disposal of interest in Jilin Chuncheng Rural Commercial Bank Co., Ltd. ("吉林春城農村商業銀行股份有限公司", "Jilin Chuncheng Rural Commercial Bank")

On 28 May 2018, four of the shareholders who holds 40% of ownership and voting power of Jilin Chuncheng Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Jilin Chuncheng Rural Commercial Bank.

The Group holds 30% equity interest in and has significant influence in Jilin Chuncheng Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

**Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:**

	RMB'000
Cash and deposits with the central bank	384,376
Deposits with banks and other financial institutions	600,660
Interest receivable	9,642
Loans and advances to customers	3,132,242
Financial assets at fair value through other comprehensive income	60
Financial assets measured at amortised costs	1,225,129
Property and equipment	292,480
Deferred tax assets	21,502
Taxes recoverable	1,225
Other assets	23,616
Deposits from banks and other financial institutions	(1,190,000)
Deposits from customers	(3,731,223)
Accrued staff costs	(2,582)
Interests payable	(54,115)
Other liabilities	(20,477)
<b>Net assets disposed of</b>	<b>692,535</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 54 DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (iii) Deemed disposal of interest in Jilin Chuncheng Rural Commercial Bank Co., Ltd. (“吉林春城農村商業銀行股份有限公司”, “Jilin Chuncheng Rural Commercial Bank”) (Continued)

###### Gain on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interest in the associate	408,876
Net assets disposed of	(692,535)
Goodwill	(201,115)
Non-controlling interests	484,774
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Gain on deemed disposal	—

###### Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(424,636)
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	(424,636)

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 54 DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (iv) Deemed disposal of interest in Jilin Dehui Rural Commercial Bank Co., Ltd (“吉林德惠農村商業銀行股份有限公司”, “Jilin Dehui Rural Commercial Bank”)

On 28 May 2018, two of the shareholders who holds 20% of ownership and voting power of Jilin Dehui Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Jilin Dehui Rural Commercial Bank.

The Group holds 45% equity interest in and has significant influence in Jilin Dehui Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

**Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:**

	RMB'000
Cash and deposits with the central bank	1,109,174
Deposits with banks and other financial institutions	733,881
Financial assets at fair value through profit or loss	23,794
Interest receivable	19,540
Loans and advances to customers	5,966,056
Financial assets at fair value through other comprehensive income	87,860
Financial assets at amortised cost	3,052,428
Property and equipment	175,217
Deferred tax assets	139,977
Taxes recoverable	2,446
Other assets	98,012
Deposits from banks and other financial institutions	(520,000)
Financial assets sold under repurchase agreements	(704,500)
Deposits from customers	(9,291,827)
Accrued staff costs	(2,385)
Interests payable	(194,272)
Other liabilities	(32,454)
Net assets disposed of	662,947

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 54 DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (iv) Deemed disposal of interest in Jilin Dehui Rural Commercial Bank Co., Ltd (“吉林德惠農村商業銀行股份有限公司”, “Jilin Dehui Rural Commercial Bank”) (Continued)

###### Loss on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interests in associates	588,055
Net assets disposed of	(662,947)
Goodwill	(289,729)
Release of reserve upon deemed disposal of subsidiary	(2,103)
Non-controlling interests	364,621
<b>Loss on deemed disposal</b>	<b>(2,103)</b>

###### Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(475,032)
<b>Net cash outflow arising on disposal</b>	<b>(475,032)</b>

## Chapter 9 Unaudited Interim Financial Statements

### Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2018

#### 55 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's condensed consolidated statement of cash flows from financing activities.

	Non-cash change				
	1 January 2018	Financing cash flows	Finance cost incurred	Dividend declared	30 June 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Liabilities</b>					
Debt securities issued (Note 38)	20,039,565	(710,380)	446,468	—	19,775,653
Interest payable arising from debt securities issued (Note 37)	43,876	(50,253)	68,036	—	61,659
Dividend payable (Note 39)	502	(147,032)	—	874,590	728,060
	<b>20,083,943</b>	<b>(907,665)</b>	<b>514,504</b>	<b>874,590</b>	<b>20,565,372</b>

#### 56 EVENT AFTER THE REPORTING PERIOD

The board of directors of the Bank proposed private placement of domestic shares and non-public issuance of H shares. Please refer to the Bank's announcement dated as 12 July 2018 and 15 August 2018 for further details.

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

### 1. Leverage ratio (%)

	At June 30, 2018
Leverage Ratio	7.08%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required. The above leverage ratio is 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

	At June 30, 2018		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	32,153	665,072	697,225
Spot liabilities	(31,627)	(665,055)	(696,682)
<b>Net position</b>	<b>526</b>	<b>17</b>	<b>543</b>

	At December 31, 2017		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	56,656	657,128	713,784
Spot liabilities	(29,142)	(1,411)	(30,553)
<b>Net position</b>	<b>27,514</b>	<b>655,717</b>	<b>683,231</b>

The above information is computed in accordance with the provisions of the CBRC. The Group has no structural position as at the end of each reporting period.



## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, deposit and placement with banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At June 30, 2018	At December 31, 2017
Deposit with banks		
Asia Pacific excluding Mainland China	801	2,184
Europe	—	—
	801	2,184

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

	At June 30, 2018	At December 31, 2017
Jilin Region	1,213,124	1,849,708
Mainland China excluding Jilin Region	292,009	177,802
Total	1,505,133	2,027,510

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	At June 30, 2018	At December 31, 2017
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– Between three months and six months (inclusive)	146,624	209,951
– Between six months and one year (inclusive)	326,902	327,661
– Between one year and three years	632,461	985,961
– Over three years	399,146	503,937
<b>Total</b>	<b>1,505,133</b>	<b>2,027,510</b>
As a percentage of total gross loans and advances		
– Between three months and six months (inclusive)	0.21%	0.26%
– Between six months and one year (inclusive)	0.47%	0.42%
– Between one year and three years	0.91%	1.25%
– Over three years	0.57%	0.64%
<b>Total</b>	<b>2.16%</b>	<b>2.57%</b>

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

### 6. Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At June 30, 2018 and December 31, 2017, substantial amounts of the Bank's exposures arose from business with mainland China entities or individuals.



吉林九台農村商業銀行股份有限公司  
JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED