九台农商银行
JIUTAI RURAL COMMERCIAL BANK

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
Annual Report

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

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Chairman's Statement

Mr. Gao Bing
Chairman of Board of Directors

2018 witnessed the turning point of reforms and adjustments in the global economy. Coupled with the deepening of supply-side structural reform, the domestic economy maintained its quality and healthy growth momentum. 2018 also marked the tenth anniversary of the establishment of the Bank. Despite the drastic changes in the external environment, the Bank adhered to its traditional values. Efforts were made to fully comply with financial regulatory policies. The Bank also stepped up its business transformation and focused on its principal business and services in line with the development of the local economy.

During the year, the Bank attached greater importance to its transformation strategy based on its sound corporate governance system, further consolidating its development foundation. The Bank took the initiative to adjust its business structure, improve the proportion of credit assets and allocate more financial resources to three rurals, private enterprise and micro-, small- and medium-sized enterprises, which further improved the development capabilities of the real economy. By efficiently capitalizing on the pilot policy of comprehensive reforms on rural finance, the Bank was successful in introducing innovative financial products tailored for the agricultural sector according to the rural revitalization strategy. Trial measures were taken for the adoption of the poverty alleviation model, "Finance + Industry + Poverty-stricken Villages" (「金融+產業+貧困村」). The Bank also carried out more relief measures for poverty-stricken villages under the pilot policy, reflecting its commitment in fulfilling the poverty alleviation responsibilities as a financial enterprise. With the formulation of comprehensive risk management system, the introduction of compliance culture and the strict compliance with operational procedures, the Bank was able to further strengthen its risk management. Under its employee-oriented development philosophy, the Bank placed an emphasis on paving the career path of its employees and further enhancing their morale. According to the financial statements prepared under the IFRS, as of the end of 2018, the Group's total assets amounted to RMB164,250 million, gross loans and advances to customers amounted to RMB77,530 million, total deposits from customers amounted to RMB109,520 million, and net profits amounted to RMB1,180 million. The Bank was again shortlisted as the Top 1000 Bank of the World by The Banker, a U.K. magazine, and Top 100 Bank of China by China Banking Association. It was selected on 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 was honored as National Outstanding Rural Financial Institution for Poverty Alleviation (全國農村金融優秀精準扶貧機構). In January 2018, it was recognized as a 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) by China Banking Association.

In the past year, the Bank's achievements in high quality development were largely attributable to the trust of customers, confidence of investors, guidance of the government and regulatory authorities as well as the dedication and hard work of all employees. On behalf of the Board, I would like to express our sincere gratitude to all parties.

2019 marks the 70th anniversary of the establishment of New China, a critical year for the completion of well-off society and the beginning of the Bank's new ten-year development strategy. The Bank will continue to put its priority on its traditional values and focus on its principal business. Greater efforts will be made to facilitate its quality development, prudent business growth and transformation. The Bank is also committed to developing the "Four in One Mechanism" which integrates finance for three rurals, community banking, cooperation platform and charity works. The Bank will also enhance its financial services and comprehensive strengths in line with the development of three rurals, micro- and small-sized enterprises and private enterprises. It will also strive to become a major bank supporting the strategic revitalization of rural areas, the growth of private enterprises and the development of the communities.

Mr. Gao Bing

Chairman of the Board of Directors

President's Statement

Mr. Zhang Haishan
President

2018 marked the tenth anniversary of the successful restructuring of the Bank. Throughout the year, the management of the Bank duly executed the resolutions adopted by the Board and were voluntarily under the supervision of the Board of Supervisors, which ensured effective implementation of strategies and quality transformation of the Company. According to the financial statements prepared under the IFRS, as at the end of 2018, the Bank's total assets amounted to RMB117,790 million, total deposits from customers amounted to RMB69,670 million, gross loans and advances to customers amounted to RMB49,180 million, and net profit reached RMB880 million.

In 2018, the management of the Bank adhered to the economic and financial policies of China by strictly complying with the regulatory requirements, actively adjusting development approaches, carrying out traditional values, which resulted in a substantial rebound in the proportion of credit assets and improvement in asset quality. In addition, the Bank endeavored to serve the real economy based on the rural revitalization strategy. Efforts were made to ensure the efficiency and convenience of financial services for "three rurals" and micro-, small- and medium-sized enterprises. The Bank launched innovative financial products and inclusive services tailored for the real economy and private enterprises, further establishing its financial presence in the local economy and community. The Bank also took the advantage of the pilot policy for comprehensive reform of rural finance and introduced innovative businesses exclusively to the financial divisions in Jilin Province, including the mortgage loans secured by farmers' housing property rights and mortgage loans secured by the land use rights regarding rural collectively-owned construction land for operating purpose. These initiatives widened the spectrum of its services. In line with its operation principles of facilitating community integration, services and development, the Bank supported the transformation of its outlets into community banks with the provision of diversified value-added services so as to boost retail finance business. The Bank also continued to consolidate its strategic partnership with various parties and designated professional service teams for key colleges and universities, hospitals and relevant associations and chambers of commerce based on their needs. Its overall risk management system was implemented while its risk monitoring and internal control mechanism was optimized. All of its risk indicators were up to or better than the regulatory standards. The Bank also carried out targeted poverty alleviation with its financial resources and introduced special loans for poverty alleviation industries and extended loans to the poor. These relief measures supported the development of the poverty alleviation industries and enhanced the effectiveness of poverty alleviation projects. As part of its initiatives to give back to the society and alleviate poverty, the Bank continued to make charitable donations and organize various charity activities. As a result, the brand value of the Bank was enhanced. The Bank attached great importance to team building and organized a number of activities for employees, including collective wedding ceremony for young employees, speeches and debates, staff's sports events and special sports competitions. These activities allowed the Bank to promote its core values among its employees, such as passion for work, solidarity, harmony and pursuit for excellence.

On behalf of management of the Bank, I would like to express my gratitude towards the investors and people from different sectors of the society who have supported and cared for the reform and development of the Bank. Moreover, I would like to extend my utmost appreciation for all our staff who have been committed to their positions, duties, service innovation and outstanding performance.

In 2019, the management of the Bank will duly execute the resolutions adopted by the Board of Directors based on the transformation strategy of the Bank. In its continuous pursuit of quality growth, the management will further support the launch of financial services for the real economy and private enterprises, maintain the positioning of the Bank in serving "three rurals" and micro-, small- and medium-sized enterprises and adhere to its prudent risk management. The management will also be committed to laying the foundation for the Bank, consolidating its market presence and improving its services through its extensive participation in the development of the local economy and community as a modernized and well-branded rural commercial bank.

Mr. Zhang Haishan
President

Chapter 1 Definitions and Glossary

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

"Anci District Huimin Village and Township Bank"	Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 6, 2011, in which the Bank holds a 51% 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 28.17% equity interest. The remaining 82 shareholders hold 71.83% equity interest in Anping Huimin Village and Township Bank. The Bank and four other shareholders (holding an aggregate of 28.55% 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

"Board" or "Board of Directors"	the board of directors of the Bank
"Board of Supervisors"	the board of supervisors of the Bank
"CBIRC"	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"CBIRC Jilin Bureau"	the China Banking and Insurance Regulatory Commission Jilin Bureau (中國銀行保險監督管理委員會吉林監管局)
"Changbai Mountain Rural Commercial Bank"	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 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. 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 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 34 shareholders hold 48.80% equity interest in Changchun Nanguan Huimin Village and Township Bank
"Da'an Huimin Village and Township Bank"	Da'an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on January 26, 2011, in which the Bank holds a 51.46% equity interest. The remaining 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 Companies" or "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"	the Bank and its consolidated subsidiaries
"Guangzhou Huangpu Huimin Village and Township Bank"	Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司) (formerly known as Guangzhou Luogang Huimin Village Bank Co., Ltd. 廣州蘿崗惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 7, 2014, in which the Bank holds a 51% equity interest. The remaining six shareholders hold 49% equity interest in Guangzhou Huangpu Huimin Village and Township Bank
"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

Chapter 1 Definitions and Glossary

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huadian Huimin Village and Township Bank"	Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 29, 2013, in which the Bank holds a 51% equity interest. The remaining 15 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

"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. The Bank and four other shareholders (holding an aggregate of 40% equity interest in Jilin Chuncheng 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 Chuncheng Rural Commercial Bank. On May 28, 2018, the Bank entered into termination agreements with the relevant parties of the acting-in-concert agreements. 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. 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. 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
"Jilin Fengman Huimin Village and Township Bank"	Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 16, 2013, in which the Bank holds a 46% equity interest. The remaining 16 shareholders hold 54% equity interest in Jilin Fengman Huimin Village and Township Bank. The Bank and another shareholder (holding 5% equity interest in Jilin Fengman Huimin Village and Township Bank) entered into an agreement to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Jilin Fengman Huimin Village and Township Bank. Jilin Fengman Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary

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"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. 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. 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
"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"	April 23, 2019, being the latest practicable date for ascertaining certain information in this annual 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 17.87% equity interest. The remaining 29 shareholders hold 82.13% equity interest in Leizhou Huimin Village and Township Bank. The Bank and eight other shareholders (holding an aggregate of 35.80% 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 27 shareholders hold 80% equity interest in Lingshui Huimin Village and Township Bank. The Bank and six other shareholders (holding an aggregate of 32.6% 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
"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 annual report, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system the Bank and each subsidiary adopted pursuant to applicable PRC guidelines
"NPL ratio" or "non-performing loan ratio"	the percentage ratio calculated by dividing non-performing loans by total loans
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC" or "China"	the People's Republic of China, but for the purposes of this annual report, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated

"PRC GAAP"	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the 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
"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
"Reporting Period"	from January 1, 2018 to December 31, 2018
"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
"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
"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 agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Taonan Huimin Village and Township Bank. Taonan Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"three rurals"	a short term for the issues related to agriculture, rural areas and rural households
"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 72 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, in which the Bank holds a 75.76% equity interest. The remaining 32 shareholders hold 24.24% equity interest in Tongcheng Huimin Village and Township Bank
"Wenan County Huimin Village and Township Bank"	Huimin Village Bank of Wenan (文安縣惠民村鎮銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 23, 2011, in which the Bank holds a 36% equity interest. The remaining 47 shareholders hold 64% equity interest in Wenan County Huimin Village and Township Bank. The Bank and four other shareholders (holding an aggregate of 15.99% equity interest in Wenan County Huimin Village and Township Bank) entered into agreements to act in concert with respect to their voting rights to be exercised at board meetings and shareholders' general meetings of Wenan County Huimin Village and Township Bank. Wenan County Huimin Village and Township Bank is deemed to be under the Bank's control and to be the Group's subsidiary
"Wuchang Huimin Village and Township Bank"	Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司), a company with limited liability incorporated in the PRC on November 11, 2010, in which the Bank holds a 66.67% equity interest. The remaining 25 shareholders hold 33.33% equity interest in Wuchang Huimin Village and Township Bank
"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 five shareholders hold 39% equity interest in Yun'an Huimin Village and Township Bank

In this annual report:

1. *any discrepancies in any table between totals and sums of the amounts listed are due to rounding; and*

2. *if there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

Chapter 2 Company Profile

I. BASIC INFORMATION OF THE BANK

Registered Name in Chinese:

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

Registered Name in English:

Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as "Jiutai Rural Commercial Bank")

Legal Representative:

Gao Bing (高兵)

Authorized Representatives:

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

Customer Service Hotline:

+86 (431) 96888

Telephone:

+86 (431) 8925 0628

Facsimile:

+86 (431) 8925 0628

Company Website:

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
The Bank's website at www.jtnsh.com

Listing Place:

The Stock Exchange of Hong Kong Limited

Stock Short Name:

JIUTAI RCB

Stock Code:

06122

H Share Registrar:

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

PRC Legal Adviser:

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

Hong Kong Legal Adviser:

Latham & Watkins LLP
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

II. HISTORY OF THE BANK

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

The Bank's current registered address is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin Province, the PRC. The Bank has established a place of business in Hong Kong at Room 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.

III. MAJOR AWARDS AND RECOGNITIONS IN 2018

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

Unit	Awards/Recognitions	Organizer
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)

Unit	Awards/Recognitions	Organizer
The Bank — Xinjia Sub-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》雜誌社)
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)
The Bank	China's Small and Medium Commercial Bank Pioneers in 2018 — Comprehensive Effectiveness (2018中國中小商業銀行先鋒榜 — 綜合效益榜)	"China's Small and Medium Bank Pioneers" of National Business Daily (每日經濟新聞「中國中小銀行先鋒榜」)
The Bank	Most Socially Responsible Bank in 2018 (2018年度最具社會責任銀行)	China Mainstream Media Wealth Management Alliance (中國主流媒體理財聯盟)
The Bank	Outstanding Enterprise of Financial Inclusion in Jilin Province (吉林省普惠金融傑出企業)	www.cnjiwang.com (中國吉林網)
The Bank	Bank with Best Services of Jilin Province in 2018 (2018年度吉林省最佳服務銀行)	Jilin Jinrong Dadian (吉林金融大典)
The Bank — Labor Union Membership Service Card of Changchun	The Most Popular Bank Card of Jilin Province in 2018 (2018年度吉林省百姓最喜愛銀行卡)	Jilin Jinrong Dadian (吉林金融大典)
Liaoyuan Rural Commercial Bank	Model Employee Unit (模範職工之家)	Jilin Province Federation of Trade Unions (吉林省總工會)
Huadian Huimin Village and Township Bank	Award for Contribution to Economic Development in 2017 (2017年度經濟發展貢獻獎)	Huadian Municipal Committee of the Communist Party of China (中共樺甸市委) and Huadian Municipal People's Government (樺甸市人民政府)

Unit	Awards/Recognitions	Organizer
Jilin Fengman Huimin Village and Township Bank	Advanced Trade Union in 2017 (2017年度先進工會組織)	Jilin Federation of Trade Unions (吉林市總工會)
Lingshui Huimin Village and Township Bank	Pioneer Institution for Providing Financial Services to Small and Micro Enterprises of 2017 (2017年度小微企業金融服務先進單位)	CBIRC Hainan Bureau (海南省銀監保局)
Gaomi Huimin Village and Township Bank	National Top Ten Village and Township Banks (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 Group in "Improving Financial Literacy in Rural Areas" (「送金融知識下鄉」先進集體)	Qingdao Financial Group Working Committee (青島金融團工委)
Qingdao Pingdu Huimin Village and Township Bank	Advanced Unit in Serving Economic Development in 2017 (2017年度服務經濟發展先進單位)	Pingdu Municipal Committee of the Communist Party of China (中共平度市委) and Pingdu Municipal People's Government (平度市人民政府)
Da'an Huimin Village and Township Bank	Civilized Unit (文明單位)	Jilin Province Civilization Committee (吉林省文明委)
Da'an Huimin Village and Township Bank	National Model Employee Small Unit (全國模範職工小家)	All-China Federation of Trade Unions (中華全國總工會)

Chapter 3 Financial Highlights

Financial Data from 2014 to 2018

(Expressed in millions of RMB, unless otherwise stated)	2018	2017	2016	2015	2014
Operating results					
Interest income	8,602.6	9,859.4	8,487.6	6,080.6	4,679.7
Interest expenses	(5,082.5)	(5,123.5)	(3,954.3)	(2,708.4)	(2,113.3)
Net interest income	3,520.1	4,735.9	4,533.3	3,372.2	2,566.4
Fee and commission income	407.2	652.2	781.6	241.7	318.8
Fee and commission expenses	(31.6)	(37.3)	(33.9)	(19.0)	(17.6)
Net fee and commission income	375.6	614.9	747.7	222.7	301.2
Net gains arising from investment securities	11.8	259.1	387.7	344.5	161.3
Dividend income	82.2	105.9	106.6	69.3	42.6
Net trading gains	914.5	65.6	127.7	131.9	32.3
Gain on disposal of an associate	—	2.3	—	12.8	—
Losses on deemed disposal of subsidiaries	(6.2)	—	—	—	—
Net exchange gains/(losses)	15.0	(38.8)	9.3	6.5	6.3
Other operating incomes, net	124.6	95.4	41.8	108.0	135.6
Operating income	5,037.6	5,840.3	5,954.1	4,267.9	3,245.7
Operating expenses	(2,851.4)	(3,030.1)	(2,608.1)	(2,044.1)	(1,482.1)
Impairment losses on assets	(890.2)	(748.0)	(382.8)	(350.1)	(185.7)
Operating profit	1,296.0	2,062.2	2,963.2	1,873.7	1,577.9
Share of profits of associates	143.7	23.2	9.8	2.2	—
Profit before tax	1,439.7	2,085.4	2,973.0	1,875.9	1,577.9
Income tax expense	(256.1)	(447.0)	(657.2)	(473.7)	(347.0)
Profit for the year	1,183.6	1,638.4	2,315.8	1,402.2	1,230.9
Profit for the year attributable to:					
— Owners of the Bank	982.9	1,275.6	1,886.8	1,215.8	1,103.2
— Non-controlling interests	200.7	362.8	429.0	186.4	127.7
Profit for the year	1,183.6	1,638.4	2,315.8	1,402.2	1,230.9

Chapter 3 Financial Highlights

(Expressed in millions of RMB, unless otherwise stated)	2018	2017	2016	2015	2014
Major indicators of assets/liabilities					
Total assets	164,253.2	187,008.5	191,471.3	141,953.3	81,855.3
Of which: loans and advances to customers	75,354.5	76,492.2	60,286.4	46,477.4	33,417.0
Total liabilities	149,145.7	170,357.9	177,748.2	130,096.1	74,021.0
Of which: deposits from customers	109,521.2	129,881.6	127,408.7	93,302.8	59,771.7
Total equity	15,107.5	16,650.6	13,723.1	11,857.2	7,834.3
Per share (RMB)					
Net assets per share	3.25	3.15	3.07	2.78	2.38
Basic earnings per share	0.25	0.32	0.57	0.41	0.48
Diluted earnings per share	0.25	0.32	0.57	0.41	0.48
Profitability indicators (%)					
Return on assets(1)	0.67%	0.87%	1.39%	1.25%	1.80%
Return on capital(2)	7.45%	10.79%	18.11%	14.24%	19.67%
Net interest spread(3)	2.32%	2.19%	2.53%	2.79%	3.23%
Net interest margin(4)	2.49%	2.38%	2.67%	3.01%	3.40%
Net fee and commission income to operating income ratio(5)	7.46%	10.53%	12.56%	5.22%	9.28%
Cost-to-income ratio(6)	54.72%	50.77%	41.61%	43.54%	41.11%
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio(7)	9.40%	9.47%	10.35%	12.49%	13.82%
Tier-one capital adequacy ratio(8)	9.50%	9.66%	10.52%	12.49%	13.82%
Capital adequacy ratio(9)	11.83%	12.20%	13.79%	14.76%	16.02%
Shareholders' equity to total assets ratio	9.20%	8.90%	7.17%	8.35%	9.57%
Assets quality indicators (%)					
Non-performing loan ratio(10)	1.75%	1.73%	1.41%	1.42%	1.19%
Provision coverage ratio(11)	160.41%	171.48%	206.57%	206.86%	233.40%
Provision to total loan ratio(12)	2.80%	2.96%	2.92%	2.93%	2.78%
Other indicators (%)(13)					
Loan to deposit ratio	70.79%	60.69%	48.74%	51.32%	57.50%

Notes:

(1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.

(2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and at the end of that year.

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

(4) Calculated by dividing net interest income by average interest-earning assets.

(5) Calculated by dividing net fee and commission income by operating income.

(6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.

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

(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/gross loans and advances to customers.

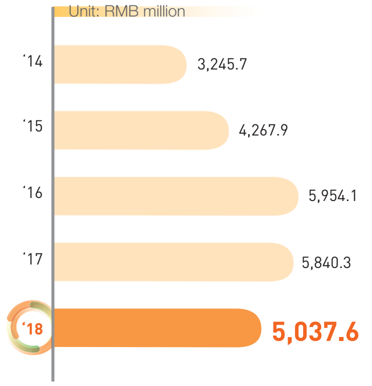
(11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers.

(12) Provision to total loan ratio = provision for impairment losses on loans/gross loans and advances to customers.

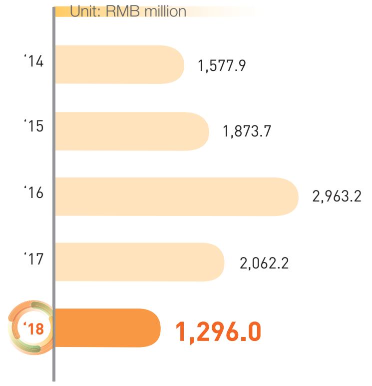
(13) The indicator refers to the ratio we report to the CBIRC and calculated in accordance with PRC GAAP and relevant requirements of the CBIRC regarding the financial data.

Chapter 3 Financial Highlights

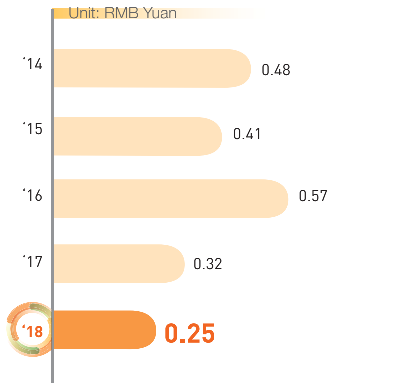
Operating income



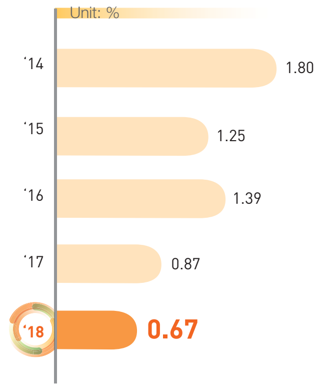
Operating profit



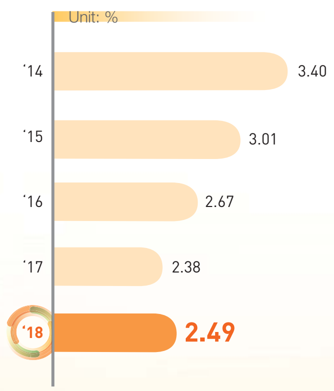
Basic earnings per share



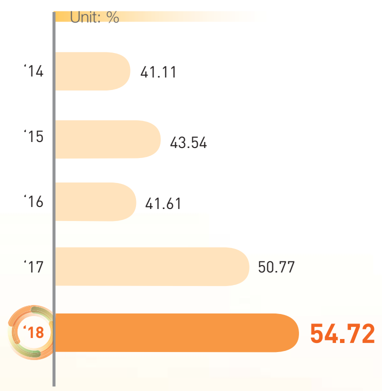
Return on assets



Net interest margin



Cost-to-income ratio



Chapter 4 Management Discussion and Analysis

4.1 Environment and Outlook

In 2019, China will have great strategic opportunities for development. The optimization and upgrade of China economic structure will accelerate and the technological innovation capability will be further enhanced. The great progress on supply-side structural reform will act as a strong driving force for a high-quality development of China economy.

Financial regulatory policies of China will be adjusted specifically to prevent systemic financial risks. Financial institutions will be encouraged to support the development of private economy and rural revitalization strategies and invigorate the growth of micro, small and medium enterprises. When undergoing transformation, financial institutions in the banking industry shall modify and adjust their development strategies in accordance with the changes in regulatory policies and shall also explore new models and ways to facilitate overall economic and social development. Therefore, financial institutions will face both challenges and opportunities and gain growth momentum while coping with great pressure. Rural commercial banks will gain considerable advantages brought by the rapid revitalization in Northeast China and industrial development plan of Jilin Province and will benefit from its focus on principal business and serving the real economy. The transformation from rapid development to high-quality development will progress steadily and firmly.

Looking forward, the Bank will grasp those great strategic opportunities and further focus on its principal business. By actively participating in local economic and social development, the Bank will seize opportunities brought by industrial upgrade, restructuring, green development, rural revitalization and poverty alleviation. With an aim to become a modern and first-class rural commercial bank, the Bank positions itself a major local bank supporting the rural revitalization strategies with strong brand value, facilitating private economy and development of medium, small and micro enterprises and serving local residents.

4.2 Development Strategies

The Group's strategic goal is to position itself as a professional financial services provider with unique values and strong competitive advantages in order to build a first-class modern rural commercial bank in the PRC with strong brand value. To achieve its goal, the Group plans to: (i) reinforce advantages in banking services for the "three rurals" 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.

4.3 Overall Business Review

In view of the changes in the development environment in 2018, the Group strictly followed the requirements of the authorities. Under the principles of "restructuring, transformation, risk control and management enhancement", the Bank focused on its principal business to provide services to the real economy and successfully maintained its development momentum.

The Group recorded a total operating income of RMB5,037.6 million in 2018, representing a decrease of 13.7% as compared to RMB5,840.3 million in 2017. The Group's net profit decreased by 27.8% from RMB1,638.4 million in 2017 to RMB1,183.6 million in 2018.

As of December 31, 2018, the Group's total assets amounted to RMB164,253.2 million, representing a year-on-year decrease of 12.2%; gross loans and advances to customers amounted to RMB77,527.7 million, representing a year-on-year decrease of 1.6%; the non-performing loan ratio amounted to 1.75%, representing a year-on-year increase of 0.02 percentage point; total deposits from customers amounted to RMB109,521.2 million, representing a year-on-year decrease of 15.7%.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2018	2017	Change in amount	Change in percentage (%)
Interest income	**8,602.6**	9,859.4	(1,256.8)	(12.7)
Interest expense	**(5,082.5)**	(5,123.5)	41.0	(0.8)
Net interest income	**3,520.1**	4,735.9	(1,215.8)	(25.7)
Fee and commission income	**407.2**	652.2	(245.0)	(37.6)
Fee and commission expenses	**(31.6)**	(37.3)	5.7	(15.3)
Net fee and commission income	**375.6**	614.9	(239.3)	(38.9)
Net gains arising from investment securities	**11.8**	259.1	(247.3)	(95.4)
Dividend income	**82.2**	105.9	(23.7)	(22.4)
Net trading gains	**914.5**	65.6	848.9	1,294.1
Gain on disposal of an associate	**—**	2.3	(8.5)	(369.6)
Losses on deemed disposal of subsidiaries	**(6.2)**	—	—	—
Net exchange gains/(losses)	**15.0**	(38.8)	53.8	(138.7)
Other operating incomes, net	**124.6**	95.4	29.2	30.6
Operating income	**5,037.6**	5,840.3	(802.7)	(13.7)
Operating expenses	**(2,851.4)**	(3,030.1)	178.7	(5.9)
Impairment losses on assets	**(890.2)**	(748.0)	(142.2)	19.0
Operating profit	**1,296.0**	2,062.2	(766.2)	(37.2)
Share of profits of associates	**143.7**	23.2	120.5	519.4
Profit before tax	**1,439.7**	2,085.4	(645.7)	(31.0)
Income tax expense	**(256.1)**	(447.0)	190.9	(42.7)
Profit for the year	**1,183.6**	1,638.4	(454.8)	(27.8)
Profit for the year attributable to:				
— Owners of the Bank	**982.9**	1,275.6	(292.7)	(22.9)
— Non-controlling interests	**200.7**	362.8	(162.1)	(44.7)
Profit for the year	**1,183.6**	1,638.4	(454.8)	(27.8)

In 2018, the Group's profit before tax was RMB1,439.7 million, representing a year-on-year decrease of 31.0%; profit for the year was RMB1,183.6 million, representing a year-on-year decrease of 27.8%. It was mainly due to the decrease in operating income including net interest income from subsidiaries as 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 (defined and discussed in detail in section "Report of the Board of Directors — XXVII. Termination of Acting-in-concert Agreements in respect of Four Rural Commercial Banks" of this annual report), decrease in net fee and commission income of the Group due to impacts of market demand and others factors, and the decrease in net gains from investment securities of the Group as a result of factors such as impact from market transactions. After the termination of the acting-in-concert agreements, the investments in the Four Rural Commercial Banks were accounted by the Group based on equity approach. In 2018, the share of profits of associates increased by RMB120.5 million, representing a year-on-year increase of 519.4%.

(i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 81.1% and 69.9% of operating income in 2017 and 2018, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

	Year ended December 31,			
(Expressed in millions of RMB, unless otherwise stated)	**2018**	2017	Change in amount	Change in percentage (%)
Interest income	**8,602.6**	9,859.4	(1,256.8)	(12.7)
Interest expenses	**(5,082.5)**	(5,123.5)	41.0	(0.8)
Net interest income	**3,520.1**	4,735.9	(1,215.8)	(25.7)

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)	Year ended December 31, 2018 Average balance	Interest income[6]	Average yield/cost (%)	Year ended December 31, 2017 Average balance	Interest income	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	77,973.2	5,487.8	7.04	74,011.6	5,158.2	6.97
Investment securities and other financial assets[1]	53,934.4	2,817.6	5.22	66,468.3	3,192.5	4.80
Financial assets held under resale agreements	6,117.1	201.1	3.29	10,196.1	355.1	3.48
Deposits with banks and other financial institutions	19,640.1	665.7	3.39	29,163.2	842.3	2.89
Deposits with the central bank[2]	16,957.9	227.3	1.34	18,369.1	269.5	1.47
Placements with banks and other financial institutions	1,455.7	74.4	5.11	816.7	41.8	5.11
Total interest-earning assets	176,078.4	9,473.9	5.38	199,025.0	9,859.4	4.95

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2018 Average balance	Interest expense	Average yield/cost (%)	Year ended December 31, 2017 Average balance	Interest expense	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	119,479.9	3,241.7	2.71	131,010.2	3,156.0	2.41
Financial assets sold under repurchase agreements	13,966.8	382.3	2.74	17,166.1	518.6	3.02
Deposits from banks and other financial institutions	7,694.7	279.4	3.63	10,247.7	302.6	2.95
Debt securities issued[3]	21,218.5	1,070.9	5.05	24,855.2	1,050.3	4.23
Placements from banks and other financial institutions	3,108.3	93.0	2.99	1,811.4	82.2	4.54
Borrowing from the central bank	493.7	15.2	3.08	484.6	13.8	2.85
Total interest-bearing liabilities	165,961.9	5,082.5	3.06	185,575.2	5,123.5	2.76
Net interest income		4,391.4			4,735.9	
Net interest spread[4]			2.32			2.19
Net interest margin[5]			2.49			2.38

Notes:

(1) For the year ended December 31, 2018, investment securities and other financial assets primarily 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. For the year ended December 31, 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) Represents 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 during the holding period. Before the adoption of the new standard for financial instruments, gains generated from those investments was accounted for interest income during the holding period. For the purpose of comparison, interest income generated from investment securities and other financial assets for the year ended December 31, 2018 (including the interest income accounted for net trading (losses)/gains under the new standard for financial instruments) was RMB871.3 million.

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.

	2018 vs 2017		
(Expressed in millions of RMB, unless otherwise stated)	**Volume(1)**	**Interest rate(2)**	**Net Increase/ (decrease)(3)**
Interest-earning Assets			
Loans and advances to customers	278.8	50.8	329.6
Investment securities and other financial assets	(654.8)	279.9	(374.9)
Financial assets held under resale agreements	(134.1)	(19.9)	(154.0)
Deposits with banks and other financial institutions	(322.8)	146.2	(176.6)
Deposits with the central bank	(18.9)	(23.3)	(42.2)
Placements with banks and other financial institutions	32.7	(0.1)	32.6
Changes in interest income	(819.1)	433.6	(385.5)
Interest-bearing Liabilities			
Deposits from customers	(312.8)	398.5	85.7
Financial assets sold under repurchase agreements	(87.6)	(48.7)	(136.3)
Deposits from banks and other financial institutions	(92.7)	69.5	(23.2)
Debt securities issued	(183.5)	204.1	20.6
Placements from banks and other financial institutions	38.8	(28.0)	10.8
Borrowing from the central bank	0.3	1.2	1.5
Changes in interest expense	(637.5)	596.5	(41.0)
Changes in net interest income	(181.6)	(162.9)	(344.5)

Notes:

(1) Represents the average balance for the year minus the average balance for the previous year, multiplied by the average yield/cost for the year.

(2) Represents the average yield/cost for the year minus the average yield/cost for the previous year, multiplied by the average balance for the previous year.

(3) Represents interest income/expense for the year minus interest income/expense for the previous year.

(ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2018 Amount	2018 % of total	2017 Amount	2017 % of total
Loans and advances to customers	5,487.8	57.9	5,158.2	52.4
Investment securities and other financial assets[1]	2,817.6	29.7	3,192.5	32.4
Financial assets held under resale agreements	201.1	2.1	355.1	3.6
Deposits with banks and other financial institutions	665.7	7.0	842.3	8.5
Deposits with the central bank	227.3	2.4	269.5	2.7
Placements with banks and other financial institutions	74.4	0.9	41.8	0.4
Total	9,473.9	100.0	9,859.4	100.0

Note:

(1) Interest income includes interest income generated from financial assets at fair value through profit or loss in net trading 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 shall be measured at fair value and the gains from investment securities and other financial assets shall be accounted for net trading gains during the holding period. Before the adoption of the new standard for financial instruments, gains generated from those investments were accounted for interest income during the holding period. For the purpose of comparison, interest income generated from investment securities and other financial assets for the year ended December 31, 2018 (including interest income accounted for net trading (losses)/gains under the new standard for financial instruments) was RMB871.3 million.

The Group's interest income decreased by 3.91% from RMB9,859.4 million in 2017 to RMB9,473.9 million in 2018, primarily because 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.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 52.4% and 57.9% of the Group's total interest income in 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)	Year ended December 31, 2018 Average balance	2018 Interest income	2018 Average yield (%)	2017 Average balance	2017 Interest income	2017 Average yield (%)
Corporate loan and advances						
— Loan	56,682.2	3,945.8	6.96	54,793.4	3,774.2	6.89
— Finance leases loan	1,530.1	95.2	6.22	1,462.4	65.6	4.49
Retail loans	19,706.7	1,432.4	7.27	17,748.9	1,317.3	7.42
Discounted bills	54.2	14.4	26.57	6.9	1.1	15.94
Gross loans and advances to customers	77,973.2	5,487.8	7.04	74,011.6	5,158.2	6.97

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

Interest income from investment securities and other financial assets decreased by 11.7% from RMB3,192.5 million in 2017 to RMB2,817.6 million in 2018, primarily due to a decrease in the average balance of investment securities and other financial assets, from RMB66,468.3 million in 2017 to RMB53,934.4 million in 2018, which was partially offset by an increase in the average yield on investment securities and other financial assets, from 4.80% in 2017 to 5.22% in 2018. The decrease in the average balance was primarily due to withdrawal from certain investment assets and the fact that 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. The increase in the average yield was primarily due to changes in the profile of investment assets in terms of maturity and yield.

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

Interest income from deposits with banks and other financial institutions decreased by 21.0% from RMB842.3 million in 2017 to RMB665.7 million in 2018, primarily due to a decrease in the average balance of deposits with banks and other financial institutions, from RMB29,163.2 million in 2017 to RMB19,640.1 million in 2018, partially offset by an increase in the average yield on deposits with banks and other financial institutions from 2.89% in 2017 to 3.39% in 2018. The decrease in the average balance was primarily attributable to the adjusted allocation of interbank assets of the Group.

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

Interest income from financial assets held under resale agreements decreased by 43.4% from RMB355.1 million in 2017 to RMB201.1 million in 2018, primarily due to a decrease in the average balance of financial assets held under resale agreements, from RMB10,196.1 million in 2017 to RMB6,117.1 million in 2018, as well as a decrease in the average yield of financial assets held under resale agreements, from 3.48% in 2017 to 3.29% in 2018. The decrease in the average balance was primarily attributable to the adjustment of interbank assets structure to balance risk and return by the Group. The decrease in the average yield was primarily due to changes in market interest rates.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 15.7% from RMB269.5 million in 2017 to RMB227.3 million in 2018, primarily due to a decrease in the average balance of deposits with the central bank, from RMB18,369.1 million in 2017 to RMB16,957.9 million in 2018, and a decrease in the average yield on deposits with the central bank, from 1.47% in 2017 to 1.34% in 2018. The decrease in average balance of deposits with the central bank was primarily due to the deconsolidation of the Four Rural Commercial Banks in the financial statements of the Group after the termination of the acting-in-concert agreements. The decrease in average yield on deposits with the central bank was primarily due to the increase in percentage of statutory deposit reserves with lower yield, and the impact from the deconsolidation of the financial results of the Four Rural Commercial Banks on the structure of such deposits.

(iii) Interest expenses

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

	Year ended December 31,			
	2018		2017	
(Expressed in millions of RMB, unless otherwise stated)	Amount	% of total	Amount	% of total
Deposits from customers	3,241.7	63.8	3,156.0	61.6
Financial assets sold under repurchase agreements	382.3	7.5	518.6	10.1
Deposits from banks and other financial institutions	279.4	5.5	302.6	5.9
Debt securities issued	1,070.9	21.1	1,050.3	20.5
Placements from banks and other financial institutions	93.0	1.8	82.2	1.6
Borrowings from the central bank	15.2	0.3	13.8	0.3
Total	5,082.5	100.0	5,123.5	100.0

(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.

	Year ended December 31,					
	2018			2017		
(Expressed in millions of RMB, unless otherwise stated)	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	18,045.4	741.5	4.11	24,346.1	1,029.1	4.23
Demand	29,956.4	527.8	1.76	30,706.4	409.7	1.33
Subtotal	48,001.8	1,269.3	2.64	55,052.5	1,438.8	2.61
Retail deposits						
Time	53,626.1	1,834.1	3.42	54,290.4	1,634.4	3.01
Demand	17,852.0	138.3	0.77	21,667.3	82.8	0.38
Subtotal	71,478.1	1,972.4	2.76	75,957.7	1,717.2	2.26
Total deposits from customers	119,479.9	3,241.7	2.71	131,010.2	3,156.0	2.41

Interest expenses on deposits from customers increased by 2.7% from RMB3,156.0 million in 2017 to RMB3,241.7 million in 2018, primarily due to an increase in the average cost of deposits from customers from 2.41% in 2017 to 2.71% in 2018, partially offset by a decrease in the average balance of deposits from customers from RMB131,010.2 million in 2017 to RMB119,479.9 million in 2018. The increase in the average cost of deposits from customers was primarily due to liberalization of interest rates and market competition. The decrease in the average balance of deposits from customers was primarily due to deconsolidation of the Four Rural Commercial Banks in the financial statements of the Group after the termination of the acting-in-concert agreements.

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

Interest expenses on financial assets sold under repurchase agreements decreased by 26.3% from RMB518.6 million in 2017 to RMB382.3 million in 2018, primarily due to a decrease in the average balance of financial assets sold under repurchase agreements from RMB17,166.1 million in 2017 to RMB13,966.8 million in 2018, as well as a decrease in the average cost of financial assets sold under repurchase agreements from 3.02% in 2017 to 2.74% in 2018. The decrease in the average cost was primarily due to changes in market interest rates. The decrease in the average balance was the result of the adjustment of liabilities structure of the Group to balance capital cost and stability.

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

Interest expenses on deposits from banks and other financial institutions decreased by 7.7% from RMB302.6 million in 2017 to RMB279.4 million in 2018, mainly due to a decrease in the average balance of such debts from RMB10,247.7 million in 2017 to RMB7,694.7 million in 2018, partially offset by an increase in the average cost of such debts from 2.95% in 2017 to 3.63% in 2018.

(D) Interest expenses on debt securities issued

Interest expenses on debt securities issued increased by 2.0% from RMB1,050.3 million in 2017 to RMB1,070.9 million in 2018, mainly due to the increase in the average cost of such debts from 4.23% in 2017 to 5.05% in 2018, partially offset by a decrease in the average balance of such debts from RMB24,855.2 million in 2017 to RMB21,218.5 million in 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 increased from 2.19% in 2017 to 2.32% in 2018, and net interest margin increased from 2.38% in 2017 to 2.49% in 2018, primarily due to the increase in the Group's average yield of interest-earning assets from 4.95% in 2017 to 5.38% in 2018, partially offset by an increase in the average cost on interest-bearing liabilities from 2.76% in 2017 to 3.06% in 2018.

(v) Non-interest income

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2018	2017	Change in amount	Change in percentage (%)
Fee and commission income				
Advisory fees	**218.8**	319.0	(100.2)	(31.4)
Syndicated loan service fees	**94.3**	61.5	32.8	53.3
Settlement and clearing fees	**51.4**	58.1	(6.7)	(11.5)
Agency services fees	**19.9**	33.3	(13.4)	(40.2)
Wealth management service fees	**9.2**	163.1	(153.9)	(94.4)
Bank card service fees	**5.7**	6.9	(1.2)	(17.4)
Others(1)	**7.9**	10.3	(2.4)	(23.3)
Subtotal	**407.2**	652.2	(245.0)	(37.6)
Fee and commission expense	**(31.6)**	(37.3)	5.7	(15.3)
Net fee and commission income	**375.6**	614.9	(239.3)	(38.9)

Note:

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

Net fee and commission income decreased by 38.9% from RMB614.9 million in 2017 to RMB375.6 million in 2018, primarily due to the decrease of net fee and commission income from subsidiaries as a result of the fact that Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group after the termination of the acting-in-concert agreements, and 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.

Advisory fees income amounted to RMB218.8 million in 2018, representing a decrease of RMB100.2 million, or 31.4%, as compared to the corresponding period of the previous year, mainly due to the fact that Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group after the termination of the acting-in-concert agreements, and the reduction in advisory agency service provided by the Group as a result of the decrease in market demand.

Syndicated loan service fees income amounted to RMB94.3 million in 2018, representing an increase of RMB32.8 million, or 53.3%, as compared to the corresponding period of the previous year, mainly due to the increased transaction of syndicated loan business.

Settlement and clearing fees income amounted to RMB51.4 million in 2018, representing a decrease of RMB6.7 million, or 11.5%, as compared to the corresponding period of the previous year, mainly due to the fact that Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group after the termination of the acting-in-concert agreements.

Agency service fees income amounted to RMB19.9 million in 2018, representing a decrease of RMB13.4 million, or 40.2%, as compared to the corresponding period of the previous year, mainly due to the fact that Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group after the termination of the acting-in-concert agreements.

Wealth management service fees income amounted to RMB9.2 million in 2018, representing a decrease of RMB153.9 million, or 94.4%, as compared to the corresponding period of the previous year, mainly due to the decrease of issuance scale and average yield of wealth management products as a result of the impacts of the implementation of new regulations on asset management.

Bank card service fees income amounted to RMB5.7 million in 2018, representing a decrease of RMB1.2 million, or 17.4%, as compared to the corresponding period of the previous year, mainly due to the fact that Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group after the termination of the acting-in-concert agreements.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses decreased by 15.3% from RMB37.3 million in 2017 to RMB31.6 million in 2018, mainly due to the fact that Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group after the termination of the acting-in-concert agreements.

(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 RMB259.1 million in 2017 to RMB11.8 million in 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.

(C) Dividend income

Dividend income decreased by 22.4% from RMB105.9 million in 2017 to RMB82.2 million in 2018. The decrease was mainly due to the reduction in the actual dividend distribution of invested institutions such as non-controlling rural commercial banks.

(D) Net trading gains

Net trading gains primarily include gains from selling, and the fair value changes of, debt securities held for trading and wealth management products issued by other financial institutions. Net trading gains increased by 1,294.1% from RMB65.6 million in 2017 to RMB914.5 million in 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, investment income from financial assets at fair value through profit or loss of RMB914.5 million was recognized as net trading gains during the holding period. The investment income from financial assets at fair value through profit or loss includes interest income from debt securities of approximately RMB871,330,000 for the year ended December 31, 2018.

(E) Net exchange gains/(losses)

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains increased to RMB15.0 million in 2018, representing an increase of RMB53.8 million, or 138.7%, from net exchange losses of RMB38.8 million in 2017, mainly due to the fluctuation of foreign exchange rates.

(F) Other operating income

Other operating income mainly included government subsidies and rental income. Other operating income increased by 30.6% from RMB95.4 million in 2017 to RMB124.6 million in 2018, which primarily reflected the increase in rental income.

(vi) Operating expenses

Operating expenses decreased by 5.9% from RMB3,030.1 million in 2017 to RMB2,851.4 million in 2018. The decrease was primarily due to the fact that the operating expenses of the Four Rural Commercial Banks from June to December were not consolidated to the financial statements of the Group after the termination of the acting-in-concert agreements.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2018	2017	Change in amount	Change in percentage (%)
Staff cost	**1,659.7**	1,793.0	(133.3)	(7.4)
Property and equipment expenses	**561.8**	546.9	14.9	2.7
General management and administrative expenses	**535.1**	625.1	(90.0)	(14.4)
Tax and surcharges	**94.8**	65.1	29.7	45.6
Total	**2,851.4**	3,030.1	(178.7)	(5.9)

(A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2018	2017	Change in amount	Change in percentage (%)
Salaries and bonuses	**1,170.4**	1,258.1	(87.7)	(7.0)
Social insurance	**284.1**	320.5	(36.4)	(11.4)
Staff welfares	**90.7**	99.2	(8.5)	(8.6)
Housing allowances	**85.0**	82.0	3.0	3.7
Labor union and staff education expenses	**29.5**	33.2	(3.7)	(11.1)
Total staff costs	**1,659.7**	1,793.0	(133.3)	(7.4)

Staff costs decreased by 7.4% from RMB1,793.0 million in 2017 to RMB1,659.7 million in 2018. The decrease in staff costs was primarily due to the decrease in the number of staff as 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, resulting in lower staff costs and expenses.

(B) Property and equipment expenses

Property and equipment expenses increased by 2.7% from RMB546.9 million in 2017 to RMB561.8 million in 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 14.4% from RMB625.1 million in 2017 to RMB535.1 million in 2018, primarily reflecting the Group's strict control on general management and administrative expenses and the fact that Four Rural Commercial Banks ceased to be consolidated to the financial statements of the Group after the termination of the acting-in-concert agreements.

(D) Tax and surcharges

Tax and surcharges increased by 45.6% from RMB65.1 million in 2017 to RMB94.8 million in 2018. The increases in tax and surcharges were primarily because the increase in value-added taxes paid by the Group as compared to the corresponding period of the previous year, resulting in an increase in relevant taxes and surcharges.

(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)	Year ended December 31,			
	2018	2017	Change in amount	Change in percentage (%)
Loans and advances to customers, net	513.8	363.2	150.6	41.5
Debt securities classified as receivables	–	375.9	(375.9)	(100.0)
Debt securities financial assets at fair value through other comprehensive income	(0.2)	—	(0.2)	—
Financial assets at amortised cost	353.0	—	353.0	—
Deposits with banks and other financial institutions	4.3	—	4.3	—
Placements with banks and other financial institutions	1.0	—	1.0	—
Other receivables and repossessed assets	18.3	8.4	9.9	117.9
Property and equipment	–	0.5	(0.5)	(100.0)
Financial assets held under resale agreements	(0.0)	—	(0.0)	—
Total	890.2	748.0	142.2	19.0

Impairment losses on assets increased by 19.0% from RMB748.0 million in 2017 to RMB890.2 million in 2018, mainly due to the increase in the provision for impairment losses on loans and advances to customers as a result of the increase in the Group's loans and advances to customers, the increase in the provision for impairment losses on assets of financial investments at amortized cost in response to the potential effects of the adverse economic environment and the increase in provision made upon the adoption of new standards of financial instruments on January 1, 2018, which required that the provision for impairment losses on assets shall be based on expected credit loss instead of incurred loss.

(viii) Income tax expense

Income tax expense decreased by 42.7% from RMB447.0 million in 2017 to RMB256.1 million in 2018. The decrease in income tax expense was due to the decrease in profit before tax in 2018 and the decrease of effective tax rates. Effective tax rates were 17.8% and 21.4% in 2018 and 2017, respectively. The relative lower effective tax rate in 2018 was mainly due to higher percentage of non-taxable income (including dividend income, interest income from investment in treasury bonds and local government bonds and interest income from small loans to rural households and individuals).

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2018 and 2017, the Group's total assets amounted to RMB164,253.2 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) cash and deposits with the central bank; (iv) deposits with banks and other financial institutions; and (v) placements with banks and other financial institutions. 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 December 31, 2018 Amount	% of total	As of December 31, 2017 Amount	% of total
Assets				
Gross loans and advances to customers	**77,527.7**	**47.2**	78,827.2	42.1
Provision for impairment losses	**(2,173.2)**	**(1.3)**	(2,335.0)	(1.2)
Loans and advances to customers, net	**75,354.5**	**45.9**	76,492.2	40.9
Investment securities and other financial assets[1]	**46,453.7**	**28.3**	63,457.9	33.9
Deposits with banks and other financial institutions	**9,884.4**	**6.0**	13,219.6	7.1
Cash and deposits with the central bank	**22,458.1**	**13.7**	24,118.2	12.9
Financial assets held under resale agreements	**–**	**–**	479.9	0.3
Placements with banks and other financial institutions	**1,698.6**	**1.0**	1,200.0	0.6
Other assets[2]	**8,403.9**	**5.1**	8,040.7	4.3
Total assets	**164,253.2**	**100.0**	187,008.5	100.0

Notes:

(1) Include financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

(2) Primarily consist of property and equipment, goodwill, other receivables and prepayments, interest receivables, deferred tax assets, repossessed assets and interests in associates.

(A) Loans and advances to customers

As of December 31, 2018, the Group's gross loans and advances to customers was RMB77,527.7 million, representing a decrease of 1.6% as compared to the end of last year. Net loans and advances to customers accounted for 45.9% of the Group's total assets, representing an increase of approximately 5.0 percentage points as compared to the end of last year.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018 Amount	% of total	As of December 31, 2017 Amount	% of total
Corporate loan and advances				
— Loan	55,288.3	71.3	57,592.1	73.0
— Finance leases loan	1,559.9	2.0	1,477.1	1.9
Retail loans	20,668.6	26.7	19,744.9	25.1
Discounted bills	10.9	0.0	13.1	0.0
Gross loans and advances to customers	77,527.7	100.0	78,827.2	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 45.9% and 40.9% of total assets as of December 31, 2018 and 2017, respectively.

The Group's corporate loans decreased by 3.8% from RMB59,069.2 million as of December 31, 2017 to RMB56,848.2 million as of December 31, 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 increased by 4.7% from RMB19,744.9 million as of December 31, 2017 to RMB20,668.6 million as of December 31, 2018, primarily due to (i) the Group's efforts to support the financing needs of the "three rurals" and SME business owners (including sole proprietors); (ii) the expansion of the distribution network; and (iii) the adjustment of the Group's loan portfolio to increase the proportion of personal consumption loans and residential and commercial mortgage loans, which was partially offset by 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.

Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 96.1% and 97.0% of gross loans and advances to customers as of December 31, 2018 and 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 December 31, 2018 Amount	As of December 31, 2018 % of total	As of December 31, 2017 Amount	As of December 31, 2017 % of total
Collateralized loans	**30,665.6**	**39.6**	35,316.5	44.8
Pledged loans	**7,694.9**	**9.9**	11,378.8	14.4
Guaranteed loans	**36,121.7**	**46.6**	29,760.6	37.8
Unsecured loans	**3,045.5**	**3.9**	2,371.3	3.0
Gross loans and advances to customers	**77,527.7**	**100.0**	78,827.2	100.0

Collateralized loans and pledged loans are the largest component of gross loans and advances to customers. Collateralized loans and pledged loans as a percentage of gross loans and advances to customers were 59.2% as of December 31, 2017 and 49.5% as of December 31, 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 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 gross loans and advances to customers was 37.8% as of December 31, 2017 and 46.6% as of December 31, 2018.

The Bank and each subsidiary extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2017 and 2018, unsecured loans represented 3.0% and 3.9% of gross loans and advances to customers.

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

(Expressed in millions of RMB, unless otherwise stated)	2018	2017
As of January 1	2,335.0	1,814.4
Provision made in respect of the adoption of new standard for financial instruments	297.8	—
Charge for the year	670.9	512.2
Reverse for the year	(157.1)	(149.0)
Amounts written off as uncollectible	(44.8)	(6.0)
Recoveries of loans and advances previously written off	23.8	120.0
Acquisition of subsidiaries	—	43.4
Derecognized on demand disposals of subsidiaries	(952.4)	—
As of December 31	2,173.2	2,335.0

Provision for impairment losses on loans decreased by 6.9% from RMB2,335.0 million as of December 31, 2017 to RMB2,173.2 million as of December 31, 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 December 31, 2018 and 2017, the Group had investment securities and other financial assets of RMB46,453.7 million and RMB63,457.9 million, respectively, representing 28.3% and 33.9% of its total assets, respectively.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018 Amount	% of total	As of December 31 2017 Amount	% of total
Debt securities investments				
Available-for-sale debt investments	–	–	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	5,880.4	12.7	—	—
Financial assets at amortized cost	6,871.8	14.8	—	—
Subtotal	12,752.2	27.5	17,851.4	28.1
Asset management plans and trust plans				
Asset management plans	22,867.7	49.2	27,980.3	44.1
Trust plans	8,981.1	19.3	13,924.6	21.9
Subtotal	31,848.8	68.5	41,904.9	66.0
Wealth management products issued by other financial institutions	–	–	1,627.0	2.6
Subtotal	–	–	1,627.0	2.6
Funds	690.6	1.5	1,080.0	1.7
Subtotal	690.6	1.5	1,080.0	1.7
T+0 clearing and advances	0.1	0.0	1.9	0.0
Subtotal	0.1	0.0	1.9	0.0
Equity investments				
Available-for-sale equity investments	–	–	992.7	1.6
Financial assets at fair value through other comprehensive income	144.6	0.3	—	—
Financial assets at fair value through profit or loss	1,017.4	2.2	—	—
Subtotal	1,162.0	2.5	992.7	1.6
Total investment securities and other financial assets, net	46,453.7	100.0	63,457.9	100.0

Investment securities and other financial assets decreased by 26.8% from RMB63,457.9 million as of December 31, 2017 to RMB46,453.7 million as of December 31, 2018. The decreases in investment securities and other financial assets were primarily due to the fact that (i) 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; (ii) according to 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 (iii) 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 December 31, 2018 and 2017, total liabilities amounted to RMB149,145.7 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 December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Deposits from customers	109,521.2	73.4	129,881.6	76.2
Debt securities issued	20,552.2	13.8	20,039.6	11.8
Financial assets sold under repurchase agreements	8,406.7	5.6	9,679.7	5.7
Deposits from banks and other financial institutions	4,711.3	3.2	4,690.5	2.8
Borrowing from the central bank	2,376.5	1.6	1,576.2	0.9
Placements from banks and other financial institutions	1,106.5	0.7	1,652.5	1.0
Other liabilities(1)	2,471.3	1.7	2,837.8	1.6
Total liabilities	149,145.7	100.0	170,357.9	100.0

Note:

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

(A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	26,708.2	24.4	25,868.3	20.0
Time deposits	13,758.5	12.6	20,835.8	16.0
Subtotal	40,466.7	37.0	46,704.1	36.0
Retail deposits				
Demand deposits	19,116.3	17.5	21,295.5	16.4
Time deposits	46,650.8	42.6	57,574.5	44.3
Subtotal	65,767.1	60.1	78,870.0	60.7
Others[1]	3,287.4	2.9	4,307.5	3.3
Total deposits from customers	109,521.2	100.0	129,881.6	100.0

Note:

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

Total deposits from customers decreased by 15.7% from RMB129,881.6 million as of December 31, 2017 to RMB109,521.2 million as of December 31, 2018. The decrease was 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.

(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 interest at the 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 interest at the 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 20, 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 terms ranging from three months to one year and bear interest at effective rates between 4.55% and 5.33%.

From January 1, 2018 to December 31, 2018, the Bank issued 57 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB20,480.0 million. The Interbank certificates have terms ranging from three months to one year and bear interest at effective rates between 3.50% 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 December 31, 2018 Amount	% of total	As of December 31, 2017 Amount	% of total
Share capital	3,984.8	26.4	3,984.8	23.9
Capital reserve	5,331.2	35.3	5,315.8	31.9
Investment revaluation reserve	(30.4)	(0.2)	(299.8)	(1.8)
Surplus reserve	724.7	4.8	631.1	3.8
General reserve	1,571.2	10.4	1,538.2	9.3
Retained earnings	1,374.5	9.1	1,381.6	8.3
Non-controlling interests	2,151.5	14.2	4,098.9	24.6
Total equity	15,107.5	100.0	16,650.6	100.0

(c) Assets Quality Analysis

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

The non-performing loans of the Group are classified into loans and advances to customers of substandard, doubtful and loss. As of December 31, 2018, the Group's non-performing loans amounted to RMB1,354.8 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018		As of December 31, 2017	
	Amount	% of total	Amount	% of total
Normal	75,021.0	96.8	75,711.3	96.0
Special mention	1,151.9	1.5	1,754.3	2.2
Substandard	363.6	0.5	120.6	0.2
Doubtful	965.0	1.2	1,231.2	1.6
Loss	26.2	0.0	9.8	0.0
Gross loans and advances to customers	77,527.7	100.0	78,827.2	100.0
Non-performing loan and non-performing loan ratio[(1)]	1,354.8	1.75	1,361.6	1.73

Note:

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

The Group's non-performing loan ratio increased from 1.73% as of December 31, 2017 to 1.75% as of December 31, 2018. The slight increase was primarily due to the operating difficulties of certain customers in some industries as affected by changes in macro-economic and financial conditions, slowed down economic growth and structural adjustments.

(ii) Concentration of loans

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

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2018 Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)	December 31, 2017 Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans								
Wholesale and retail	15,583.5	20.1	291.4	1.87	13,608.9	17.3	174.2	1.28
Manufacturing	12,886.4	16.6	317.3	2.46	11,858.3	15.0	373.5	3.15
Construction	5,769.8	7.4	88.7	1.54	6,506.3	8.3	30.7	0.47
Real estate	3,396.6	4.4	127.0	3.74	4,908.4	6.2	127.0	2.59
Agriculture, forestry, animal husbandry and fishery	4,496.6	5.8	77.1	1.71	5,278.7	6.7	143.2	2.71
Leasing and business services	3,164.6	4.1	41.1	1.30	3,286.9	4.2	1.9	0.06
Transportation, storage and postal services	2,853.6	3.7	26.5	0.93	2,594.7	3.3	27.7	1.07
Electricity, gas and water production and supply	1,755.0	2.3	25.6	1.46	2,513.2	3.2	4.6	0.18
Education	1,641.6	2.1	–	–	1,736.0	2.2	–	–
Accommodation and catering	928.3	1.2	34.3	3.69	1,406.1	1.8	–	–
Resident and other services	684.4	0.9	9.7	1.42	772.2	1.0	7.3	0.95
Health and social services	986.0	1.3	–	–	687.3	0.9	–	–
Information transmission, computer services and software	850.8	1.1	–	–	896.0	1.1	–	–
Water, environment and public facility management	333.8	0.4	–	–	479.6	0.6	–	–
Public administration, social security and social organizations	–	–	–	–	128.5	0.2	–	–
Scientific research, technical services and geological prospecting	439.7	0.6	–	–	1,144.7	1.5	–	–
Mining	109.3	0.1	29.9	27.36	391.4	0.5	33.9	8.66
Finance	647.6	0.8	–	–	352.0	0.4	–	–
Cultural, sports and entertainment	320.6	0.4	–	–	520.0	0.6	–	–
Retail loans	20,668.6	26.7	286.2	1.38	19,744.9	25.0	437.6	2.22
Discounted bills	10.9	0.0	–	–	13.1	–	–	–
Total	77,527.7	100.0	1,354.8	1.75	78,827.2	100.0	1,361.6	1.73

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.

Loans to borrowers in the wholesale and retail, manufacturing, construction, real estate, agriculture, forestry, animal husbandry and fishery and leasing and business services industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 79.7% and 76.9% of total corporate loans as of December 31, 2018 and 2017, respectively.

As of December 31, 2018, non-performing loans of the Group's corporate loans were mainly concentrated in the mining industry and real estate industry, with ratio of non-performing loans of 27.36% and 3.74%, respectively.

(B) Borrower concentration

Indicators of Concentration

Major regulatory indicators	Regulatory Standard	**As of 31 December 2018**	As of December 31, 2017
Loan concentration ratio for the largest single customer (%)	≦10	**9.48%**	4.73%
Loan concentration ratio for the top ten customers (%)	≦50	**42.79%**	33.55%

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

Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of December 31, 2018. All of these loans were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of December 31, 2018		
Customer	Industry	Amount	% of total loan	% of regulatory capital
Borrower A	Wholesale and retail	1,475.0	1.90	9.48
Borrower B	Wholesale and retail	785.9	1.01	5.05
Borrower C	Health and social services	741.0	0.96	4.76
Borrower D	Manufacturing	700.0	0.90	4.50
Borrower E	Wholesale and retail	622.0	0.80	4.00
Borrower F	Education	507.9	0.66	3.27
Borrower G	Manufacturing	475.0	0.61	3.05
Borrower H	Electricity, gas and water production and supply	452.1	0.59	2.92
Borrower I	Manufacturing	450.0	0.58	2.89
Borrower J	Information transmission, software and information technology services	447.0	0.58	2.87
Total		6,655.9	8.59	42.79

(C) Distribution of non-performing loans by product

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018 Loan amount	As of December 31, 2018 Non-performing loan amount	As of December 31, 2018 Non-performing loan ratio (%)	As of December 31, 2017 Loan amount	As of December 31, 2017 Non-performing loan amount	As of December 31, 2017 Non-performing loan ratio (%)
Corporate loans						
Small and micro enterprises[1]	38,694.6	718.9	1.86	38,527.9	633.8	1.65
Medium enterprises[1]	11,650.4	338.0	2.90	16,602.5	229.9	1.38
Large enterprises[1]	5,800.8	–	–	3,815.7	60.3	1.58
Others[2]	702.4	11.7	1.67	123.1	–	–
Subtotal	56,848.2	1,068.6	1.88	59,069.2	924.0	1.56
Retail loans						
Personal business loans	14,655.4	243.3	1.66	13,470.6	387.3	2.88
Personal consumption loans	3,621.8	40.0	1.10	3,407.0	47.5	1.39
Residential and commercial mortgage loans	2,374.2	2.9	0.12	2,859.7	2.7	0.10
Credit card overdrafts	17.2	–	–	7.6	0.1	1.32
Subtotal	20,668.6	286.2	1.38	19,744.9	437.6	2.22
Discounted bills	10.9	–	–	13.1	–	–
Total loans	77,527.7	1,354.8	1.75	78,827.2	1,361.6	1.73

Notes:

(1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises.

(2) Mainly consist of government entities and public services institutions.

The non-performing loan ratio of corporate loans increased from 1.56% as of December 31, 2017 to 1.88% as of December 31, 2018, primarily due to certain enterprises experienced operating difficulties under the impacts of changes in macro-economic and financial conditions, slowdown of economic growth and structural adjustments.

The non-performing loan ratio of retail loans decreased from 2.22% as of December 31, 2017 to 1.38% as of December 31, 2018, which was mainly due to the Company has strengthened the recovery of non-performing loans.

(D) Loan aging schedule

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

	As of December 31, 2018		As of December 31, 2017	
(Expressed in millions of RMB, unless otherwise stated)	**Amount**	**% of total**	Amount	% of total
Loans not overdue	75,002.8	96.7	76,322.1	96.8
Loans past due for:				
1 to 90 days	896.2	1.2	477.6	0.6
91 days to 1 year	565.2	0.7	537.6	0.7
1 to 3 years	632.5	0.8	986.0	1.3
3 years or more	431.0	0.6	503.9	0.6
Subtotal	2,524.9	3.3	2,505.1	3.2
Gross loans and advances to customers	77,527.7	100.0	78,827.2	100.0

(d) Segment Information

(i) Summary of geographical segment information

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2018 Amount	2018 % of total	2017 Amount	2017 % of total
Jilin Province	4,385.1	87.0	5,051.1	86.5
Other Regions[1]	652.5	13.0	789.2	13.5
Total operating income	5,037.6	100.0	5,840.3	100.0

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 of each of its principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2018 Amount	2018 % of total	2017 Amount	2017 % of total
Corporate banking	2,505.2	49.7	2,758.9	47.3
Retail banking	991.1	19.7	2,213.6	37.9
Treasury operations	1,325.7	26.3	509.7	8.7
Others[1]	215.6	4.3	358.1	6.1
Total	5,037.6	100.0	5,840.3	100.0

Note:

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

(e) Off-balance Sheet Commitments

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018	As of December 31, 2017
Credit commitments:		
Bank acceptances[1]	1,977.0	2,056.8
Letters of credit[2]	195.7	94.2
Letters of guarantee[2]	2,665.2	1,871.1
Unused limits of credit cards	140.0	94.2
Subtotal	4,977.9	4,116.3
Operating lease commitments	830.9	946.9
Capital commitments	53.8	46.6
Total	5,862.6	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 14.7% from RMB5,109.8 million as of December 31, 2017 to RMB5,862.6 million as of December 31, 2018. The increase in off-balance sheet commitments was primarily due to the growth in the letters of credit and letters of guarantee business driven by the expansion of the Group's customer base and increased customer demand.

4.4 Business Review

(a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of December 31, 2018, the Group had approximately 2,443 corporate borrowers with loans totalling RMB56,848.2 million. In 2018 and 2017, operating income from the Group's corporate banking business accounted for 49.7% and 47.3% 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 relationship. As of December 31, 2018, the Group had 2,365 SME customers with loans totalling RMB50,345.0 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

	Year ended December 31,		
(Expressed in millions of RMB, unless otherwise stated)	**2018**	2017	Change in percentage (%)
External interest income, net[1]	**2,781.5**	2,423.9	14.8
Inter-segment interest income, net[2]	**(412.8)**	59.8	(790.3)
Net interest income	**2,368.7**	2,483.7	(4.6)
Net fee and commission income	**136.5**	275.2	(50.4)
Operating income	**2,505.2**	2,758.9	(9.2)
Operating expenses	**(1,691.8)**	(1,434.0)	18.0
Impairment losses on assets	**(440.1)**	(344.6)	27.7
Profit before tax	**373.3**	980.3	(61.9)

Notes:

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

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

(i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of December 31, 2018 and 2017, the Group's corporate loans totalled RMB56,848.2 million and RMB59,069.2 million, accounting for 73.3% and 74.9% of the Group's gross loans and advances to customers, respectively.

(ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than six months. The Group may re-discount these bills to the PBOC or other financial institutions. As of December 31, 2018, the Group had a balance of RMB10.9 million of 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 December 31, 2018 and 2017, the Group's corporate deposits totalled RMB40,466.7 million and RMB46,704.1 million, and accounted for 37.0% 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.

(A) Consulting and financial advisory services

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. In 2018 and 2017, the Group's income from consulting and financial advisory services was RMB218.8 million and RMB319.0 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. In 2018 and 2017, the Group earned service fees for syndicated loans of RMB94.3 million and RMB61.5 million, respectively.

(C) Settlement and clearing services

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

(D) Entrusted loans

The Group provides entrusted loans to borrowers designated by corporate customers in accordance with the uses of proceeds, principal amounts and interest rates determined by corporate customers. The Group also supervises borrowers' uses of loans and assists in collection of loans. The Group charges agency fees based on the principal amount of entrusted loans. The Group's corporate customers bear the risks of default under 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 and non-principal-guaranteed wealth management products. The wealth management products are primarily investment in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. In 2018 and 2017, the Bank's sales of wealth management products to corporate customers totalled RMB361.1 million and RMB3,559.1 million, respectively.

(b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of December 31, 2018, the Group had 44,165 retail borrowers with gross loans and advances to customers of RMB20,668.6 million. In 2018 and 2017, the operating income from the Group's retail banking business amounted to RMB991.1 million and RMB2,213.6 million, accounting for 19.7% and 37.9% 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)	Year ended December 31, 2018	2017	Change in percentage (%)
External interest expenses, net[1]	(547.5)	(421.8)	29.8
Inter-segment interest income, net	1,513.4	2,608.4	(42.0)
Net interest income	965.9	2,186.6	(55.8)
Net fee and commission income	25.2	27.0	(6.7)
Operating income	991.1	2,213.6	(55.2)
Operating expenses	(676.6)	(1,169.6)	(42.2)
Impairment losses on assets	(73.7)	(18.6)	296.2
Profit before tax	240.8	1,025.4	(76.5)

Note:

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

(i) Retail loans

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of December 31, 2018 and 2017, the Group's retail loans totalled RMB20,668.6 million and RMB19,744.9 million, accounting for 26.7% and 25.0% of gross loans and advances to customers, respectively.

(ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of December 31, 2018 and 2017, the Group's retail deposits totalled RMB65,767.1 million and RMB78,870.0 million, accounting for 60.1% and 60.7% of total customer deposits, respectively.

(iii) Bank cards services

(A) Debit cards

The Group issues Renminbi debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions ("長春市總工會") to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group cooperates with well-known domestic third-party payment companies for Internet payment to enhance cardholder experience. As of December 31, 2018, the Group had issued approximately 3.53 million debit cards.

(B) Credit cards

Since the issuance of Renminbi UnionPay credit cards, the Bank has continued to pay attention to the needs of credit card customers, and the service quality has been continuously improved. In 2018, the Bank issued a new credit card product, the "Instal-Card (分唄卡)". Taking a step forward, the Bank actively responded to the financial needs of customers and designed and launched a new credit card installment product — "Fortune Borrowing (財神借款)". In the second half of 2018, the "Jiutai Rural Commercial Bank Credit Card" WeChat official account and "Jiushang Credit Card" mobile APP were put into use successively, providing customers with more convenient online card services, and the business model has changed from card management to APP management. While improving credit card services, the Bank also issued cards to high-quality customer group and closely monitored and effectively prevented risks relating to credit card business. As of the end of 2018, the non-performing ratio of credit card overdraft of the Bank was zero.

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

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

(A) Wealth management services

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed and non-principal-guaranteed wealth management products. The Bank also sells insurance products and obtained the qualification to sell fund products in February 2017. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. In 2018 and 2017, the Bank's sales of wealth management products to retail customers totalled RMB30,537.0 million and RMB35,523.7 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. In 2018 and 2017, the Bank's sales of wealth management products to private banking customers totalled RMB5,764.7 million and RMB6,921.0 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

In response to the challenges from the liberalization of interest rates and increasing financial disintermediation in recent years, the Group has been actively developing its treasury business. The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In 2018 and 2017, operating income from the Group's treasury operations was RMB1,325.7 million and RMB509.7 million, accounting for 26.3% and 8.7% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2018	2017	Change in percentage (%)
External interest income, net[1]	**1,286.0**	2,733.8	(53.0)
Inter-segment interest expenses, net[2]	**(1,100.6)**	(2,668.3)	(58.8)
Net interest income	**185.4**	65.5	183.1
Net fee and commission income	**214.0**	312.7	(31.6)
Net income from other businesses[3]	**926.3**	131.5	604.4
Operating income	**1,325.7**	509.7	160.1
Operating expenses	**(391.8)**	(225.1)	74.1
Impairment losses on assets	**(358.1)**	(375.9)	(4.7)
Profit before tax	**575.8**	(91.3)	(730.7)

Notes:

(1) Refers to net income from third parties.

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

(3) Primarily includes net trading gains and losses and net gains/(expenses) from financial assets investments.

(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.

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

(A) Interbank deposits

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to regulate its asset and liability structure. As of December 31, 2018 and 2017, the Group's deposits from banks and other financial institutions totalled RMB4,711.3 million and RMB4,690.5 million, and deposits at banks and other financial institutions totalled RMB9,884.4 million and RMB13,219.6 million, respectively.

(B) Interbank placement

As of December 31, 2018 and 2017, the Group's placements with banks and other financial institutions totalled RMB1,698.6 million and RMB1,200.0 million, and placements from banks and other financial institutions totalled RMB1,106.5 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 government bonds and policy financial bonds. As of December 31, 2018 and 2017, the Group's financial assets held under resale agreements totalled nil and RMB479.9 million, and financial assets sold under repurchase agreements totalled RMB8,406.7 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.

(A) Securities investment by holding purpose of the Group

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018 Amount	% of total	As of December 31, 2017 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	16,387.6	35.2	17,435.0	27.5
Debt securities classified as receivables	—	—	26,659.7	42.0
Financial assets at fair value through other comprehensive income	6,349.7	13.7	—	—
Financial assets at amortized cost	23,716.4	51.1	—	—
Total investment securities and other financial assets	46,453.7	100.0	63,457.9	100.0

Total investment securities and other financial assets decreased by 26.8% from RMB63,457.9 million as of December 31, 2017 to RMB46,453.7 million as of December 31, 2018.

The Group had adopted the new standards 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 standards for financial instruments, the related investment assets will be reclassified 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.

(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 December 31, 2018 Amount	As of December 31, 2018 % of total	As of December 31, 2017 Amount	As of December 31, 2017 % of total
Immediately due	515.3	1.1	238.7	0.4
Due in 3 months	10,880.7	23.4	14,958.9	23.6
Due between 3 and 12 months	16,488.9	35.5	20,361.2	32.1
Due between 1 and 5 years	9,286.9	20.0	16,871.2	26.6
Due over 5 years	8,119.9	17.5	10,035.2	15.8
Undefined	1,162.0	2.5	992.7	1.5
Total	46,453.7	100.0	63,457.9	100.0

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 December 31, 2018, the balance of face value of the government bonds held by the Bank amounted to RMB8,745.1 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of December 31, 2018.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
16 Interest-bearing treasury bond 10 (16附息國債10)	1,900.0	2.90	May 5, 2026
16 Interest-bearing treasury bond 17 (16附息國債17)	1,420.0	2.74	August 4, 2026
16 Interest-bearing treasury bond 23 (16附息國債23)	990.0	2.70	November 3, 2026
15 Interest-bearing treasury bond 19 (15附息國債19)	440.0	3.14	September 8, 2020
15 Interest-bearing treasury bond 16 (15附息國債16)	360.0	3.51	July 16, 2025
15 Interest-bearing treasury bond 26 (15附息國債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附息國債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附息國債20)	200.0	2.75	September 1, 2023
Total	**6,400.0**		

(D) Holding of financial bonds

As of December 31, 2018, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB3,420.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of December 31, 2018.

Name of the bond	Face value (RMB in millions)	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 Nong Fa 05 (15農發05)	310.0	3.97	February 27, 2025
15 Jin Chu 14 (15進出14)	310.0	3.87	September 14, 2025
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
15 Guo Kai 09 (Additional Issuance) (15國開09 (增發))	200.0	4.22	April 13, 2022
14 Guo Kai 11 (14國開11)	130.0	5.67	April 8, 2024
16 Nong Fa 18 (16農發18)	120.0	3.58	April 22, 2026
16 Nong Fa 21 (16農發21)	100.0	2.96	July 27, 2021
Total	**2,240.0**		

(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. In 2018 and 2017, the Bank sold wealth management products totalling RMB36,662.8 million and RMB39,082.8 million, respectively.

(d) Distribution Network

(i) Physical outlets

As of December 31, 2018, the Group had 325 outlets, of which 131 outlets, including the three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiaries under their own names.

Based on different regional conditions, the Group developed community finance, finance for three rurals and corporate finance. In addition to providing traditional banking services, the Group also strived for outlet transformation. The Bank was the first rural commercial bank in China and first financial institution in Jilin Province to have 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 our outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of December 31, 2018, the Group had 367 self-service outlets, 107 self-service areas, and 1,126 self-service facilities.

(B) Telephone and SMS banking

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, AI customer service, and SMS interaction. As of December 31, 2018, the Group had 1,533,124 telephone and SMS banking customers.

(C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of December 31, 2018, the Group had 352,247 internet banking customers.

(D) Mobile phone banking

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and mobile phone payment services. As of December 31, 2018, the Group had 618,370 mobile phone banking customers.

(E) WeChat banking

Through WeChat, the Group's customers can access information about products, services and promotions, manage accounts, search for locations of bank outlets and reserve counter services. As of December 31, 2018, the Group had 124,493 WeChat banking customers.

(F) Remote video banking

The Group offers remote video conference counter services for retail customers.

(e) Information on the Subsidiaries

(i) Jilin Jiuyin Financial Leasing

The Bank, as the main promoter, applied to the CBIRC for the promotion and establishment of Jilin Jiuyin Financial Leasing. The registered address of Jilin Jiuyin Financial Leasing is in Changchun of Jilin Province, and its registered capital amounts to RMB500.0 million, RMB300.0 million of which is contributed by the Bank, accounting for 60%. Jilin Jiuyin Financial Leasing obtained the business license on February 20, 2017 from the Administration for Industry and Commerce of Jilin Province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from non-bank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at December 31, 2018, total assets of Jilin Jiuyin Financial Leasing amounted to RMB2,019.13 million and its net profit amounted to RMB45.44 million.

(ii) Rural commercial banks

As of December 31, 2018, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired. On May 28, 2018, Changbai Mountain Rural Commercial Bank, Jilin Dehui Rural Commercial Bank, Jilin Gongzhuling Rural Commercial Bank and Jilin Chuncheng Rural Commercial Bank ceased to be consolidated to the financial statements of the Group due to the termination of the acting-in-concert agreements.

The operating income of the Four Rural Commercial Banks that terminated the acting-in-concert agreements for the five months ended May 31, 2018 was consolidated to that of the Group. In 2018 and 2017, the operating income of these rural commercial banks was RMB591.0 million and RMB1,386.3 million, respectively, accounting for 11.7% and 23.7%, respectively, of the Group's total operating income.

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, bank card services, money market transactions and invest in debt securities.

(iii) Village and township banks

As of December 31, 2018, the Bank controlled and consolidated a total of 33 village and township banks in Jilin, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of December 31, 2018, these village and township banks had total assets of RMB43,149.7 million, total deposits of RMB36,074.7 million and total loans of RMB23,533.5 million. In 2018 and 2017, the operating income of these village and township banks was RMB1,570.1 million and RMB1,524.9 million, accounting for 31.2% and 26.1% 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 their risk management. In addition, the Group and other banks in China have formed a strategic development alliance for village and township banks headquartered in Tianjin Municipality to promote information exchange and resource sharing among village and township banks in China. The Bank has also established five service centers in Jilin, Hebei, Hubei and Guangdong to support the Bank's village and township bank operations.

(f) Operation and Safety of IT Systems

In 2018, the Bank improved its IT system through four aspects: enhancing technological governance, supporting information security, consolidating infrastructure and accelerating system development in order to ensure the safe operation of the system and provide comprehensive and effective support for the innovation and development of various businesses.

1. Continuous enhancement of technological governance

The Bank steadily enhanced its technological governance through continuous deepening reforms and improvement of systems. In 2018, the Bank revised and improved 17 rules and implementation rules in relation to the IT system of the Bank, including management measures for project establishment and genuine software, so that the IT management and control system was refined. The Bank also initiated self-inspections on important infrastructure, network security and wireless network security actively to ensure timely protection.

2. Effective information security

The Bank carried out assessment of information security protection level, information security training, and inspections on information technology to strengthen the awareness and effectiveness of information security. First, the protection level for intermediate business platform was assessed. Second, based on analysis of recent hotspots and cases in the industry and with reference to relevant laws and regulations, the Bank organized trainings regarding threats to network security and practices under the new situation, basic requirements of information security protection level and security practices. Information security awareness was improved with necessary information security skills. Third, the Bank arranged inspections on outlets and safety checks from time to time.

The Bank performed well in various ratings. It also actively participated in research projects and won awards. In 2017, the comprehensive rating regarding IT regulatory rating of the Bank was 3A. In 2018, the Jilin Rural Credit Cooperative Association (吉林省聯社) conducted on-site inspections on IT systems of banks in Jilin Province, and the Bank ranked first. As a member of Artificial Intelligence Team of Financial Technology Research and Promotion Working Group of Banking Industry (銀行業金融科技研究與促進工作組人工智能專題組), the Bank continuously participated and conducted research projects. In 2018, the Research on Application of Artificial Intelligence in Small and Medium Financial Institutions in Banking Industry (人工智能技術在銀行業中小金融機構的應用研究) of the Bank won the Category IV Achievement Award of the year from the CBIRC.

3. Consolidation of infrastructure

In 2018, the server rooms of the information center of the Bank maintained satisfactory operation. The usability of basic environment of server rooms (MTTF) reached 100%. Through improvement of the operation system, the operation management was more professional and standardised. The Bank regularly convened meetings for thorough analysis on issues to facilitate process management covering the identification, analysis, processing and responses to issues. The Bank also constructed operation monitoring system, IT audit system, centralised backup system and application monitoring system to facilitate monitoring, issue early-warning automatically and perform audit during the whole process, in order to establish comprehensive prevention system of technology risk. The Bank also optimized the centralized back-up system, reformed network security, inspected all infrastructure of server rooms, conducted recovery test on data backup and upgraded the monitoring system in order to support the safe and smooth operation of business system and the efficient launch of the expanding business systems.

4. Accelerating system development

The Bank has established a three-layer system framework applicable to seven segments. Based on this framework, in 2018, the Bank further improved its project management and strengthened the assessment of major areas including demand, planning, design and commencement of projects for better execution and efficiency, resulting in the expeditious development of system. First, for credit card business, the Bank further improved the acceptance of its credit cards and introduced various credit card products. We had completed various credit card promotion projects, including payment by installments, WeChat smart services for credit cards, credit card APP, integrated reward system and other projects. Second, the Bank enriched and optimized its wealth management products by introducing the sales system of wealth management products, precious metal trading and investment banking management systems. The Bank enhanced its product offering and sales service to improve customer services. Third, the Bank expanded the payment agency products to increase the revenue of intermediary business. Fourth, the Bank set up an interactive and data-sharing platform for banking and taxation service to offer more financing channels to small and micro enterprises for higher liquidation at lower cost. Fifth, the Bank established a comprehensive risk assessment system to further improve the fund transfer pricing, pricing of loans, liquidity risk management and the comprehensive risk indicators monitor system, supporting the constant advancement of its comprehensive risk management system.

4.5 Risk Management

(a) Risk Management of the Bank

The Bank is exposed to credit, operating, market, liquidity and reputational risks. The Bank is also exposed to other risks, such as information technology, legal and compliance and anti-money laundering 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 Committee or groups and its risk management, front desk business and internal audit department.

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

The Bank uses the following mechanisms to manage credit risks:

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

- Credit exit mechanism — The Bank regularly reassesses its outstanding credit risk based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (i) financial condition; (ii) substantial shareholders; (iii) key managers and technicians; (iv) customers quality; (v) payment ability; and (vi) business environment.

- Risk alert mechanism — The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and promptly provides 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 2018, the Bank strengthened the management of its retail banking business to improve its asset structure and quality.

In 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.

(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 Board of the Bank assumes ultimate responsibility for management of market risk. The Bank's senior management implements market risk management strategies and policies approved by its Board. The Bank's business departments implement market risk management measures in their daily operations.

In 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.

(A) Interest rate risk management

Interest rate risk is the possibility of loss to commercial banks due to uncertainties relating to changes in market interest rates. The interest rate risk of the Bank mainly includes re-pricing risk, which is due to the timing difference of maturity dates (fixed interest rate) and re-pricing (floated interest rate) of assets, liabilities and off-balance sheet positions of the Bank. Due to the mismatches in re-pricing, the revenue of the Bank and the market value of major products will expose to unpredictable risk when the interest rate changes.

In view of the continuous adjustment on financial regulatory policies, tightening monetary policies, accelerated liberalization of interest rates and other complicated changes in the financial sector and market conditions, the Bank further improved its pricing mechanism of interest rates and adjusted the pricing management timely to enhance the internal and external pricing systems. The Bank strengthened the matching management of maturity profiles of assets and liabilities, adjusted the interest rates of various products, developed new products, and adopted assessment tools such as internal fund transfer pricing ("FTP") to facilitate the adjustment of pricing and maturity profiles.

In 2018, the Bank continuously strengthened its interest rate risk management system by conducting stress tests and strengthening the monitoring and measurement of interest rate risk to further consolidate its interest rate risk management. Firstly, the Bank optimized the maturity profile of assets and liabilities by strengthening the risk management of maturity gap and moderately adjusting contract durations and re-pricing deadlines in order to reduce the impacts on interest rates from the change of yield curve as well as the different re-pricing deadlines of financial instruments. Secondly, the Bank further improved the internal fund transfer pricing ("FTP") and loan pricing system, and optimized the pricing management measures of deposits and loans in order to improve its pricing capability. Based on the objective judgement on the interest rates and profitability of different institutions and products, the Bank modified its operation strategies and business development based on the price leverage for more effective allocation of resources and structures to prevent and control interest rate risks efficiently. Thirdly, the Bank made use of its methods and tools including the stress tests for interest rate risks, scenario analysis of interest rates, repricing gap analysis and analysis of change on economic value so as to strengthen risk identification, measurement, monitoring and control, and reduce the impact of interest rate risk to the business of the Bank while ensuring revenue. The efficiency and preventive functions of interest rate risk management system was improved.

The table below sets forth the results of the Group's gap analysis based on the earlier of (i) the expected next repricing dates and (ii) the final maturity dates of its assets and liabilities as of December 31, 2018.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018 Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	22,458.1	733.4	21,724.7	–	–	–
Deposits with banks and other financial institutions	9,884.4	–	6,465.3	3,419.1	–	–
Placements with banks and other financial institutions	1,698.6	–	863.1	835.5	–	–
Loans and advances to customers	75,354.5	–	17,884.5	36,293.3	19,512.9	1,663.8
Investment securities and other financial assets	46,453.7	1,162.0	11,396.0	16,488.9	9,286.9	8,119.9
Interest receivables	750.7	750.7	–	–	–	–
Others(1)	7,653.2	7,653.2	–	–	–	–
Total assets	164,253.2	10,299.3	58,333.6	57,036.8	28,799.8	9,783.7
Liabilities						
Borrowings from the central bank	2,376.5	–	1,641.0	735.5	–	–
Deposits from banks and other financial institutions	4,711.3	–	2,871.3	1,840.0	–	–
Placements from banks and other financial institutions	1,106.5	–	1,106.5	–	–	–
Provision for credit commitments and financial guarantees	0.2	0.2	–	–	–	–
Financial assets sold under repurchase agreements	8,406.7	–	8,406.7	–	–	–
Deposits from customers	109,521.2	–	63,518.4	25,326.5	20,415.3	261.0
Debt securities issued	20,552.2	–	4,296.8	13,860.2	698.8	1,696.4
Interest payables	1,749.7	1,749.7	–	–	–	–
Others(2)	721.4	721.4	–	–	–	–
Total liabilities	149,145.7	2,471.3	81,840.7	41,762.2	21,114.1	1,957.4
Asset-liability gap	15,107.5	7,828.0	(23,507.1)	15,274.6	7,685.7	7,826.3

(Expressed in millions of RMB, unless otherwise stated)	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
	As of December 31, 2017					
Assets						
Cash and deposits with the central bank	24,118.2	987.3	23,130.9	–	–	–
Deposits with banks and other financial institutions	13,219.6	–	9,578.2	3,641.4	–	–
Placements with banks and other financial institutions	1,200.0	–	440.0	760.0	–	–
Loans and advances to customers	76,492.2	–	17,318.4	32,358.7	25,978.5	836.6
Financial assets held under resale agreement	479.9	–	479.9	–	–	–
Investment securities and other financial assets	63,457.9	992.6	15,197.6	20,361.2	16,871.3	10,035.2
Interest receivables	821.5	821.5	–	–	–	–
Others(1)	7,219.2	7,219.2	–	–	–	–
Total assets	187,008.5	10,020.6	66,145.0	57,121.3	42,849.8	10,871.8
Liabilities						
Borrowings from the central bank	1,576.2	–	1,505.0	50.8	18.2	2.2
Deposits from banks and other financial institutions	4,690.5	–	2,956.8	1,733.7	–	–
Placements from banks and other financial institutions	1,652.5	2.5	600.0	1,050.0	–	–
Financial assets sold under repurchase agreements	9,679.7	–	9,436.5	243.2	–	–
Deposits from customers	129,881.6	–	71,008.6	37,290.0	20,749.5	833.5
Debt securities issued	20,039.6	–	6,457.6	11,187.6	2,394.4	–
Interest payables	1,964.8	1,964.8	–	–	–	–
Others(2)	873.0	873.0	–	–	–	–
Total liabilities	170,357.9	2,840.3	91,964.5	51,555.3	23,162.1	835.7
Asset-liability gap	16,650.6	7,180.3	(25,819.5)	5,566.0	19,687.7	10,036.1

Notes:

(1) Primarily includes property and equipment, goodwill and deferred tax assets.

(2) Primarily includes accrued staff costs and taxes payable.

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

	As of December 31,			
	2018		2017	
(Expressed in millions of RMB, unless otherwise stated)	Changes in net profit	Changes in equity	Changes in net profit	Changes in equity
Increase by 100 basis points	(159.5)	(602.4)	(218.9)	(813.4)
Decrease by 100 basis points	159.5	602.4	218.9	813.4

The sensitivity analysis above is based on a static interest rate risk profile of the assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by the re-pricing of the assets and liabilities within a year. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each fiscal year apply to non-derivative financial instruments;
- At the end of each fiscal year, an interest rate movement of 100 basis points is based on the assumption of interest rates movement over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

(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.

(iii) Operational risk management

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

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

In 2018, the Bank implemented various measures to continuously optimize the operational risk management 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 focused on the explanation of the establishment of operational 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. The evaluation of operational risks was regularly carried out. 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 strengthened the regulatory education for all employees, the execution of the system and the awareness and proactiveness of all employees in performing their duties in accordance with the rules. Illustrative examples have been introduced to enhance their consciousness of compliance. Thirdly, the Bank implemented a rotation system for key positions. Implementation of the inspection work of the rotation and departure of staff for key positions was carried out on a timely manner. The occurrence of major risk cases caused by the employees' non-compliance in operations was prevented effectively. Fourthly, the Bank intensified the depth and frequency of supervision and inspection. The Bank prevented and eliminated potential operational risks on a timely basis through performing specialized inspections on key positions, key procedures and key businesses, off-site inspections and a combination of self-inspection and audits inspection.

(iv) Liquidity risk

(A) Liquidity risk management

Liquidity risk refers to the risk of failure to secure sufficient funds to fulfil payment obligations at reasonable cost and in a timely manner. Liquidity risk is largely affected by external factors such as domestic and international financial conditions, macroeconomic policies, changes in financial markets and competitive 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 and procedure of liquidity risk management and limit of liquidity risk 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 reserve of assets with high quality 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.

In 2018, the Bank continued to strengthen its liquidity risk management by more proactively managing liquidity risk and adjusting the maturity profiles of assets and liabilities to ensure adequate and stable liquidity. Firstly, the Bank optimized the limits of indicators of liquidity risk and the revised limits of liquidity risk covered 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 closely monitored its liquidity indicators. It set alerts and caps for liquidity ratio, interbank market liabilities ratio and other indicators to keep abreast of the updated change in liquidity risk and identify risks timely for early capital planning. Thirdly, stress test was conducted regularly to measure the Bank's ability to meet liquidity requirement under extreme situation. Fourthly, the Bank focused on increasing its reserve of liquid assets with high quality. The Bank possessed reasonable level of assets with high liquidity in order to respond to liquidity demand arising from market changes promptly.

(B) Liquidity risk analysis

The Group funds its loan and investment portfolios principally through customer deposits. Deposits from customers have been, and the Bank believes will continue to be, a stable source of funding. Customer deposits with remaining maturities of less than one year represented 81.1% and 83.3% of the total deposits from customers as of December 31, 2018 and 2017, respectively.

The table below sets forth the remaining maturities of the Group's assets and liabilities as of December 31, 2018.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018							
	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	10,950.6	11,507.5	–	–	–	–	–	22,458.1
Deposits with banks and other financial institutions	–	3,181.6	1,818.9	1,464.8	3,419.1	–	–	9,884.4
Placements with banks and other financial institutions	–	–	446.9	416.2	835.5	–	–	1,698.6
Financial assets at fair value through profit or loss	1,017.4	–	2,488.0	4,070.5	8,329.9	481.8	–	16,387.6
Interest receivables	–	109.5	135.4	230.1	264.3	10.8	0.6	750.7
Loans and advances to customers	848.4	148.4	5,280.2	7,748.2	36,678.6	18,516.1	6,134.6	75,354.5
Financial assets at fair value through other comprehensive income	144.6	–	–	–	463.9	1,469.1	4,272.1	6,349.7
Financial assets at amortized cost	–	515.3	3,393.5	928.7	7,695.1	7,336.0	3,847.8	23,716.4
Others[1]	7,361.2	10.6	–	–	–	281.4	–	7,653.2
Total assets	20,322.2	15,472.9	13,562.9	14,858.5	57,686.4	28,095.2	14,255.1	164,253.2

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2018 Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Liabilities								
Borrowings from the central bank	–	–	1,600.0	41.0	735.5	–	–	2,376.5
Deposits from banks and other financial institutions	–	61.3	2,135.0	675.0	1,840.0	–	–	4,711.3
Placements from banks and other financial institutions	–	2.5	190.0	104.0	810.0	–	–	1,106.5
Provision for credit commitments and financial guarantees	–	0.0	0.0	0.0	0.2	0.0	0.0	0.2
Financial assets sold under repurchase agreements	–	–	8,406.7	–	–	–	–	8,406.7
Deposits from customers	–	49,516.1	6,073.7	7,928.6	25,326.5	20,415.3	261.0	109,521.2
Interest payables	–	754.1	207.8	191.9	316.4	279.5	–	1,749.7
Debt securities issued	–	–	1,617.6	2,679.2	13,860.2	698.8	1,696.4	20,552.2
Others[2]	–	336.6	314.8	2.3	–	64.2	3.5	721.4
Total liabilities	–	50,670.6	20,545.6	11,622.0	42,888.8	21,457.8	1,960.9	149,145.7
Net working capital	20,322.2	(35,197.7)	(6,982.7)	3,236.5	14,797.6	6,637.4	12,294.2	15,107.5

(Expressed in millions of RMB, unless otherwise stated)	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
	As of December 31, 2017							
Assets								
Cash and deposits with the central bank	17,011.6	7,106.6	–	–	–	–	–	24,118.2
Deposits with banks and other financial institutions	–	5,133.2	3,115.0	1,330.0	3,641.4	–	–	13,219.6
Placements with banks and other financial institutions	–	–	440.0	–	760.0	–	–	1,200.0
Financial assets held under resale agreements	–	–	479.9	–	–	–	–	479.9
Financial assets at fair value through profit or loss	–	–	4,116.6	5,341.8	7,774.6	202.0	–	17,435.0
Interest receivables	3.0	16.8	108.1	294.4	317.6	81.4	0.2	821.5
Loans and advances to customers	1,100.5	104.2	3,825.6	7,380.1	33,695.3	24,612.1	5,774.4	76,492.2
Available-for-sale financial assets	992.7	1.0	99.7	100.0	1,130.8	1,940.0	4,650.3	8,914.5
Held-to-maturity investments	–	–	380.2	60.2	1,528.9	3,094.5	5,384.9	10,448.7
Debt securities classified as receivables	–	237.7	1,920.2	2,940.2	9,926.8	11,634.8	–	26,659.7
Others(1)	7,065.0	9.1	–	–	–	145.1	–	7,219.2
Total assets	26,172.8	12,608.6	14,485.3	17,446.7	58,775.4	41,709.9	15,809.8	187,008.5
Liabilities								
Borrowings from the central bank	–	–	1,465.0	40.0	50.8	18.2	2.2	1,576.2
Deposits from banks and other financial institutions	–	58.9	1,170.0	1,727.9	1,733.7	–	–	4,690.5
Placements from banks and other financial institutions	–	2.5	350.0	250.0	1,050.0	–	–	1,652.5
Financial assets sold under repurchase agreements	–	–	9,326.5	110.0	243.2	–	–	9,679.7
Deposits from customers	–	50,806.0	8,547.7	11,568.9	37,290.0	20,749.4	919.6	129,881.6
Interest payables	–	1,273.3	139.1	149.6	228.4	164.0	10.4	1,964.8
Debt securities issued	–	–	–	6,457.6	11,187.6	2,394.4	–	20,039.6
Others(2)	–	476.3	385.8	10.9	–	–	–	873.0
Total liabilities	–	52,617.0	21,384.1	20,314.9	51,783.7	23,326.0	932.2	170,357.9
Net working capital	26,172.8	(40,008.4)	(6,898.8)	(2,868.2)	6,991.7	18,383.9	14,877.6	16,650.6

Notes:

(1) Primarily include property and equipment, goodwill and deferred tax assets.

(2) Primarily include accrued staff costs and taxes payable.

(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 Board of the Bank 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. In 2018, the Bank revised and issued Provisional Measures on Reputational Risk Management (《聲譽風險管理暫行辦法》). Through identifying, monitoring, evaluating and responding to reputational risk and managing evaluation, reputational risk management was included in the comprehensive risk management system, which further enhanced the Bank's 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, specify the obligation of risk management, promote the culture of compliance, improve the comprehensive risk management system so as to ensure the compliance of operation.

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system. In 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 specific corporate governance investigations, including "Assessment on Specific Rectification in 2017", "Investigation of Market Chaos in 2018", "Specific Investigation of Illegal Fund-raising Risk", "Preventing and Cracking Down Illegal Fund-raising, Illegal Lending, Financial Fraud and Other Financial Activities" and "Campaign for Learning Laws, Complying with Regulations and Promoting Compliance". 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 its safe and stable operation and promote business innovation through the application of advanced information technology.

The Bank has an IT Committee responsible for overseeing and guiding its IT activities. IT risks are included to the comprehensive risk management system of the Bank. The IT department is responsible for the implementation of specific risk management measures, plans and proposals. In 2018, the Bank upgraded its IT infrastructure, established a centralised backup system, enhanced the monitoring capability of the information technology system, improved the emergency management system as well as the relevant rules and mechanisms and enhanced the awareness on risks and safety in order to facilitate the real-time monitoring and control of IT risks. Firstly, the Bank regulated the operation and management processes and adopted stringent operation process management system in order to prevent, monitor and trace IT risks. Secondly, the Bank upgraded the operation monitoring system. The Bank monitored the risk of operation systems through an integrated monitoring platform and prevented information security risk through early warning mechanism. Thirdly, the Bank conducted a total of 10 emergency drills on various scenarios, including major IT systems, network and central server rooms, in order to evaluate the effectiveness of the emergency plans and sufficiency of emergency resources and to improve the risk awareness and capabilities to cope with contingency of the emergency team. Fourthly, in accordance with the evaluation results of information security management, the Bank earnestly identified and rectified the potential security risks in its systems, which effectively supported the safe and stable operation of the IT systems. Fifthly, the Bank further consolidated its IT team by providing trainings on information safety knowledge such as the operation and management of information center, network, virtualization and database. Thus, risk and information safety awareness of IT staff was enhanced and their skills and management level were improved.

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

In 2018, the Bank put high emphasis on risks and duly performed its duties and obligations for anti-money laundering. Pursuant to the relevant policies of the People's Bank of China, the Bank revised various internal control systems for anti-money laundering, such as customer identification, assessment on risks of money laundering and terrorist financing and classification management of customers. Risk management in respect of money laundering and terrorist financing has been included to the comprehensive risk management system of the Bank. The Bank also adjusted the composition and functions of the anti-money laundering team, and further defined the division of duties of other departments. Adhering to the principle of "knowing your customers (了解你的客戶)", the Bank performed its obligation regarding customer identification through due diligence investigation to understand the identity and transaction purpose of its customers, as well as the natural persons having ultimate control over such customers and the actual beneficiaries of such transactions. For customers with high risk levels, the Bank paid close attention to the source and usage of their funds, their economic or operating conditions and other information, and adopted more advanced monitoring and analysis on their financial and trading activities. Relevant information was reported to the regulatory authorities as required in order to cooperate with public security, judiciary and other competent authorities in the investigation relevant to money laundering. The Working Plan on Risk Management of Money Laundering and Terrorist Financing (《洗錢和恐怖融資風險管理工作方案》) has been formulated to specify the missions and major tasks for all business units and departments in the risk management regarding money laundering and terrorist financing for the next stage.

(ix) Internal audit

The Bank's internal audit is risk-oriented and includes independent and objective supervision, assessment and consultancy. It reviews, assesses and supervises the improvement of business operation, risk management, internal control and compliance and effectiveness of corporate governance of the Bank through systemized and standardized methods in order to promote the sound development of the Bank and the realization of the strategic targets of the Board.

The objective of the Bank's internal audit is to promote the implementation of government's economic and financial laws and regulations, guidelines and policies, rules of regulatory authorities and various rules and regulations of the Bank. It raises opinions and makes suggestions on risk management, internal control and compliance and the effectiveness of corporate governance of the Bank within the Bank's risk management framework so that risks can be controlled at an acceptable level. The internal audit is also aimed at continuous improvement and enhancement of the Bank's business operation, management and values.

The Bank has adopted a vertical internal audit organizational system, and the Board bears the ultimate responsibility for the independence and effectiveness of the internal audit of the Bank. The Audit Committee is a special committee under the Board and organizes and guides the internal audit pursuant to the authorization of the Board. The internal audit department is responsible for the formulation of internal audit system and the preparation and implementation of annual audit plans. Independent of business operations, risk management and internal control and compliance, the internal audit department conducts internal audit in a timely manner and evaluates the effectiveness of the functions described above.

The Bank's internal audit is risk-oriented and follows the principles of independence, objectivity and fairness. It audits and evaluates the management, operation and performance of the Bank, and also audits and evaluates the fulfilment of duties of key positions. The internal audit department performs its duties through on-site audits, off-site audits, scheduled audits, non-scheduled audits, pre-notice audits, ad-hoc audits, comprehensive audits and special audits, and conducts routine audits at least twice a year and special audits, follow-up audits and off-site audits on a case-by-case basis.

The Bank strengthens the audits and supervision of the business practices and daily operations of the Bank's staff through position exchanges or ad-hoc audits to prevent operational risk and ethical risk. Position exchange audits are conducted by the Bank every year through position exchanges for key personnel of two branches, including presidents, persons in charge of accounting, treasurers, accounting clerks, and integrated tellers. These audits also include a comprehensive examination of business operations and management work over the prior three years. In addition, the Bank also conducts at least two ad-hoc audits per year, covering 20% of the range of audit. The Bank has strengthened the implementation of rules and regulations through the two special audits of position exchange audits and ad-hoc audits. The audits have fulfilled the functions to identify, remedy and prevent errors, deviations, faults and omissions.

(b) Risk Management of the Subsidiaries

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

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

(i) Credit risk management

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

(ii) Market risk management

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

(iii) Operational risk management

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

(iv) Liquidity risk management

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

(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 and anti-terrorism financing management

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

(ix) Internal audit

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

4.6 Analysis on Capital Adequacy Ratio

All commercial banks in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 8.9%, 9.3%, 9.7%, 10.1% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 6.9%, 7.3%, 7.7%, 8.1% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 5.9%, 6.3%, 6.7%, 7.1% and 7.5%, respectively, as of December 31, 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.

(Expressed in millions of RMB, unless otherwise stated)	**December 31, 2018**	December 31, 2017
Core capital		
Paid-up capital	**3,984.8**	3,984.8
Qualifying portion of capital reserve	**5,331.2**	5,315.8
Surplus reserve	**724.7**	631.1
General risk reserve	**1,571.2**	1,538.2
Investment revaluation reserve	**(30.4)**	(299.8)
Retained earnings	**1,374.5**	1,381.6
Qualifying portions of non-controlling interests	**974.2**	2,118.6
Core tier-one capital deductions[1]	**(1,562.4)**	(1,266.7)
Net core tier-one capital	**12,367.8**	13,403.6
Other tier-one capital[2]	**128.7**	268.3
Net tier-one capital	**12,496.5**	13,671.9

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2018	December 31, 2017
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	1,980.0	2,050.0
Surplus reserve for loan impairment	818.4	973.3
Eligible portion of non-controlling interests	258.9	570.7
Net capital base	15,553.8	17,265.9
Total risk-weighted assets	131,516.3	141,481.1
Core tier-one capital adequacy ratio (%)	9.40%	9.47%
Tier-one capital adequacy ratio (%)	9.50%	9.66%
Capital adequacy ratio (%)	11.83%	12.20%

Notes:

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

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

Chapter 5 Report of the Board of Directors

The Board is pleased to present the Report of the Board of Directors together with the audited financial statements of the Group for the year ended December 31, 2018. All relevant sections of this report referred to in this Report of the Board of Directors form part of this Report of the Board of Directors. Unless otherwise specified, the financial data disclosed in this report are prepared in accordance with the IFRS.

I. Business Review

The Bank is a rural commercial bank in Northeast China. As at December 31, 2018, the Bank was the holding company of 20 majority-owned subsidiaries, 14 non-majority-owned subsidiaries and one majority-owned financial leasing company, each of which operates autonomously with its own brand name, IT, human resource, risk management and internal control systems.

The Group is engaged in a range of banking services and related financial services. The information on business review of the Group for the year ended December 31, 2018 is set out in "Management Discussion and Analysis" of this annual report.

II. Issuance of H Shares and Listing on the Hong Kong Stock Exchange

The H Shares of the Bank were listed on the Hong Kong Stock Exchange on January 12, 2017. The global offering of the Bank comprised 759,000,000 H Shares (including over-allotment Shares and H Shares converted from Domestic Shares). The offer price was HK$4.56 per H Share. The net proceeds from the global offering received by the Bank, after deduction of (i) the net proceeds from the sale of the sale shares under the global offering by the selling shareholders, and (ii) the underwriting commissions and other estimated expenses payable by the Bank in connection with the global offering, is approximately HK$2,979.55 million. The Bank has used all net proceeds from the global offering to strengthen the core capital base of the Bank to support the growth of business.

III. Relationship between the Group and its Employees

The Group has a people-oriented culture and places utmost emphasis on the enterprise cultural construction, employee management and training and endeavors to build stable and harmonious employment relations. The Group always treasures employees as one of its most important and valuable assets and cherishes employees' contribution and support. The Group endeavors to create a harmonious and comfortable working environment, provide sound welfare and compensation system and reasonable career promotion channel for its employees.

The Group attracts and retains talents through efficient recruitment, attractive remuneration packages, advanced training system and optimal employee assessment system and promotion mechanism. Its employees are young and energetic with high education level. The Bank has set up a training center to enhance the operation skills of its employees. Through its management training program, "Financial Special Forces" (金融特種兵), the Bank has selected and trained outstanding management personnel and provided employees with opportunities to enhance their professional knowledge and develop leading skills. In addition, the Bank has further strengthened its internal training capacity with training programs for its internal trainers. The Bank has also attracted external quality talents, such as experienced key and management personnel from large commercial banks. It encourages regular communication between its senior management and employees. It also organizes different types of activities to enhance the sense of belonging of the employees.

The Bank believes that its continuous growth depends on the strengths and contributions of its employees. It has developed an assessment and training system which integrates the development strategies of the Bank with the career development of its employees. The Bank has also established an appraisal system to determine the remuneration of employees based on their positions and performance. The Bank contributes to the social insurance of employees and provides other employee benefit plans, such as pension insurance, medical insurance, work related injury insurance, unemployment insurance, maternity insurance and housing funds, according to the laws and regulations and applicable requirements of China.

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

IV. Relationship between the Bank and its Customers

Retail Customers

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of December 31, 2018, the Group had 44,165 retail borrowers with gross loans and advances to customers of RMB20,668.6 million. In addition, the Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. As of December 31, 2018, the Group's retail deposits totalled RMB65,767.1 million.

Corporate Customers

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services departments and non-profit organizations. As of December 31, 2018, the Group had approximately 2,443 corporate borrowers with loans totalling RMB56,848.2 million.

In addition, the Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationship. As of December 31, 2018, the Group had 2,365 SME customers with loans totalling RMB50,345.0 million.

V. Profits and Dividend

The Group's revenue for the year ended December 31, 2018 and the Group's financial position as of the same date are set out in the consolidated financial statements of this annual report.

The declaration of a dividend is subject to the discretion of the Board, which will take into account the following factors when considering the payment of a dividend: (a) the financial results of the Group; (b) the cash flow situation and future cash requirements of the Group; (c) the general business conditions and strategies of the Group; (d) the statutory and regulatory restrictions; and (e) any other factors the Board may deem relevant. Given the fluctuating nature of earnings or loss of the Group, the Board does not recommend setting a target dividend payout ratio, or maintaining a consistent dividend payment over time. There can be no assurance that a dividend will be proposed or declared in any specific period. The Board will review the dividend policy from time to time.

The Board has recommended a payment of final dividend of RMB717,263,584.56 in total (tax inclusive) for the year ended December 31, 2018. Based on the number of shares on the record date for dividend distribution, the Bank will distribute a cash dividend of RMB0.18 (tax inclusive) for each share. If the profit distribution proposal for 2018 is approved by Shareholders at the 2018 annual general meeting of the Bank to be held on June 20, 2019, the distribution date of the final dividend for 2018 will be on or before Thursday, August 15, 2019. If there is any change in the expected distribution date, further announcements will be made.

The final dividend for 2018 shall be distributed to holders of Domestic Shares and H Shares whose names appeared on the share register of the Bank at the close of business on Tuesday, July 2, 2019. To determine the identity of the Shareholders entitled to receive the final dividend, the Bank's H share register will be closed from Wednesday, June 26, 2019 to Tuesday, July 2, 2019 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to the final dividend for 2018, the Shareholders are required to deposit all share certificates together with the transfer documents with the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Tuesday, June 25, 2019.

The proposed dividends payable are denominated in Renminbi, and will be paid to holders of Domestic Shares in Renminbi and holders of H Shares in Hong Kong dollars. Calculation of the exchange rate for dividends payable in Hong Kong dollars will be based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the PBOC on the five working days preceding the date of declaration of the dividend at the 2018 annual general meeting of the Bank (June 20, 2019, inclusive).

Please refer to "XXXI. Tax Relief" of this chapter.

(in millions of Renminbi, unless otherwise stated)	2018	2017	2016
Cash dividends (tax inclusive)	717.26	717.26	1,195.44
Cash dividends as percentage of profit for the year (%)	60.6	43.8	51.6

VI. Plan of Capital Reserve Capitalization

The Board proposed to issue new Shares by way of capitalization of capital reserve to the holders of Domestic Shares and H Shares whose names appear on the share register of the Bank at the close of business on Tuesday, July 2, 2019 on the basis of 5 new Shares for every 100 existing Shares held by the Shareholders (the "Capitalization Issue"). Based on the 3,984,797,692 Shares of the Bank in issue as at December 31, 2018, the total number of new Shares to be issued by way of capitalization of capital reserve is 199,239,885 Shares, including 161,289,885 Shares to be issued to holders of Domestic Shares and 37,950,000 Shares to be issued to holders of H Shares. Upon completion of the Capitalization Issue, the total number of Shares in issue of the Bank will be 4,184,037,577 Shares, including 3,387,087,577 Domestic Shares and 796,950,000 H Shares.

Fractional Domestic Shares arising from the Capitalization Issue will be aggregated and one new Share will be issued to each of the holders of Domestic Shares in descending order based on the decimal number of their fractional Domestic Shares, until the actual number of Domestic Shares issued equals to the total number of Domestic Shares issued under the Capitalization Issue. If the number of holders of Domestic Shares with the same decimal number of fractional Domestic Shares exceeds the remaining Shares, such remaining Shares shall be randomly allotted by computer, which shall be conclusively evidenced by the results announced by China Securities Depository and Clearing Co., Ltd. The H Shares under the Capitalization Issue shall be issued on a pro rata basis and any fractional Shares will be rounded down to the nearest whole number. Fractional H Shares will not be issued and allotted, but will be aggregated and sold for the benefit of the Bank. The Capitalization Issue shall be subject to the approval by way of special resolution at the 2018 annual general meeting, the first Domestic Share class meeting of 2019 and the first H Share class meeting of 2019, the approval of the Hong Kong Stock Exchange for the listing and trading of H Shares issued under the Capitalization Issue and the approval of the CBIRC. The Bank shall also comply with the relevant legal procedures and regulations according to the PRC Company Law.

The Board also proposed to change the registered capital and amend the Articles of Association of the Bank to reflect the change in registered capital as a result of the Capitalization Issue. The change in the registered capital and amendments to the Articles of Association of the Bank shall be subject to the approval of the 2018 annual general meeting by way of special resolution.

A circular containing, among other things, detailed arrangements regarding the Capitalization Issue (including, but not limited to, the timetable and the arrangements for fractional shares and overseas shareholders) together with the notice of the 2018 annual general meeting will be despatched to the holders of H Shares of the Bank in due course.

VII. 2018 Annual General Meeting and Book Closure Date

The 2018 annual general meeting of the Bank will be held on Thursday, June 20, 2019. In order to determine the holders of H Shares who are eligible to attend the 2018 annual general meeting of the Bank, the H share register of the Bank will be closed from Tuesday, May 21, 2019 to Thursday, June 20, 2019 (both days inclusive), during which period no transfer of H Shares will be registered.

In order to qualify for attending the 2018 annual general meeting of the Bank, share certificates accompanied by transfer documents must be lodged with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, May 20, 2019. Holders of H Shares of the Bank whose names appear on the register of members of the Bank on Wednesday, June 19, 2019 are entitled to attend the 2018 annual general meeting of the Bank.

A Shareholder or his/her proxy should present proof of identity when attending the 2018 annual general meeting of the Bank. If a Shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such Shareholder may attend the 2018 annual general meeting of the Bank by providing a copy of the resolution of the board of directors or other governing body of such Shareholder appointing such person to attend the meeting.

VIII. Changes in the Reserves

Details of the Group's changes in the reserves and the distributable profit reserve for the year ended December 31, 2018 are set out in "Consolidated Statement of Changes in Equity" of this annual report.

IX. Summary of Financial Information

The summary of the operating results and assets and liabilities of the Group for the year ended December 31, 2018 is set out in "Financial Highlights" of this annual report.

X. Donations

For the year ended December 31, 2018, the Group made charity and other donation of RMB9.3 million in aggregate.

XI. Property and Equipment

Details of the changes in property and equipment of the Group for the year ended December 31, 2018 are set out in note 30 to the consolidated financial statements of this annual report.

XII. Retirement Benefits

Details of the retirement benefits provided by the Group to employees are set out in notes 3 and 40 to the consolidated financial statements of this annual report.

XIII. Substantial Shareholders

Particulars of the substantial shareholders as of December 31, 2018 are set out in "Changes in Share Capital and Particulars of Shareholders — II. Particulars of Shareholders — (II) Interests and Short Positions of Substantial Shareholders and Other Persons" of this annual report.

XIV. 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.

XV. Pre-emptive Rights

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to the Shareholders.

XVI. Major Customers

As of December 31, 2018, the Group's five largest depositors and five largest borrowers accounted for less than 30% of the respective total deposits and gross loans and advances to customers.

XVII. Share Capital

Please refer to the section headed "Changes in Share Capital and Particulars of Shareholders" of this annual report for details of the share capital of the Bank.

XVIII. Directors, Supervisors and Senior Management

During the Reporting Period and up to the date of this annual report, the Board comprises:

Executive Directors:

Mr. Gao Bing

Mr. Liang Xiangmin

Mr. Yuan Chunyu

Non-executive Directors:

Ms. Guo Yan

Mr. Wu Shujun

Mr. Zhang Xinyou

Mr. Wang Baocheng

Mr. Zhang Yusheng

Independent Non-executive Directors:

Dr. Fu Qiong

Mr. Jiang Ning

Mr. Li Beiwei

Mr. Chung Wing Yin

Mr. Yang Jinguan

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

XIX. Confirmation of Independence by the Independent Non-Executive Directors

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

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

Save as disclosed below, as at December 31, 2018, none of the Directors, Supervisors or chief executive of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which shall be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to be held under such provisions of the SFO), or which would be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Hong Kong Listing Rules to be notified to the Company and the Hong Kong Stock Exchange or which would be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein.

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

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.

XXI. Arrangements to Purchase Shares or Debentures

At no time during the Reporting Period and up to the date of this annual report was the Bank or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors and Supervisors (including their spouses and children under the age of 18) of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

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

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

XXIII. Management Contract

Save for the service contracts entered into with the Directors, Supervisors and senior management members of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

XXIV. Interests of Directors and Supervisors in Competing Businesses

None of the Directors and Supervisors has any interest in a business that competes, or is likely to compete, either directly or indirectly, with the business of the Bank under Rule 8.10(2) of the Hong Kong Listing Rules.

XXV. Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. Details of the Group's corporate governance are set out in the section headed "Corporate Governance Report" of this annual report.

XXVI. Non-exempt Connected Transactions

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. ("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 former significant subsidiary of the Bank) and holds 61.3% equity interest in China Nature Asset Management Co., Ltd., 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 upon the execution of the TBA Asset Management Agreements.

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.

- 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 were RMB14.6 million, RMB8.5 million and RMB2.2 million, respectively. The Bank confirms that for the year ended December 31, 2018, the actual management fees paid by the Bank to TBA under the TBA Asset Management Agreements were RMB1.25 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 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 Shares 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.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures", and its interpretations by the International Accounting Standards Board. The details of the related party transactions conducted by the Bank in the ordinary and usual course of business are set out in note 51 to the consolidated financial statements of this annual report. Save as disclosed herein, none of the related party transactions as set out in note 51 to the consolidated financial statements in this annual report are connected transactions that are required to be disclosed under 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 "XXVII. Termination of Acting-in-concert Agreements in respect of Four Rural Commercial Banks" of this chapter.

The Bank has complied with the relevant requirements under Chapter 14A of the Hong Kong Listing Rules in respect of the above continuing connected transactions during the period from January 1, 2018 up till the date when TBA was no longer deemed as a connected person of the Bank. When conducting the above continuing connected transactions, the Bank has followed the pricing policies and guidelines formulated at the time when such transactions were entered into.

The Board has received a comfort letter from the auditors of the Bank with respect to the above continuing connected transactions, and the letter stated that during the period from January 1, 2018 up till the date when TBA was no longer deemed as a connected person of the Bank:

(1) nothing has come to the auditors' attention that causes them to believe that the above continuing connected transactions have not been approved by the Board of the Bank;

(2) for transactions involving the provision of goods or services by the Bank, nothing has come to the auditors' attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Bank;

(3) nothing has come to the auditors' attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreement governing such transactions; and

(4) nothing has come to the auditors' attention that causes them to believe that the amount of the continuing connected transactions has exceeded the total amount of the annual cap set by the Bank.

The Bank's independent non-executive Directors have reviewed the above continuing connected transactions, and confirmed that:

(1) the transactions were entered into in the ordinary and usual course of business of the Bank;

(2) the transactions were conducted on normal commercial terms;

(3) the transactions were entered into in accordance with the agreement governing those continuing connected transactions, and the terms are fair and reasonable and in the interests of Shareholders of the Bank as a whole; and

(4) the amount of the above transactions has not exceeded the relevant annual cap.

XXVII. 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 agreements previously entered into between the Bank and the relevant shareholders in relation to 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 Companies (including the Bank and the concert parties) will remain unchanged, but the Four Companies 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 Companies after the termination of acting in concert. The Bank's investments in the Four Companies 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 Companies, 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 Companies will remain unchanged.

The Board noticed that the foundation of the synergistic development among the Group and the Four Companies 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 Companies in making operating decisions in order to enable the Four Companies to respond to the market competition and the demand of the three rurals 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 Companies 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 Companies 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 Companies to comply with the regulatory policies and to better support the real 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 Companies through profit sharing and other ways with its shareholdings in the Four Companies.

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

	Changbai Mountain Rural Commercial Bank	Jilin Dehui Rural Commercial Bank	Jilin Gongzhuling Rural Commercial Bank	Jilin Chuncheng Rural Commercial Bank	Total
Gains/(losses) on deemed disposal of subsidiaries					
Fair value of retained interest recognized 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)
Losses on deemed disposal	**–**	**(2.1)**	**(4.1)**	**–**	**(6.2)**

XXVIII. Transfer of Trademark

As disclosed in the prospectus of the Bank dated December 30, 2016, the Bank has been licensed the use of its corporate logo by Jilin Province Rural Credit Union (the owner of the intellectual property right of the logo). In September 2015, the Bank entered into a license agreement with Jilin Province Rural Credit Union to formalize the licensing arrangement. Under the supplemental license agreement dated September 9, 2016, Jilin Province Rural Credit Union agreed to renew the trademark registration of the logo within twelve months of each expiration date and to authorize the Bank to continue using the logo on an exclusive and royalty-free basis for each renewal term. In October 2016, Jilin Province Rural Credit Union entered into an agreement with the Bank, pursuant to which Jilin Province Rural Credit Union agreed to transfer all its rights to the logo to the Bank free of charge (including completing all required regulatory registrations). In December 2018, Jilin Province Rural Credit Union completed the transfer of trademark of the logo to the Bank in accordance with the above agreement. The license agreement and the supplemental license agreement automatically lapsed following the completion of the transfer of trademark of the logo.

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

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

The remuneration system for the Directors, Supervisors and senior management members of the Bank adheres to the principle of unifying their responsibilities, authorities and interests, combing incentives and restraints and focusing on both short-term and long-term incentives. The Bank insists on conducting remuneration system reform complementary with the relevant reform and promoting the marketization, monetization and standardization of the income allocation of the Group's senior management.

The Bank offers its executive Directors, employee representative Supervisors and senior management members, who are also the Bank's employees, compensation in the form of salaries, bonuses, social insurances, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors receive compensation based on their responsibilities. Please refer to note 12 to the consolidated financial statements in this annual report for the details of the remuneration of the Directors and Supervisors.

The Bank strictly adheres to relevant regulatory provisions when making remuneration payments. The Bank assesses senior management personnel and offers remuneration to them based on the results of the assessment.

XXX. Public Float

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

(1) 16.9% of the Bank's total issued share capital;

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

(3) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has been exercised).

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

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

XXXI. Tax Relief

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

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the H share register in the distribution of final dividend for 2018. As any Shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups, will be treated as being held by non-resident enterprise shareholders, the dividends received shall be subject to the withholding of enterprise income tax.

Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent, and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

(2) Withholding and Payment of Individual Income Tax for Individual Overseas Resident Shareholders

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告2015年第60 號)) (the "Tax Convention Announcement"), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual shareholders whose names appear on the H share register ("Individual H Shareholder(s)") in the distribution of final dividend for 2018. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified Shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;

- for Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;

- for Individual H shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or under other circumstances, the Bank will withhold and pay the individual income tax at the rate of 20% in the distribution of final dividend.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Bank.

Shareholders of the Bank are taxed and/or entitle to enjoy tax relief in accordance with the aforementioned regulations.

XXXII. Auditors

ShineWing Certified Public Accountants LLP was engaged by the Bank as the auditor for the PRC GAAP financial statements of the Bank for 2018. SHINEWING (HK) CPA Limited was engaged by the Bank as the auditor for the IFRS financial statements of the Bank for 2018. The Bank did not change its auditors in the past three years.

Please also refer to the section headed "Corporate Governance Report – IX. External Auditors and Remuneration of Auditors" of this annual report for the information on the auditors' remuneration.

XXXIII. Permitted Indemnity Provision

The Bank has arranged appropriate insurance covering possible legal liabilities of the Directors and the senior management arising from corporate activities to third parties.

XXXIV. Major Risks and Uncertainties

Major risks and uncertainties faced by the Group include credit risk, operational risk, market risk and liquidity risk. By promoting comprehensive risk management, continuously refining the systems, enriching working and operating means and improving technologies, the Group has effectively enhanced its risk management capability. Please refer to the section headed "Management Discussion and Analysis — 4.5 Risk Management" of this annual report.

XXXV. Future Development of Business

Please refer to the section headed "Management Discussion and Analysis — 4.1 Environment and Outlook" and "Management Discussion and Analysis — 4.2 Development Strategies" of this annual report for further details.

XXXVI. Key Financial Performance Indicators and Analysis

As of December 31, 2018, according to the financial data prepared under the IFRS, the total assets of the Group amounted to RMB164,253.2 million, representing a year-on-year decrease of 12.2%; gross loans and advances to customers amounted to RMB77,527.7 million, representing a year-on-year decrease of 1.6%; the non-performing loan ratio was 1.75%; total deposits from customers amounted to RMB109,521.2 million, representing a year-on-year decrease of 15.7%; the total operating income of the Group amounted to RMB5,037.6 million, representing a year-on-year decrease of 13.7%; and the net profit of the Group amounted to RMB1,183.6 million, representing a year-on-year decrease of 27.8%. As of December 31, 2018, the Group's capital adequacy ratio, tier one capital adequacy ratio and core tier one capital adequacy ratio was 11.83%, 9.50% and 9.40%, respectively.

XXXVII. Environmental, Social and Governance Report

The Group places great emphasis on its own environmental and social performance by integrating the operation and management with social responsibilities, actively promoting inclusive finance and supporting green credit business in order to facilitate the regional social and economic development through various aspects.

In line with national policies to save energy costs, the Bank has implemented a series of measures, including: (i) regulating office room temperature; (ii) strengthening management of usage of the Bank's business vehicles and encouraging the use of public transport for long-distance business trips; (iii) encouraging turning off lights and electronic appliances after work; (iv) regulating the time during which exterior lighting of the headquarters and branch buildings is turned on and (v) the issuance of recommendations in relation to energy-savings to staff of the Bank.

In 2018, the Bank has complied with the "comply or explain" provisions set forth in the Environmental, Social and Governance Reporting Guide. For details, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

The Bank continuously refined its internal control and management system to make the internal control system more comprehensive, practicable and efficient. The rules and systems of the Bank were further improved to ensure that all departments could duly discharge their respective duties and responsibilities. The Bank has complied with all the code provisions of the Corporate Governance Code and Corporate Governance Report set forth in Appendix 14 to the Hong Kong Listing Rules (the "Code of Corporate Governance") and has complied with most of the recommended best practices set out in the above rules. For details of the governance of the Bank, please refer to "Corporate Governance Report" of this annual report.

XXXVIII. Compliance with Laws and Regulations

The Board pays close attention to the policies and regulations in relation to compliance with laws and regulatory requirements. For the year ended December 31, 2018, to the best knowledge of the Board, the Group has complied in all material respects with all applicable laws and regulations which could materially affect the Group.

Legal and compliance risk management of the Bank

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aim to establish a sound and comprehensive compliance risk management structure.

The Bank prioritizes legal and compliance risk management in the development of the Bank's corporate culture as well as the Bank's comprehensive risk management system in order to establish a top-down legal and compliance risk management system.

The Bank's internal control and compliance department is in charge of compliance management and monitoring of the Bank, including timely update on laws and regulations issued by governmental departments and financial regulatory authorities, adjustment of the policies and documents of compliance management and internal control of the Bank when appropriate, integration and supervision of compliance operations of branches, regular report on the implementation and development of compliance management to senior management. It also handles communications with the PBOC and the CBIRC and its agencies, including daily contact, data delivery and implementation of specific regulatory inspection.

Furthermore, the Bank has established the legal and preservation department which is responsible for legal risk management arising from business operations of the Bank, including drafting and reviewing legal documents such as contracts, management of trademark registration, legal risk analysis of mergers and acquisitions and new products and suggestion of solutions. The legal and preservation department is also responsible for management and guidance on litigation relating to non-contentious legal issues, litigation cases and the provision of legal consulting services to all business departments and branches through internal legal training and other methods. To better manage and control legal risk, the Bank has appointed external legal counsel to provide professional legal support for its daily operations and management as well as professional legal services for its major business conflicts and litigations.

The Bank has established branch level internal control and compliance departments or positions as needed which are in charge of the management of compliance and legal risks of branches under the leadership of internal control and compliance department and the legal and preservation department of the head office of the Bank. The Bank also conducts regular training programs and provides guidance on specific legal compliance operations to further improve legal and compliance risk management at branches.

The Bank has established an anti-money laundering steering group under the Bank's internal control and compliance department, which is mainly responsible for convening meetings of anti-money laundering steering group, taking actions against rules violations or negligent conduct during anti-money laundering operations and reducing or controlling related risks by strengthening and improving the Bank's steering group process and rules. The Bank has established systems and implemented rules to identify, assess, monitor, control and report on anti-money laundering risks. The Bank has also set up an anti-money laundering information monitoring and reporting system to report large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis. It also reports all suspected money laundering activities to the local branch of the PBOC and cooperate in anti-money laundering investigations. The Bank provides anti-money laundering training and related promotional activities and inspections and requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

Legal and compliance risk management of subsidiaries

The respective policies of each subsidiary provide for the management of legal and compliance risk through (1) regular compliance training, and (2) a whistle-blower system to encourage employees to report non-compliance events.

Each subsidiary has established comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each subsidiary reports suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center individually as a separate legal entity in accordance with the relevant regulatory requirements.

XXXIX. License Requirements

As of the date of this annual report, the Bank and each subsidiary have obtained necessary business qualifications required for their business operations.

XL. Legal Proceedings

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

During the Reporting Period and up to the Latest Practicable Date, none of the Bank's Directors, Supervisors, or senior management was involved in any litigation or arbitration, nor had any of them been subject to any administrative penalty.

XLI. Issuance of Bonds

(1) Issuance of Bonds in the Reporting Period

For the year ended December 31, 2018, the Bank issued 57 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB20,480.0 million. The interbank certificates have terms ranging from three months to one year and bear interest at effective rates between 3.50% and 5.32%.

(2) Proposed Issuance of Bonds

As resolved by the Board and upon consideration and approval by the Shareholders at the annual general meeting of 2016 of the Bank on May 15, 2017, the Bank proposes to issue tier-two capital bonds. After obtaining the approval from the regulatory authorities, the Bank will issue tier-two capital bonds of up to RMB1.3 billion and with a term not less than five years. The actual interest rate of the issuance will be determined through public tendering process. Proceeds from the issuance of bonds will be used to replenish the capital of the Bank. As at the date of this annual report, the Bank has not issued any tier-two capital bonds. The Bank will make timely disclosure on the latest development on the issuance of tier-two capital bonds in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

As resolved by the Board, the Bank proposes to issue capital supplementary bonds of up to RMB4 billion. The initial term shall be no less than 5 years, and the capital bonds with no fixed term shall have no fixed expiry date before the Bank exercises its redemption right. The actual interest rate of the issuance will be determined based on market rates. Proceeds from the issuance of bonds will be used to replenish other tier-one capital or tier-two capital of the Bank. The resolution on the proposed issuance of capital supplementary bonds shall be subject to the approval of the Shareholders of the Bank at the general meeting by way of a special resolution. As at the date of this annual report, the Bank has not issued any capital supplementary bonds. The Bank will make timely disclosure on the latest development on the issuance of capital supplementary bonds in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

XLII. Equity-linked Agreement

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

XLIII. Proposed Non-Public Issuance of Offshore Preference Shares

At the Board meeting held on August 28, 2017, the Board approved the proposed issuance of offshore preference shares (the "Non-public Issuance of Offshore Preference Shares"). The Bank planned 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 issuance of the offshore preference shares would be conducted by way of a private placement in accordance with the relevant rules on issuance and the offshore preference shares should be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities.

The resolution regarding the Non-public Issuance of Offshore Preference Shares was approved 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 held on November 8, 2017. As the validity period of the resolution of authorization for the Non-public Issuance of Offshore Preference Shares would be expired upon 12 months following the passing of such resolution at the Shareholders' general meetings held on November 8, 2017 (i.e. by November 8, 2018), the Board approved to extend the validity period of the authorization for the Non-public Issuance of Offshore Preference Shares for 12 months at the Board meeting held on October 22, 2018. The resolutions regarding the extension of the validity period of the authorization for the Non-public Issuance of Offshore Preference Shares were passed at the third extraordinary general meeting of 2018, the second Domestic Share class meeting of 2018 and the second H Share class meeting of 2018 held on December 7, 2018. For details regarding the Non-public Issuance of Offshore Preference Shares, please refer to the announcements dated August 28, 2017 and October 22, 2018 and the circulars dated September 20, 2017 and November 16, 2018 of the Bank, respectively.

As of the date of this annual report, the Bank has not issued any offshore preference shares. The Bank will make timely disclosure on the latest development of the Non-public Issuance of Offshore Preference Shares in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

XLIV. Proposed Private Placement of Domestic Shares and Non-Public Issuance of H Shares

Based on the actual need of capital by the Bank, the Bank intended to replenish its core tier-1 capital by way of the issuance of new shares to support future business development of the Bank, ensure the continuous compliance of the Bank's capital level with the regulatory requirements and better support the real economy. The resolutions in relation to the private placement of Domestic Shares (the "Private Placement of Domestic Shares") and the non-public issuance of H Shares (the "Non-public Issuance of H Shares") of the Bank had been approved by the Board at the Board meeting held on July 12, 2018. The Private Placement of Domestic Shares and the Non-public Issuance of H Shares were conditional upon each other so as to maintain the public float.

(1) Private Placement of Domestic Shares

The Bank intended to issue 200,000,000 to 400,000,000 Domestic Shares to no more than 10 qualified domestic institutional investors. The actual number of Domestic Shares to be issued shall be subject to the approval of the regulatory authorities.

(2) Non-public Issuance of H Shares

The Bank intended to issue no more than 151,800,000 H Shares to no more than 10 investors who were qualified to subscribe for the H Shares of the Bank. The number of H Shares to be issued shall be subject to the approval of the regulatory authorities, market conditions and the actual requirement of the Bank.

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were approved at the second extraordinary general meeting of 2018, the first Domestic Share class meeting of 2018 and the first H Share class meeting of 2018 held on September 5, 2018. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcement dated July 12, 2018 and the circular dated August 15, 2018 of the Bank, respectively.

As of the date of this annual report, the Bank has not issued any new Domestic Shares or H Shares. The Bank will make timely disclosure on the latest development of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

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

From January 1, 2018 to December 31, 2018, the Bank had not conducted any significant acquisition or disposal of assets/businesses of its subsidiaries or associates/corporate mergers.

XLVI. Appointment of Risk Management Advisor

Reference is made to the Bank's prospectus in relation to the global offering dated December 30, 2016, which disclosed that, among others, the Bank would appoint an independent, experienced and reputable accounting firm as its risk management advisor after the listing to enhance its supervision over the implementation of the risk management systems and procedures of the Bank and the subsidiaries. The risk management advisor will assess and directly report on a quarterly basis to the Bank's board of directors regarding the development, enhancement, sufficiency and adequacy of the risk management system of the Bank and the subsidiaries, individually and together as a whole. The independent non-executive directors of the Bank will then report the development, enhancement, sufficiency and adequacy of the risk management system of the Bank and the subsidiaries, individually and together as a whole based on the risk management advisor's findings in the annual report after the listing.

In March 2017, the Bank appointed an international well-known accounting firm as its risk management advisor to provide consulting service on the comprehensive risk management systems, and conduct analysis and assessment and provide suggestions for improvement regarding the development, enhancement, sufficiency and adequacy of the risk management system and internal control and management system of the Bank and the subsidiaries, individually and together as a whole, pursuant to the requirements of the CBIRC, provisions under the Code of Corporate Governance, and other applicable regulatory guidelines and compliance rules, and with reference to the practices and experience of other banks and financial institutions.

During the Reporting Period, the accounting firm issued four Assessment Reports on the Comprehensive Risk and Internal Control and Management Systems (《全面風險及內部控制管理體系評估報告》) to the Bank. The accounting firm presented each of these reports to the Board separately and the five independent non-executive Directors of the Bank duly reviewed the reports. The independent non-executive Directors of the Bank believed that following the improvements on risk governance structure, risk management system and risk reporting system by the accounting firm, the comprehensive risk and internal control and management of the Bank and the subsidiaries were enhanced significantly. The governance structure consisting of the three lines of defence for risk management was formed, and the overall risk management structure was effective, equipping with all necessary risk management functions for the business operation. The primary policy and system of risk management substantially covered the overall governance structure as well as all individual risk management aspects, establishing a regulated risk management for the whole bank. The Bank has further improved the regulation and efficiency of the comprehensive management system of risk reports. Reporting mechanisms for all types of risk have been enhanced, which can reflect the levels of various risks more accurately, timely and comprehensively and support the efficient decision-making of the management.

XLVII. Review of Annual Results

ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited have audited the consolidated financial statements of the Group prepared in accordance with the PRC GAAP and IFRS, respectively, and issued standard unqualified auditors' reports. The Board of Directors and the Audit Committee have reviewed and adopted the results and financial report of the Bank for the year ended December 31, 2018.

XLVIII. Publication of 2018 Annual Report

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

XLIX. Miscellaneous

(1) As of the Latest Practicable Date, the Bank was not aware that any Shareholders had waived or agreed to waive any dividend arrangement.

(2) As of the Latest Practicable Date, none of the Directors waived or agreed to waive the related remuneration arrangements.

(3) During the Reporting Period and up to the Latest Practicable Date, there were no collateral and pledges of significant assets of the Bank.

(4) The Bank did not implement any equity incentive plan during the Reporting Period and up to the Latest Practicable Date.

(5) The Bank did not implement any employee stock ownership scheme during the Reporting Period and up to the Latest Practicable Date.

On behalf of the Board

Gao Bing

Chairman

Chapter 6 Report of the Board of Supervisors

During the Reporting Period, having a keen sense of responsibility towards all Shareholders and employees of the Company, the Board of Supervisors complied with the Company Law, the Securities Law, the guidelines issued by the regulatory authorities, the Articles of Association and rules of the Board of Supervisors to track closely the operation of the Bank, supervise the major tasks of the Bank, performed its duty diligently and conscientiously, and operated in strict compliance with the relevant laws and regulations. In addition to the supervision on general strategies, meetings, performance of duties, external audit and communication and basic supervision, the Board of Supervisors further optimized and established its comprehensive supervisory mechanism. Through various initiatives to perform its role and function, the Board of Supervisors has effectively performed its function of supervising the performances of the Board of Directors and senior management, as well as overseeing the financial management, risk management and internal control of the Bank. The Board of Supervisors has enhanced the sound and stable development, risk control and corporate governance of the Bank. In accordance with the Articles of Association, the work report for 2018 to be publicly disclosed to the Shareholders and the community is set out below.

I. Summary of the Works of the Board of Supervisors

(I) The Composition of the Board of Supervisors The fourth session of the Board of Supervisors of the Bank held its office in 2018 and is composed of seven Supervisors, including three employee Supervisors and four non-employee external Supervisors. The Board of Supervisors performed their duties in accordance with the Articles of Association. The Board of Supervisors had two committees, including the Supervisory Committee and the Nomination Committee. Both committees are comprised of three Supervisors and are chaired by external Supervisors.

(II) Meetings of the Board of Supervisors During the Reporting Period, the Board of Supervisors had convened a total of six meetings and had considered and approved a total of 43 resolutions. The resolutions included the supervision of personnel performance, financial activities, strategic assessment, operation and capital management, related-party transactions, risk management and audit. The special committees had convened a total of six meetings, including four meetings of the Supervisory Committee and two meetings of the Nomination Committee. Both committees had considered and approved a total of 20 resolutions. The meetings of the Board of Supervisors and special committees were strictly in compliance with the relevant laws and regulations and the Articles of Association. All Supervisors had attended the meetings and strictly complied with the regulatory requirements to perform their duties with faithfulness, conscientiousness and diligence.

(III) Supervision and Inspection of Board of Supervisors The Board of Supervisors duly supervised the duty performance of the Board of Directors, the senior management and its members. The Board of Supervisors focused on the implementation of strategies and supervised the performance of the Board of Directors and the senior management by attending relevant meetings, reviewing the resolutions of the Board of Directors and reviewing the management and operation reports periodically. In accordance with the performance assessment rules and relevant requirements, the Board of Supervisors carefully assessed and effectively supervised the performance of the Board of Directors and the senior management and its members, resulting in more efficient supervision over their performance.

The Board of Supervisors duly supervised the financial positions of the Bank. During the Reporting Period, the Board of Supervisors considered and reviewed the annual financial budget, profit distribution proposals and remuneration packages. The Board of Supervisors also prepared and implemented its plans for the supervision and inspection of the Bank's financial activities. The Board of Supervisors had audited the truthfulness of the operating results for the year and the annual financial statements prepared by the Board of Directors in accordance with laws and raised its audit opinions.

The Board of Supervisors duly supervised the internal control and risk control. During the Reporting Period, the Board of Supervisors assessed the internal control of the Bank through the audit department by focusing on the internal control environment and its measures and effectiveness to further improve the internal control. The Board of Supervisors regularly monitored the risk management and reviewed regular risk management reports. The Board of Supervisors conducted in-depth researches on risk issues and issued risk warnings to the management, deepening the supervision of risk management.

The Board of Supervisors duly supervised the lawful operation of the Bank. During the Reporting Period, the Board of Supervisors diligently supervised the decision making and operation of the Bank in respect of the control systems, asset quality, operation process, validity, legality and risks of new business development. To support the decision making of operation and carry out supervision throughout the process, the Board of Supervisors proactively conducted three special inspections to ensure the smooth operation of the Bank.

(IV) Attendance of the Meetings During the Reporting Period, members of the Board of Supervisors participated and attended various meetings and functions to obtain the latest information relating to operation management so as to enhance its supervision function. The members of the Board of Supervisors attended the Shareholders' general meeting in accordance with laws to carefully consider the resolutions and to examine the legality and compliancy of the meetings. Supervisors acted as scrutineers to supervise the voting process of the Shareholders' general meeting and to ensure the openness, fairness and impartiality of the voting. The Board of Supervisors had attended four Shareholders' general meetings, six meetings of the Board of Directors and two employee representative meetings during the Reporting Period. The Supervisors also effectively performed their duties by actively participating in and attending various meetings to express their opinions.

(V) Researches Conducted by the Board of Supervisors During the Reporting Period, the Board of Supervisors placed importance on research as an essential measure of supervision. Researches were conducted by various means and channels, usually in the form of on-site research, conferences and reviewing various presentations of developing, operation and risk control and summary of research findings. Based on research findings, research reports were prepared for review by the Board of Directors and senior management. The Board of Supervisors had conducted three researches in the year. Each member of the Board of Supervisors had participated in not less than two researches and in the preparation of 19 research reports and proposals.

(VI) Learning and Development of the Board of Supervisors Professional training and business studies were arranged for the members of the Board of Supervisors on a regular basis. The Board of Supervisors also promoted sharing of experience of corporate governance and supervision of duty performance with its peers in the banking industry. Through learning and applying advanced approaches to supervise the duty performance, the Board of Supervisors continuously enhance both theoretical knowledge and practical skills of the members of the Board of Supervisors. The Board of Supervisors also further enhanced capabilities of supervisors to identify and prevent operational risks in the course of operation management so as to ensure the work quality of the Board of Supervisors.

(VII) Performance of External Supervisors During the Reporting Period, external Supervisors actively acquired details of operation management of the Bank, issued their opinions and made recommendations on important matters by attending the meetings of the Board of Supervisors, holding meetings of the special committees of the Board of Supervisors, attending the meetings of the Board of Directors or other operation and management meetings and other meetings as observers and conducting collective and independent studies. During the adjournment of the meetings of the Board of Directors and the Board of Supervisors, external Supervisors were able to access various documents and reports of the Bank and promptly made judgement on the findings and came up with solutions. The Board of Supervisors also exchanged views with the Board of Directors and the management. The performance of the external Supervisors was significantly important to the performance of the Board of Supervisors.

II. Independent Opinions of the Board of Supervisors

(I) Performance of the Board of Directors and the senior management During the Reporting Period, the Board of Directors and the senior management diligently discharged their responsibilities in accordance with the Guidelines on the Corporate Governance of Commercial Banks and the Articles of Association. They worked together diligently and prudently in respect of the development and major decision making of the Bank and led the Bank to achieve significant breakthroughs. The senior management continued to improve the planning and implementation of strategies, duly formulated and executed operational measures to ensure the successful completion of the tasks of the year.

(II) Compliant operation During the Reporting Period, the operation of the Bank complied with the Guidelines on the Corporate Governance of Commercial Banks and the Articles of Association. Operational decisions and the decision-making procedures were legal and effective. Directors and members of senior management duly performed their duties with caution during the course of operation and management. No material violation of laws, regulations and the Articles of Association or damage to the interests of the Bank and Shareholders by any Directors or senior management when performing their duties in the Bank was identified.

(III) Truthfulness of financial report ShineWing Certified Public Accountants LLP has audited, in accordance with Hong Kong Standards on Auditing, the financial report for the year of 2018 prepared by the Bank under the IFRS and issued a standard unqualified audit report thereon. The Board of Supervisors is of the view that the annual financial report of the Bank gave a true and fair view of the financial position and operational results and there were no material omission or false representation in the financial report.

(IV) Connected transactions During the Reporting Period, the Related-party Transactions Control Committee of the Board and the relevant departments managed connected transactions in accordance with the relevant regulations. The identification, review and disclosure of connected transactions were in compliance with the laws and regulations of the PRC and the Articles of Association. No incident of damage to the interests of the Bank was identified.

(V) Internal control During the Reporting Period, the Bank established an internal control system and structure comprised of the Board of Directors, Board of Supervisors, senior management, internal control department, internal audit department and business divisions with clear division of responsibilities and reporting lines. There were no material defects concerning the completeness and reasonableness of the internal control system of the Bank.

(VI) Acquisition and disposal of assets During the Reporting Period, the Bank had not conducted any significant acquisition or disposal of assets/businesses of its subsidiaries or associates/corporate mergers.

(VII) Implementation of resolutions of the Shareholder's general meetings During the Reporting Period, members of the Board of Supervisors attended Shareholders' general meetings and meetings of the Board of Directors and reviewed the resolutions proposed by the Board of Directors. The Board of Supervisors agreed to the reports and resolutions submitted by the Board for approval in the Shareholders' general meetings during the Reporting Period. The Board of Supervisors has supervised the implementation of resolutions adopted at the Shareholders' general meetings and is of the opinion that these resolutions were duly implemented by the Board of Directors with its responsibility fulfilled and value added. No damage to the interests of the Shareholders was identified.

Chapter 7 Changes in Share Capital and Particulars of Shareholders

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

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

As of December 31, 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%
Total	**3,984,797,692**	**100.0%**

There were no changes to the share capital of the Bank during the period from January 1, 2019 to the Latest Practicable Date.

II. Particulars of Shareholders

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

As of December 31, 2018, the top ten holders of the Domestic Shares of the Bank are set out as follows:

Number	Name of Shareholder	Total number of Shares held at December 31, 2018	Approximate percentage in the total issued share capital of the Bank at December 31, 2018 (%)	Pledged or frozen
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)	178,555,359	4.48	—
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	50,000,000
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	—
Total		**1,638,733,544**	**41.12**	**210,000,000**

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

To the best knowledge of the Bank, as at December 31, 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[22]	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Domestic Shares					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	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	178,555,359(L)	4.48	5.54
Jilin Province He'an Automobile Leasing Co., Ltd. (吉林省和安汽車租賃有限公司)[1]	Interest in controlled corporation	Domestic Shares	178,555,359(L)	4.48	5.54
Song Yilin (宋一霖)[2]	Interest in controlled corporation	Domestic Shares	178,555,359(L)	4.48	5.54

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held[22]	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
H Shares					
China Create Capital Limited (中科創資本有限公司)	Beneficial owner	H Shares	170,997,000(L)	4.29	22.53
Zhang Wei (張偉)[3]	Interest in controlled corporation	H Shares	170,997,000(L)	4.29	22.53
Suhang Investment Holdings Limited	Beneficial owner	H Shares	100,000,000(L)	2.51	13.18
China Huarong International Holdings Limited (中國華融國際控股有限公司)[4]	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)[5]	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)[6]	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
Cui Xintong (崔薪瞳)[7]	Interest in controlled corporation	H Shares	99,150,000(L)	2.49	13.06
Li Qiangyi (李強義)[8]	Interest of spouse	H Shares	99,150,000(L)	2.49	13.06
Deep Wealth Holding Limited[9]	Interest in controlled corporation	H Shares	99,150,000(L)	2.49	13.06
TMF (Cayman) Ltd.[10]	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
Huijin Capital Limited	Beneficial owner	H Shares	47,250,000(L)	1.19	6.22
Mia Chen[11]	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[12]	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)[13]	Interest in controlled corporation	H Shares	43,420,000(L)	1.09	5.72

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held[22]	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
Ka Yik Investments Limited (家譯投資有限公司)[14]	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
Zhang Dan (張丹)[15]	Interest in controlled corporation	H Shares	38,028,000(L)	0.95	5.01
Haitong International Financial Solutions Limited[16]	Security interest in shares	H Shares	83,617,000(L)	2.10	11.02
Haitong International Finance Company Limited[17]	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02
Haitong International (BVI) Limited[18]	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02
Haitong International Securities Group Limited[19]	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02
Haitong International Holdings Limited[20]	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02
Haitong Securities Co., Ltd.[21]	Interest in controlled corporation	H Shares	83,617,000(L)	2.10	11.02

Notes:

(1) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. According to the SFO, Jilin Province He'an Automobile Leasing Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.

(2) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. and Mr. Song Yilin directly holds 90% of the total issued share capital of Jilin Province He'an Automobile Leasing Co., Ltd. According to the SFO, Mr. Song Yilin is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.

(3) Mr. Zhang Wei holds 100% of the total issued share capital of 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.

(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 of 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% 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 obtained 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.

(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 December 31, 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 refer to "II. Particulars of Shareholders — (II) Interests and Short Positions of Substantial Shareholders and Other Persons" of this chapter for information on Shareholders holding 5% or more of the share capital of the Bank.

(IV) Particulars of Controlling Shareholders and Actual Controller

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

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

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

I. Information on Directors, Supervisors and Senior Management Members

During the Reporting Period and as of the date of this annual report, 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 branches outside the Jiutai region, 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) (Note)	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

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) (Note)	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

Note:

Ms. Guo Yan has tendered her resignation as a non-executive Director of the Bank and a member of the Remuneration Committee under the Board. In addition, Mr. Li Beiwei has tendered his resignation as an independent non-executive Director of the Bank and the chairman of the Remuneration Committee, a member of each the Risk Management Committee, the Nomination Committee and the Three Rurals Financial Services Committee under the Board. As the resignation of Ms. Guo Yan and Mr. Li Beiwei will result in the number of members of the Board falling below the quorum, Ms. Guo Yan and Mr. Li Beiwei will, in accordance with the relevant laws and regulations and the Articles of Association, continue to perform their duties as Directors and related duties as members of special committees under the Board until new Directors have officially taken office following their election by the annual general meeting of 2018 of the Bank and the approval of their qualifications by regulatory authorities. The Board has nominated Mr. Cui Qiang as a candidate for non-executive Director of the Bank and Ms. Zhang Qiuhua as a candidate for independent non-executive Director of the Bank. Please refer to the announcement of the Bank dated March 28, 2019 for further details.

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
Mr. Wang Zhi (王志)	48	Non-employee Supervisor	January 2016	February 2021	Same as above
Mr. Zhang Ruibin (張瑞賓)	36	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 branches outside the Jiutai region, 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 within the Jiutai region 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 information technology, assets and liabilities, financial accounting, international business and electronic banking
Mr. Gao Zhonghua (高中華)	54	Vice President	February 2015	February 2021	Responsible for staff education and training and risk management
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

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

The Fourth Session of the Board

The 2018 first extraordinary general meeting 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)

The Fourth Session of the Board of Supervisors

The 2018 first extraordinary general meeting of the Bank was held on February 5, 2018. 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 8 Directors, Supervisors, Senior Management, Employees and Organizations

III. Changes in Directors, Supervisors and Senior Management Members during the Reporting Period

(I) Changes in Directors

There were no changes in Directors of the Bank during the Reporting Period.

(II) Changes in Supervisors

During the Reporting Period, there were no changes in the Bank's Supervisors.

(III) Changes in Senior Management Members

During the Reporting Period, there were no changes in members of the Bank's senior management.

IV. Biographies of Directors, Supervisors and Senior Management Members

(I) Biographies of Directors

Executive Directors

Mr. Gao Bing (高兵) has been the Bank's chairman, executive Director and secretary of the party committee of the Bank since December 2008. Prior to joining the Bank and from June 1990 to September 2001, Mr. Gao held a number of positions at Luxiang Credit Cooperative in Shuangyang District, Changchun, including loan clerk, deputy head and head of the Cooperative and he was the deputy head of Shuangyang District Rural Credit Union in Changchun from September 2001 to November 2004. Mr. Gao joined the Bank's predecessor in December 2004, and was the head of Jiutai Rural Credit Cooperative Union from December 2004 to December 2008. Mr. Gao has been a part-time professor of Jilin University of Finance and Economics since June 2010, a distinguished professor of Changchun Finance College since June 2011, an off-campus postgraduate tutor of the School of Finance of Jilin University of Finance and Economics since April 2016, and a distinguished professor of Tonghua Normal University and a visiting professor of College of Optical and Electronical Information of Changchun University of Science and Technology since June 2017. In addition, Mr. Gao served as the honorary president of Jiutai Association of Commerce and Industry since October 2011, vice president of Tumenjiang International Cooperation Society of Jilin Province since May 2013, standing vice president of the Jilin Entrepreneurs Federation since July 2016 and standing vice president of Jilin Hong Kong Enterprises Association since June 2017. Mr. Gao graduated from a correspondence course at Changchun Finance College in December 1999, majoring in rural credit cooperative operations and management, and completed his postgraduate studies in accounting at Changchun Taxation College (currently known as Jilin University of Finance and Economics) in August 2002 and in economics and management from Party School of CPC Jilin Provincial Committee in July 2007. Mr. Gao is also a senior economist accredited by Bureau of Personnel of Jilin Province in October 2005. Mr. Gao was a "National Labor Model" (全國勞動模範), a "Top Labor Model in Jilin" (吉林省特等勞動模範) and named the "Best Leader of National Rural Cooperative Institutions in Serving Three Rurals and Supporting SMEs" (全國農合機構服務三農和支持中小企業最佳領軍人物獎) by the China Banking Association. In October 2018, Mr. Gao was recognized as the "Jilin Poverty Alleviation Pioneer" (「吉林好人脱貧攻堅先鋒」) by the Jilin Provincial Party Committee Propaganda Department (吉林省委宣傳部), Provincial General Office of Guiding Cultural and Ethical Progress (省文明辦), Provincial General Office of Poverty Alleviation (省扶貧辦), and Provincial Administration of Civil Service (省公務員局).

Mr. Liang Xiangmin (梁向民) has been a vice president since August 2010, the chief operating officer since December 2014, and the Bank's executive Director since April 2016. Mr. Liang joined the Bank's predecessor in August 1985 and he was a credit clerk, a bookkeeper and an accountant for agricultural loans at Chunyang Credit Cooperative from August 1985 to July 1988 and from July 1990 to June 1993 respectively, a human resources inspector and a deputy head of the operations department at Jiutai Rural Credit Cooperative Union from June 1993 to August 1994 and from August 1994 to February 1996 respectively. He was deputy head and head of Longjiabao Credit Cooperative from February 1996 to April 2006, head of the business department of Jiutai Rural Credit Cooperative Union from April 2006 to October 2007, deputy head of the branch of Jiutai Rural Credit Cooperative Union in Changchun Development Zone from October 2007 to December 2008 and an assistant to the Bank's president from December 2008 to August 2010. Mr. Liang completed his rural finance studies at Jilin Vocational Secondary School of Agricultural Bank of China in July 1990, and graduated from a correspondence course at the Changchun Finance College in January 2007, majoring in finance.

Mr. Yuan Chunyu (袁春雨) has been the Bank's executive Director since December 2012. Prior to joining the Bank, Mr. Yuan was a staff member and division head of Jiutai Employment Service Bureau from July 1995 to August 2002 and head of Social Affairs Division (reserve cadre in training) in the Policy Research Office of Municipal Government of Jiutai Municipal Committee from August 2002 to February 2004. He was placed as deputy head of the Office of Jiutai Municipal Government from February 2004 to June 2007 for field practice and served as an assistant to head of the Office of Jiutai Municipal Government from June 2007 to October 2007 and deputy head of the Office of Jiutai Municipal Government from October 2007 to November 2010. Mr. Yuan joined the Bank in November 2010 and served as Director of office, and he has been head of the office and general manager of the innovative business department since December 2011 and secretary to the Board since December 2012. Mr. Yuan graduated from Hebei Geological Institute (currently known as Hebei GEO University) in July 1995, majoring in foreign economics and management.

Non-executive Directors

Ms. Guo Yan (郭燕) has been the Bank's non-executive Director since April 2015. Ms. Guo taught at the department of management engineering at Changchun Institute of Posts and Telecommunications from July 1985 to September 1987. She held various managerial positions at Jilin Province Trust Co., Ltd. since March 1993, including deputy general manager and person-in-charge of the personnel department of the party committee from January 1998 to August 2001, manager of the human resources department from August 2001 to January 2006, manager of the trust business department from January 2006 to January 2008, manager of the investment department from January 2008 to July 2012 and the chief investment director and general manager of investment department from July 2012 to October 2018. Ms. Guo was the Bank's non-executive Director from December 2008 to January 2012 and the Bank's Supervisor from January 2012 to December 2014. Ms. Guo graduated from Jilin Institute of Technology (currently known as Changchun University of Technology) in July 1985, majoring in industrial management and engineering and completed her postgraduate studies in economics and management at Joint Party Schools of CPC Committee in Three Northeastern Provinces in July 1989. Ms. Guo is also a senior economist accredited by Office of Personnel of Jilin Province in January 1998.

Mr. Wu Shujun (吳樹君) has been the Bank's non-executive Director since December 2012. Mr. Wu was project manager of Shuangyang District Construction Corporation from September 1997 to July 2001 and project manager of Changchun Wanxing Construction Co., Ltd. from August 2001 to February 2003. He has been legal representative and general manager of the Bank's shareholder, Changchun Dingxing Construction Co., Ltd. from March 2004 to December 2014 and one of its shareholders since January 2015. Mr. Wu graduated from a correspondence course in Changchun Institute of Technology in July 2001, majoring in civil engineering.

Mr. Zhang Xinyou (張新友) has been the Bank's non-executive Director since December 2012. Mr. Zhang was project manager of Changchun Jiyuan Construction Group Co., Ltd. from May 1995 to March 2005. He founded the Bank's shareholder, Changchun Longde Real Estate Development Co., Ltd. and has been its chairman since April 2005. Mr. Zhang graduated from University of Amateur Construction Workers of Changchun in July 1989, majoring in industrial and civil construction.

Mr. Wang Baocheng (王寶成) has been the Bank's non-executive Director since April 2016. Mr. Wang was officer and deputy division head of Changchun Machinery Metals Minerals and Chemicals Import & Export Co., Ltd. from September 1982 to May 1984 and was deputy director of the business department of Changchun Foreign Economic and Trade Commission from May 1984 to July 1984. He was appointed as deputy manager of Changchun Machinery Metals Minerals and Chemicals Import & Export Co., Ltd. from July 1984 to June 1985 and has been chairman of the

Bank's shareholder, Changchun Changqing Pharmaceutical Group Co., Ltd., since March 2000. Mr. Wang obtained a bachelor's degree in commercial economics from Jilin Institute of Finance and Trade (currently known as Jilin University of Finance and Economics) in July 1982 and he is a senior economist accredited by Office of Personnel of Changchun City in June 1992.

Mr. Zhang Yusheng (張玉生) has been the Bank's non-executive Director since April 2015. Mr. Zhang was secretary of Youth League Committee of Luxiang Town, Shuangyang District from August 1970 to October 1977, deputy secretary of the party committee of Sheling Village, Shuangyang District from November 1977 to March 1980, deputy secretary of the party committee of Luxiang Town, Shuangyang District from April 1980 to November 1983 and secretary of the party committee of Luxiang Town, Shuangyang District from December 1983 to June 1987. He was director of the Township Enterprise Bureau of Shuangyang District from June 1987 to September 1990, head of the mining and construction department of Changchun Township Enterprise Bureau from September 1990 to March 1993 and general manager of Changchun No. 4 Construction Company from March 1993 to May 2001. Mr. Zhang has been chairman of the Bank's shareholder, Changchun Huaxing Construction Co., Ltd., since May 2001 and representative of Changchun People's Congress since December 2007. Mr. Zhang graduated from Liaoning Correspondence Party School in December 1993, majoring in economics; and from a correspondence course in Jilin University of Technology in July 1999, majoring in industrial and civil construction management. Mr. Zhang is also a senior economist accredited by Office of Personnel of Jilin Province in August 2003.

Independent Non-executive Directors

Dr. Fu Qiong (傅穹) has been the Bank's independent non-executive Director since April 2015. Dr. Fu has been a professor at School of Law of Jilin University since December 2004 and has been teaching law since 1995. Dr. Fu majors in the legal research and analysis of corporate finance, corporate governance, mergers and acquisitions, securities market and property. Dr. Fu was an independent director of China Quanjude (Group) Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002186) from September 2012 to January 2019, and an independent director of Jilin Zixin Pharmaceutical Industrial Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002118) from May 2013 to April 2018. Dr. Fu obtained a bachelor's degree in law from Southwest University of Political Science and Law in July 1992, a master's degree in civil and commercial law from Jilin University in July 1994, and a doctorate degree in civil and commercial law from China University of Political Science and Law in June 2003. In September 2013, he was awarded the title of the "Top Ten Young and Middle-aged Jurists" in the first such competition in Jilin Province.

Mr. Jiang Ning (蔣寧) has been the Bank's independent non-executive Director since January, 2017. Mr. Jiang obtained a bachelor's degree in engineering from Huazhong University of Science and Technology, Hankou Branch (華中理工大學漢口分校, currently known as Jianghan University (江漢大學)) majoring in machine manufacturing engineering in July 1993. He also obtained a master's degree in business administration from University of Birmingham in December 2004. Mr. Jiang worked in the business department of Jianghan sub-branch of Hubei branch of Agricultural Bank of China Limited ("ABC") from July 1993 to February 1997. He worked in the credit department of Jianghan sub-branch of Hubei branch of ABC from March 1997 to September 1997. He worked for China Everbright Bank Company Limited ("CEB") from October 1997 to February 2003, and served as the assistant to the general manager of the international business department of Wuhan branch of CEB from February 2002 to February 2003. Mr. Jiang served as the general manager of southwest audit center under the audit department of the headquarters of Shenzhen Development Bank Co., Ltd. (currently known as Ping An Bank Co., Ltd. ("Ping An Bank")) from September 2005 to March 2007. Mr. Jiang had also served various positions in the headquarters of Ping An Bank, including the assistant to the general manager of the small- and medium-sized enterprise business department from April 2007 to December 2011, the deputy general manager of the trade and finance department from December 2011 to October 2012, the general manager of the international business department from October 2012 to May 2013, the vice president of the trade and finance business department from May 2013 to August 2013 and the general manager of western regional business management department from August 2013 to November 2014. Mr. Jiang served as the deputy general manager of the strategy and new business department and the general manager of the new business development unit under the strategy and new business department, the deputy general manager (person-in-charge) of the small and micro enterprise business department and the deputy general manager of the platform finance department of Shenzhen Qianhai Webank Co., Ltd. from December 2014 to October 2015. He was the deputy general manager of Guizhou Yongan Finance Holdings Company Ltd. (貴州永安金融控股股份有限公司) from October 2015 to November 2016 and held positions at various subsidiaries of this company, including the legal representative and a director of Guizhou Yongan Internet Financial Investments Services Limited (貴州永安互聯網金融投資服務有限公司), the legal representative and a director of Shenzhen Yongan Chengxiang Investment Management Co., Ltd. (深圳市永安呈祥投資管理有限責任公司), the legal representative and director of Guiyang Qingqing Internet Technology Co., Ltd. (貴陽青青互聯網科技有限公司) and a director of Hongkong Liren Holding Limited (香港利仁控股有限公司). He has been the deputy general manager of Shenzhen Hande Finance Holdings Company Ltd. (深圳瀚德金融控股有限公司), the general manager of Shenzhen Blockchain Financial Services Limited (深圳區塊鏈金融服務有限公司) since December 2016, and the chairman and general manager of Hangzhou Standard & Poor's Data Technology Co., Ltd. (杭州標普數據科技有限公司) since July 2018.

Mr. Li Beiwei (李北偉) has been the Bank's independent non-executive Director since April 2016. Mr. Li has been the deputy director of the Research Center for Chinese Technology Policy and Technology Management of Jilin University since December 2010 and professor and doctoral tutor at the School of Management of Jilin University since October 2004. He was an assistant researcher at Jilin Academy of Social Sciences from July 1984 to July 1988, deputy director for the research office of Jilin Provincial Government from July 1988 to October 1993 and served as deputy chief economist and secretary-general of Jilin Northeast Asia Railway Harbour Group from October 1993 to July 1996. Mr. Li was deputy general manager of Jilin Province Foreign Economic Development Company from July 1996 to October 1998, assistant researcher of the economic and technological collaboration office of Jilin Provincial People's Government from October 1998 to July 2000, assistant to general manager of Jilin Electronics Group Company from July 2000 to March 2001 and general manager of Jilin Chinese Soft Technology Co., Ltd. from March 2001 to October 2004. Mr. Li was a director of Zhuhai Hope Genes Pharmaceutical Research Institute Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations, stock code: 838619) from November 2015 to October 2018, and has been an independent director of Changchun UP Optotech (Holding) Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002338) since July 2016. Mr. Li had authored a proposal and a research report in relation to promoting regional economic development which were selected as the outstanding policy consultation achievements in 2009 and 2013, respectively, by Jilin Provincial People's Government. Mr. Li obtained a bachelor of science degree in July 1984, a master's degree in technical economics and management from Jilin University of Technology (currently known as Jilin University) in July 1996 and a doctorate degree in technical economics and management from Jilin University in April 2002.

Mr. Chung Wing Yin (鍾永賢) has been the Bank's independent non-executive Director since July 2016. He is a partner of Chungs Lawyers and has over ten years' experience in legal professional industry. Before founding Chungs Lawyers, Mr. Chung worked at several Hong Kong law firms and was mainly involved in cross border commercial projects. He has been an independent non-executive director of Canvest Environmental Protection Group Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 1381) since December 7, 2014 and an independent non-executive director of CBK Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 8428) since January 20, 2017. Mr. Chung was admitted as a solicitor of the High Court of Hong Kong in August 2002 and a solicitor of the Supreme Court of England and Wales in October 2003. Mr. Chung obtained a bachelor of laws degree and a master of laws in Chinese Law degree from The University of Hong Kong in December 1999 and December 2004, respectively. Mr. Chung was appointed as the chairman of the Appeal Tribunal Panel under the Buildings Ordinance by the Government of the Hong Kong Special Administrative Region in December 2018 and a China-Appointed Attesting Officer (HK) by the Ministry of Justice of the People's Republic of China in January 2019.

Mr. Yang Jinguan (楊金觀) has been the Bank's independent non-executive Director since April 2016. Mr. Yang has been a professor of the School of Accountancy of the Central University of Finance and Economics since November 2002. He has been teaching at Central University of Finance and Economics since September 1983, holding various positions including assistant tutor, lecturer and associate professor. Mr. Yang was deputy dean of Department of Accounting from June 2000 to May 2003, secretary of the general party branch and vice president of the School of Accountancy from June 2003 to May 2006 and head of the Office of Academic Affairs of Central University of Finance and Economics from June 2006 to November 2015. He was an independent supervisor of Beijing Beida Jade Bird Universal Sci-tech Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 08095) from May 2009 to May 2018, an independent non-executive director of Huadian Power International Corporation Limited (a company listed on the Shanghai Stock Exchange and Hong Kong Stock Exchange, stock code: 600027 (Shanghai Stock Exchange), 1071 (Hong Kong Stock Exchange)) from June 2009 to May 2015, an independent director of North Navigation Control Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600435) from September 2010 to September 2016, an independent director of Sinotex Investment & Development Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600061, currently known as SDIC Essence Co., Ltd.) from April 2013 to May 2015, an independent director of Beijing Airport High-Tech Park Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600463) from April 2014 to July 2015, and an independent director of Zhejiang Solar Photovoltaic Technology Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations, stock code: 833677) from April 2015 to April 2018. He has been an independent director of Hanwang Technology Co., Ltd. (漢王科技股份有限公司) (a company listed on the Small and Medium Enterprise Board of the Shenzhen Stock Exchange, stock code: 002362) since April 2018. Mr. Yang obtained a master's degree in accounting and economics from Central Institute of Finance and Banking (currently known as Central University of Finance and Economics) in July 1988.

(II) Biographies of Supervisors

Mr. Luo Hui (羅輝) has been the chairman of the Bank's Board of Supervisors and an employee Supervisor since December 2008. Mr. Luo was head of Tongtai Credit Cooperative of Dehui Union from July 1999 to April 2003, division head of the Financial Division of Dehui Union from April 2003 to January 2006 and deputy head of Yushu Union from January 2006 to November 2008. Mr. Luo graduated from a correspondence course at Changchun Finance College in July 2001, majoring in finance and completed his postgraduate studies in economics and management at Party School of CPC Jilin Provincial Committee in July 2007. In addition, Mr. Luo obtained an intermediate economist qualification from Office of Personnel of Jilin Province in November 2003 and is a mid-level accountant jointly accredited by Jilin Accounting Professional Examination Office and Jilin Province Human Resources and Social Security Bureau in October 2012.

Mr. Wang Enjiu (王恩久) has been the Bank's employee Supervisor since December 2008. Mr. Wang joined the Bank's predecessor in December 1988 and worked as a bookkeeper and accountant at Jiutai Chunyang Credit Cooperative and Jiutai Erdaogou Credit Cooperative from December 1988 to August 1993 and he was an audit officer of the Jiutai Rural Credit Cooperative Union from August 1993 to January 1996. He was appointed as deputy head of Jiutai Xinglong Credit Cooperative in January 1996 and head of Jiutai Erdaogou Credit Cooperative from February 2000 to March 2006. Mr. Wang was manager of the Human Resources Department of Jiutai Rural Credit Cooperative Union from March 2006 to December 2008, general manager of the Human Resources Department of the Bank from April 2009 to February 2011, vice president of Da'an Huimin Village and Township Bank from February 2011 to November 2011, chairman of the board of supervisors of Anci District Huimin Village and Township Bank from November 2011 to December 2013, and has been the chairman of Anping Huimin Village and Township Bank since December 2013. Mr. Wang graduated from a part-time course at Central Radio and Television University (currently known as Open University of China) in April 2004, majoring in finance and financial direction and from a correspondence course at Jilin University of Finance and Economics in July 2011, majoring in finance. He is also a mid-level economist accredited by Jilin Professional Examination Office in November 2003.

Mr. Liu Xiangjun (劉向軍) has been the Bank's employee Supervisor since December 2015. Mr. Liu was a teacher at Dehui No. 20 Middle School from August 2000 to November 2002. He served in Songhuajiang Credit Cooperative in Dehui Union from November 2002 to April 2003, the Party Committee Office of Dehui Union from May 2003 to December 2003, and the Office of Nong'an Union from February 2004 to February 2011. He was a staff member seconded to the Department of Party Work of Jilin Province Rural Credit Cooperative Union from March 2011 to April 2013. He joined the Bank in May 2013 and was a staff member of the Education and Training Department of the Bank until December 2013. Mr. Liu has been an administrator of the website of the Bank since January 2014 and a staff member of the Office of the Board of Supervisors of the Bank since January 2015. Mr. Liu graduated from Changchun University in July 2000, majoring in education in Chinese literature, and completed the self-study examination in Han language literature at Northeast Normal University in December 2000.

Mr. Fan Shuguang (范曙光) has been the Bank's non-employee Supervisor since June 2016. Mr. Fan served various teaching positions at Changchun Industrial Technical College from July 1987 to June 2000. He was deputy head of the business administrative department and vice president of the School of Management of Changchun Institute of Technology from June 2000 to July 2005 and from July 2005 to June 2013, respectively. He has been a professor of Changchun

Institute of Technology since January 2004, president of the School of Management of Changchun University of Finance and Economics since July 2013. Mr. Fan graduated from Northeast Institute of Technology (currently known as Northeastern University) with a bachelor's degree in management engineering in July 1987, and obtained a master's degree in business administration from Jilin University in June 2002.

Mr. Gao Pengcheng (高鵬程) has been the Bank's non-employee Supervisor since January 2016. Mr. Gao was an auditor at Jiutai Auditing Firm from September 1989 to March 1992 and an officer at the Jiutai Audit Bureau from April 1992 to December 1995. He was deputy head and head of Jiutai Auditing Firm from January 1996 to October 1999 and head of Changchun Hengda CPA Co., Ltd. from November 1999 to December 2013 and has been head of Jilin Xincheng CPA Co., Ltd. (General Partnership) since December 2013. Mr. Gao graduated from Jilin University in July 1996, majoring in accounting. He obtained his qualification as a PRC certified public accountant from Jilin Provincial Institute of Certified Public Accountants in April 1996.

Mr. Wang Zhi (王志) has been the Bank's non-employee Supervisor since January 2016. Mr. Wang held various positions at Dehui Postal Bureau from July 1990 to April 2008, including accountant of the Savings and Remittances Division from July 1990 to March 1997, deputy division head of the Savings and Remittances Division from March 1997 to September 1998, deputy head of the Operations Department from September 1998 to November 2000, head of the Office from November 2000 to January 2002 and head of the Savings Department from January 2002 to April 2008. He was vice president of Dehui Sub-branch of Postal Savings Bank of China from April 2008 to December 2012 and president of Jiutai Sub-branch of the Postal Savings Bank of China from September 2013 to August 2015. He has been the president of Jiutai Longjia Village and Township Bank since January 2016. Mr. Wang graduated from Yanbian Posts & Telecommunications Technician Training School in July 1990 in the postal profession, from a part-time course at Changchun Radio and TV University in July 1994, majoring in financial accounting and from a correspondence course at Party School of CPC Jilin Provincial Committee in February 1998, majoring in economics and management. Mr. Wang is also a mid-level economist accredited by Jilin Professional Examination Office in November 2001.

Mr. Zhang Ruibin (張瑞賓) has been the Bank's non-employee Supervisor since January 2016. Mr. Zhang served as a member of the finance department of Jilin Province Jiapeng Group Co., Ltd. from July 2004 to December 2013 and has been a deputy manager of the general office of Jilin Province Changming Municipal Engineering Co., Ltd. since January 2014. Mr. Zhang graduated from Liaoning Provincial College of Communications in July 2004, majoring in computerized accounting.

(III) Biographies of Senior Management Members

Mr. Zhang Haishan (張海山) has been the Bank's president since December 2008. Prior to joining the Bank, Mr. Zhang was a bookkeeper and an accountant at Leshan Credit Cooperative of Changchun Suburb Credit Cooperative Union from December 1982 to August 1984. He held various positions in Changchun Suburb Credit Cooperative Union from September 1984 to November 1992, including accounting counselor, auditor, division head of the financial division, division head of the planning and accounting division and head of the business division, and was director of the office from July 1992 to November 1992. Mr. Zhang was deputy director of Changchun Huancheng Credit Cooperative Union from November 1992 to May 2002 and deputy director of the joint business department of Changchun Rural Credit Cooperative from May 2002 to December 2008. Mr. Zhang graduated from Changchun Finance College and Open College of Central Party School of CPC in December 1999 and December 2001 respectively, majoring in economics, and completed his undergraduate studies in management at Changchun University of Science and Technology in January 2006. Mr. Zhang is also a senior economist accredited by Office of Personnel of Jilin Province in January 2007.

Mr. Zhu Weidong (朱衛東) has been the Bank's vice president since February 2011. Between March 1988 and April 1997, Mr. Zhu held various positions at Gongnong Lake Office of Qian'an County Sub-branch of ABC, including credit officer, bookkeeper, accountant and head of the office. He was head of the Rangzi Business Office of Qian'an County Sub-branch of ABC from April 1997 to October 1998 and was an assistant to president, member of the party committee and vice president of Qianguo County Sub-branch of ABC from October 1998 to January 2001. He was the vice president of Ningjiang District Sub-branch of ABC in Songyuan from January 2001 to May 2002, secretary of the party committee and head of the business department of Songyuan Branch of ABC from May 2002 to February 2003 and manager of the personal business department of Songyuan Branch of ABC from February 2003 to March 2003. Mr. Zhu was president of Qianguo County Sub-branch of ABC from March 2003 to March 2006, vice president of Songyuan Branch of ABC from March 2006 to June 2007, general manager of Songyuan Urban Credit Union from June 2007 to October 2008, vice president of Songyuan Branch of Jilin Bank from November 2008 to February 2009 and president and secretary of the party committee of Songyuan Branch of Jilin Bank from March 2009 to November 2010. Mr. Zhu graduated from China Agricultural Broadcasting School with a secondary diploma in April 1987, majoring in agriculture and from Changchun Taxation College (currently known as Jilin University of Finance and Economics) in December 1994, majoring in accounting. He completed his correspondence undergraduate studies in economics and management at Party School of CPC Jilin Provincial Committee in February 2000, his postgraduate studies in economics at Northeast Normal University in August 2002 and in economics and management at Party School of CPC Jilin Provincial Committee in July 2010 respectively. Mr. Zhu is also a mid-level economist accredited by the Jilin Professional Examination Office in November 1999.

Mr. Liang Xiangmin (梁向民) has been the Bank's vice president since August 2010. For Mr. Liang's biography, please refer to "IV. Biographies of Directors, Supervisors and Senior Management Members — (I) Biographies of Directors — Executive Directors" of this chapter.

Mr. Li Guoqiang (李國強) has been the Bank's vice president since December 2008. Mr. Li was an agent of Bajilei Credit Cooperative in Nong'an County from March 1988 to July 1995, deputy head of Fulongquan Credit Cooperative in Nong'an County from July 1995 to December 1999 and head of Fulongquan Credit Cooperative in Nong'an County from January 2000 to January 2003. He was deputy head of Shuangyang Rural Credit Cooperative Union from January 2003 to April 2008. Mr. Li joined the Bank in March 2008, and was deputy head of Jiutai Rural Credit Cooperative Union from March 2008 to November 2008. Mr. Li graduated from Changchun Finance College in December 2000, majoring in finance, and completed his correspondence undergraduate studies in finance at Changchun Taxation College (currently known as Jilin University of Finance and Economics) and the economic management international CEO course at Yangtze Delta Region Institute of Tsinghua University in August 2003 and September 2012, respectively. In addition, Mr. Li is an assistant economist accredited by Office of Personnel of Jilin Province in June 1999.

Ms. Song Xiaoping (宋曉萍) has been the Bank's vice president since February 2011. Ms. Song worked at Changchun Branch of PBOC as a member of the accounting section from July 1985 to March 1994 and deputy section head of the accounting section from March 1994 to December 1998. She then worked at Changchun Center Sub-branch of PBOC as deputy section head of the payment and technology section from December 1998 to July 2000 and deputy section head of the accounting and finance section from July 2000 to April 2002. Ms. Song was deputy director of the settlement subcenter of PBOC from April 2002 to January 2003. She then returned to Changchun Center Sub-branch of PBOC as director of the business and settlement center from January 2003 to January 2008, section head of the payment and settlement section from January 2008 to February 2010 and section head of the treasury section from February 2010 to September 2010. Ms. Song graduated from Jilin Bank School (currently known as Changchun Finance College) in July 1985, majoring in accounting, from a correspondence course in Jilin Institute of Finance and Trade (currently known as Jilin University of Finance and Economics) in August 1991, majoring in finance. She completed her correspondence undergraduate studies in corporate management at Jilin University of Technology (currently known as Jilin University) in July 1997 and her postgraduate studies in politics and economics at Northeast Normal University in May 1999. In addition, Ms. Song is a mid-level economist accredited by Ministry of Personnel of the PRC in November 1998, and a mid-level accountant accredited by Jilin Professional Examination Office in May 1999.

Mr. Gao Zhonghua (高中華) has been the Bank's vice president since February 2015. Mr. Gao was a loan clerk at Gongzhulin Qinjiatun Credit Cooperative from May 1991 to November 1997. He was head of Gongzhuling Shiwu Credit Cooperative from October 1997 to November 2000, a loan clerk in the business department of Changchun Huancheng Credit Cooperative Union from November 2000 to February 2001, and head of Sandao Credit Cooperative, Yinxing Credit Cooperative and Nanjiao Credit Cooperative of Changchun Huancheng Credit Cooperative Union from February 2001 to January 2002, from January 2002 to January 2004 and from January 2004 to May 2004 respectively. Mr. Gao was head of Sandao Credit Cooperative, Quannong Cooperative and Yutan Credit Cooperative of Changchun Huancheng Credit Cooperative Union from May 2004 to December 2007, from December 2007 to February 2009 and from February 2009 to June 2010 respectively, and vice president of Heilongjiang Shuangcheng Huimin Village and County Bank from June 2010 to December 2010. Mr. Gao joined the Bank in December 2010 and was deputy secretary of the party committee of the Bank until February 2015. Mr. Gao completed his undergraduate studies in accounting at Changchun University of Science and Technology in January 2006.

Mr. Yuan Chunyu (袁春雨) has been the Bank's secretary to the Board of Directors since December 2012. For Mr. Yuan's biography, please refer to "IV. Biographies of Directors, Supervisors and Senior Management Members — (I) Biographies of Directors — Executive Directors" of this chapter.

(IV) Biographies of Joint Company Secretaries

Mr. Yuan Chunyu (袁春雨) has been the Bank's secretary to the Board of Directors since December 2012 and the Bank's joint company secretary since December 2015. For Mr. Yuan's biography, please refer to "IV. Biographies of Directors, Supervisors and Senior Management Members — (I) Biographies of Directors — Executive Directors" of this chapter. As Mr. Yuan does not possess the qualifications as stipulated under Rules 3.28 and 8.17 of the Hong Kong Listing Rules, the Bank has applied for and has been granted a waiver by the Hong Kong Stock Exchange from strict compliance with those Hong Kong Listing Rules.

Mr. Lau Kwok Yin has been the joint company secretary of the Bank since May 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.

V. Remuneration Policies for Directors, Supervisors and Senior Management

The remuneration of the Directors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans shall be reviewed by the Remuneration Committee under the Board of Directors and then submitted to the Board of Directors for review. Upon approval by the Board of Directors, such plan shall be implemented after being submitted to the Shareholders' general meeting of the Bank for approval.

The remuneration of the Supervisors of the Bank is determined and paid in accordance with the relevant laws and regulations as well as the relevant provisions of the Articles of Association. The specific remuneration distribution plans shall be reviewed by the Nomination Committee under the Board of Supervisors and then submitted to the Board of Supervisors for review. Upon approval by the Board of Supervisors, such plan shall be implemented after being submitted to the Shareholders' general meeting of the Bank for approval.

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

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

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

For detailed compensation of Directors and Supervisors and five individuals with the highest emoluments in the Bank, please refer to notes 12 and 13 to the consolidated financial statement of this annual report.

VII. 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
Mr. Zhang Xinyou	Non-executive Director	Changchun Longde Real Estate Development Co., Ltd.	Chairman
Mr. Wang Baocheng	Non-executive Director	Changchun Changqing Pharmaceutical Group Co., Ltd.	Chairman
Mr. Zhang Yusheng	Non-executive Director	Changchun Huaxing Construction Co., Ltd.	Chairman

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

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, which was 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 dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

Mr. Zhang Yusheng (張玉生) was a director of Jilin Huaxing New Construction Materials Co., Ltd. (吉林華星新型建築材料有限責任公司), a limited liability company incorporated in the PRC on April 25, 2006, which was mainly engaged in the production, wholesale and retail of non-burnt bricks and wall panels and dissolved by way of deregistration on September 2, 2015. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

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, which was 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 dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a supervisor of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

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 Province Industry and Economy Research (Institute) Co., Ltd. (吉林省產業經濟研究(院)有限責任公司)	Industrial and economic information research and consultation	shareholder & supervisor	October 30, 2006	Revocation of business license(Note 1)

Note 1: The company was jointly established in late 2005 by (i) Mr. Jing Jipeng (靖繼鵬), who owned its 90% equity interest, and also acted as an executive director, (ii) Mr. Zhang Haitao (張海濤), who owned its 5% equity interest, and also acted as a director of the company, and (iii) Mr. Li, who owned its 5% equity interest, and also acted as a supervisor of the company. Due to the old age and illness of Mr. Jing, he no longer took care of the daily operation of the company. The company subsequently ceased its operation and did not conduct any annual inspection in 2006. Thus, the relevant authority revoked its business license in October 2006.

Mr. Li confirmed that there is no wrongful act on his part leading to the dissolution of the above company, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was due to his duties as a supervisor of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

IX. Employee, Employee Compensation Policy and Employee Training Program

(I) Staff Composition

As of December 31, 2018, the Group had 5,798 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	2,772	47.8
Management	713	12.3
Finance and accounting	593	10.2
Corporate banking	834	14.4
Risk management, internal audit and legal and compliance	179	3.1
Treasury operations	134	2.3
Information technology	86	1.5
Others	487	8.4
Total	**5,798**	**100.0**

As of December 31, 2018, more than 58% of the Group's employees had a bachelor's degree or higher.

In addition to full-time employees, as of December 31, 2018, the Group also had 317 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiaries make advance payments to the third-party agencies, which then pay salaries to and make social security contributions for contract staff.

(II) Employee Remuneration

The Group conducts performance evaluations of employees annually to provide feedback on performance. Compensation for full-time employees of the Group 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 professional skills.

(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)	3257 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	7 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, Anhiu 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

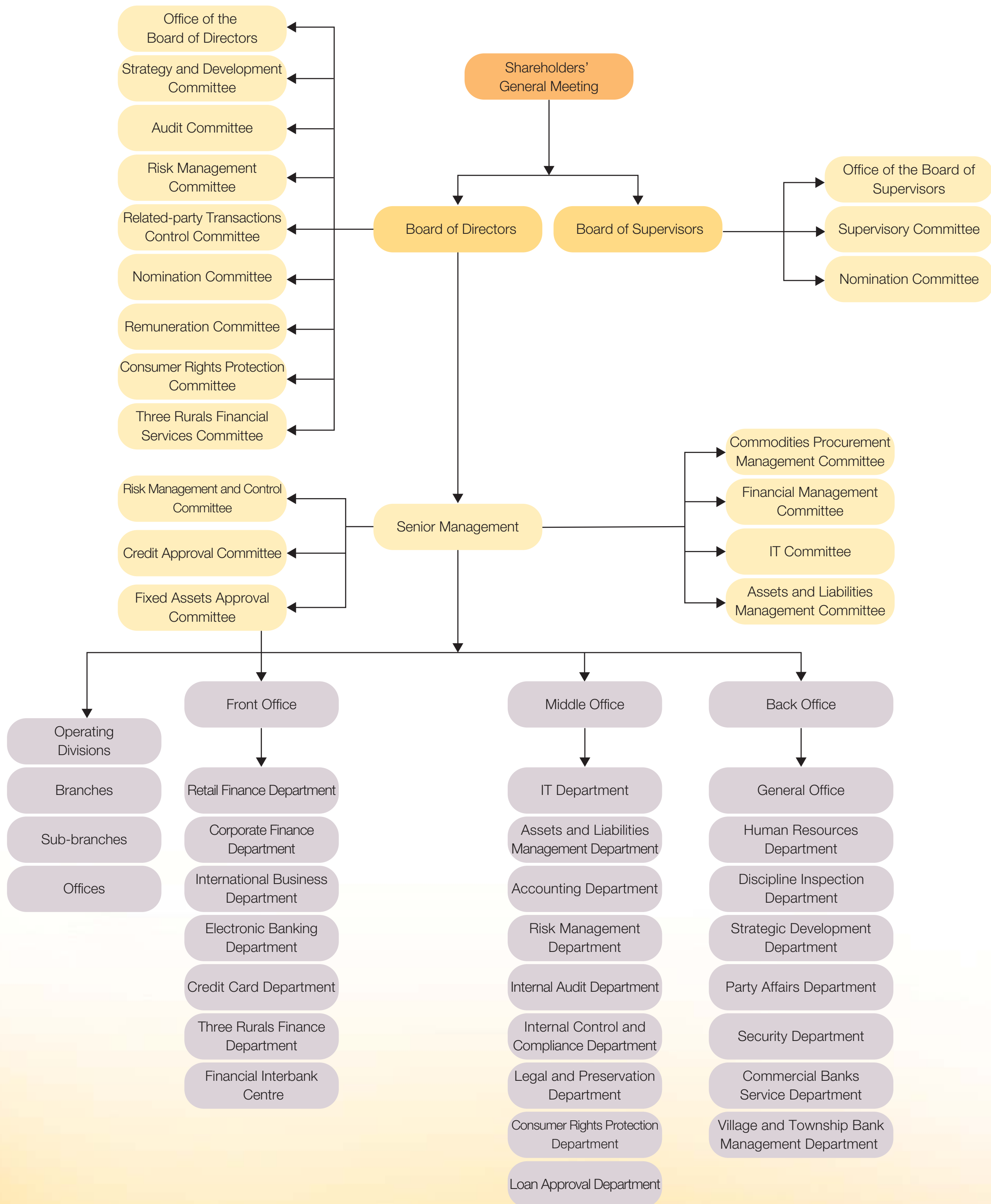
Subsidiaries	Places of business	Remarks
Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105-111 of Block 32, Shop 105-106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Changchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, 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)	1192 Jiufo Middle Road, Jiulong Town, Huangpu 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 of East Section, 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, Huandian 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 Neighborhood, Yuzhou West Road, Qian'an County, Jilin Province, PRC	5 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Changchun City, Jilin Province, PRC	5 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shops 4, 5 and 6, District A, Zuanshi Siji Huacheng)	3 sub-branches
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	3 sub-branches

Subsidiaries	Places of business	Remarks
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)	Outlets Nos. 1, 3, 4, 116 Guangze Amethyst City, 8 Huangqi Road, Chuanying District, Jilin City, Jilin Province, PRC	3 sub-branches
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	021 Leihu South Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	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	4 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	1 sub-branch
Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司)	Dongdu Mansion, 1350 Jiefang Si Road, Sanya City, Hainan Province, PRC	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 9 Corporate Governance Report

I. Corporate Governance Structure

The following chart sets forth the Bank's principal organizational and management structure as of the date of this annual report:



II. Corporate Governance

Overview

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

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

The Bank has incorporated the Code of Corporate Governance and the 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 the Guidelines are well reflected in the Articles of Association and the rules of procedure for the Shareholders' general meeting, meetings the Board of Directors and the committees under the Board of Directors. The Bank's Shareholders' general meeting, the Board of Directors and the Board of Supervisors perform their respective duties and form good corporate governance structure. The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

During the Reporting Period, the Bank has fully complied with all 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.

The Director Nomination Policy and the Board Diversity Policy

The Bank understands and believes that the diversity of the members of the Board of Directors could improve the performance of the Bank. It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development and its strategies and maintain good corporate governance. In respect of appointing the Directors, the Bank will consider their qualifications, skills and experience, and also the diversity of the members in various aspects, including but not limited to gender, age, cultural and educational background, region, professional experience, skills, knowledge, service term and any other factors that the Board may consider relevant and applicable from time to time towards achieving a diverse Board of Directors.

The Nomination Committee of the Board is responsible for reviewing the structure, number of members, and composition (including the skills, knowledge and experience) of the Board of Directors. The Nomination Committee makes recommendations to the Board of Directors relating to the size and composition of the Board of Directors based on the Bank's strategic plans, business operations, asset scale and shareholding structure. The Nomination Committee also discusses and reviews the selection standard, the nomination and appointment process, and makes recommendations to the Board of Directors.

The Board Diversity Policy shall be complied with when the Nomination Committee makes recommendations on the candidates. The Nomination Committee is responsible for monitoring the implementation of the diversity policy and reviewing the policy regularly to ensure its effectiveness. The Nomination Committee will discuss any amendments to the diversity policy and make recommendations to the Board of Directors for approval.

Members of the fourth session of the Board have extensive experience in financial market, business and economic management, financial report and risk control, and legal compliance. The diversified composition of members of the fourth session of the Board is as follows:

Sex		Age		
Male	Female	40–49	50–59	60–69
12 persons	1 person	4 persons	6 persons	6 persons

Position			Tenure		
Executive Directors	Non-executive Directors	Independent non-executive Directors	Up to 5 years	6–10 years	More than 10 years
3 persons	5 persons	5 persons	9 persons	3 persons	1 person

III. General Meeting

During the Reporting Period and up to the date of this annual report, the Bank convened a total of four Shareholders' general meeting, the details of which are set out as follows:

The First Extraordinary General Meeting of 2018

The first extraordinary general meeting of 2018 of the Bank was convened on February 5, 2018, at which the following resolutions were considered and approved by the Shareholders:

Special resolution

1. to consider and approve the resolution regarding the amendments to the Articles of Association;

Ordinary resolutions

2. to consider and approve the resolutions on the election of Directors of the fourth session of the Board of the Bank, including:

   a. to consider and approve the resolution regarding the election of Mr. Gao Bing as an executive Director of the fourth session of the Board of the Bank;

   b. to consider and approve the resolution regarding the election of Mr. Liang Xiangmin as an executive Director of the fourth session of the Board of the Bank;

   c. to consider and approve the resolution regarding the election of Mr. Yuan Chunyu as an executive Director of the fourth session of the Board of the Bank;

   d. to consider and approve the resolution regarding the election of Ms. Guo Yan as a non-executive Director of the fourth session of the Board of the Bank;

   e. to consider and approve the resolution regarding the election of Mr. Wu Shujun as a non-executive Director of the fourth session of the Board of the Bank;

   f. to consider and approve the resolution regarding the election of Mr. Zhang Xinyou as a non-executive Director of the fourth session of the Board of the Bank;

g. to consider and approve the resolution regarding the election of Mr. Wang Baocheng as a non-executive Director of the fourth session of the Board of the Bank;

h. to consider and approve the resolution regarding the election of Mr. Zhang Yusheng as a non-executive Director of the fourth session of the Board of the Bank;

i. to consider and approve the resolution regarding the election of Dr. Fu Qiong as an independent non-executive Director of the fourth session of the Board of the Bank;

j. to consider and approve the resolution regarding the election of Mr. Jiang Ning as an independent non-executive Director of the fourth session of the Board of the Bank;

k. to consider and approve the resolution regarding the election of Mr. Li Beiwei as an independent non-executive Director of the fourth session of the Board of the Bank;

l. to consider and approve the resolution regarding the election of Mr. Chung Wing Yin as an independent non-executive Director of the fourth session of the Board of the Bank; and

m. to consider and approve the resolution regarding the election of Mr. Yang Jinguan as an independent non-executive Director of the fourth session of the Board of the Bank;

3. to consider and approve the resolutions on the election of non-employee Supervisors of the fourth session of the Board of Supervisors of the Bank, including:

a. to consider and approve the resolution regarding the election of Mr. Fan Shuguang as a non-employee Supervisor of the fourth session of the Board of Supervisors of the Bank;

b. to consider and approve the resolution regarding the election of Mr. Gao Pengcheng as a non-employee Supervisor of the fourth session of the Board of Supervisors of the Bank;

c. to consider and approve the resolution regarding the election of Mr. Wang Zhi as a non-employee Supervisor of the fourth session of the Board of Supervisors of the Bank; and

d. to consider and approve the resolution regarding the election of Mr. Zhang Ruibin as a non-employee Supervisor of the fourth session of the Board of Supervisors of the Bank;

4. to consider and approve the resolution on the remuneration for the relevant Directors of the fourth session of the Board of Directors during their term of office;

5. to consider and approve the resolution on the remuneration for the relevant Supervisors of the fourth session of the Board of Supervisors during their term of office; and

6. to consider and approve the resolution on the amendments to the Rules of Procedure for Meetings of the Board of Directors.

Annual General Meeting for 2017

The annual general meeting of the Bank for 2017 was convened on June 12, 2018, at which the following resolutions were considered and approved by the Shareholders:

Ordinary resolutions

1. to consider and approve the resolution on the work report of the Board of Directors for 2017;

2. to consider and approve the resolution on the work report of the Board of Supervisors for 2017;

3. to consider and approve the resolution on the annual report for 2017;

4. to consider and approve the resolution on the final financial report for 2017;

5. to consider and approve the resolution on the profit distribution proposal for 2017;

6. to consider and approve the resolution on the annual financial budget for 2018;

7. to consider and approve the resolution on the engagement of external auditing firms for 2018;

Special resolutions

8. to consider and approve the resolution on the general mandate to issue overseas listed foreign shares;

Reports listened by the Shareholders (non-voting)

9. the evaluation report prepared by the Board of Supervisors on the performance of duties by the Directors and senior management for 2017; and

10. the self-evaluation report on the performance of duties by the Supervisors for 2017.

The Second Extraordinary General Meeting of 2018, the First Domestic Share Class Meeting of 2018 and the First H Share Class Meeting of 2018

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 were convened on September 5, 2018, at which the following resolutions were considered and approved by the Shareholders:

Special resolutions

1. To consider and individually approve each of the following items of the resolution on the private placement of Domestic Shares by the Bank:

   1.1 class and nominal value of shares

   1.2 number of shares to be issued

   1.3 placees

   1.4 method of pricing

   1.5 method of issue

   1.6 use of proceeds

   1.7 distribution of retained profit

   1.8 validity period of the proposed issue plan

1.9 authority to deal with the relevant matters relating to the private placement of Domestic Shares

2. To consider and individually approve each of the following items of the resolution on the non-public issuance of H Shares by the Bank:

2.1 class and nominal value of shares

2.2 number of shares to be issued

2.3 placees

2.4 method of pricing

2.5 method of issue

2.6 timing of issue

2.7 lock-up period

2.8 use of proceeds

2.9 distribution of retained profit

2.10 validity period of the proposed issue plan

2.11 listing arrangement

2.12 authority to deal with the relevant matters relating to the non-public issuance of H Shares

The following resolutions were considered and approved at the second extraordinary general meeting of 2018:

Special resolutions

3. To consider and approve the resolution on the change of the registered capital of the Bank;

4. To consider and approve the resolution on the amendments to certain articles of the Articles of Association of the Bank.

The Third Extraordinary General Meeting of 2018, the Second Domestic Share Class Meeting of 2018 and the Second H Share Class Meeting of 2018

The following resolutions were considered and approved by the Shareholders at the third extraordinary general meeting of 2018, the second Domestic Share class meeting of 2018 and the second H Share class meeting of 2018 held on December 7, 2018:

Special Resolution

1. To consider and approve the resolution regarding the extension of the validity period of the issuance-related authorization for the non-public issuance of offshore preference shares.

IV. Board of Directors

The Board of Directors is core to the Bank's corporate governance and is accountable to the Shareholders as a whole. The Board of Director is an independent decision-making body, which is responsible for implementing the resolutions of the Shareholders' general meeting, formulating the Bank's major strategy, policy and development plan, approving the operation plan, investment plan and internal management setup of the Bank, formulating the annual financial budget, final accounts and profit distribution plan and appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene in specific daily affairs. The Board of Directors is also responsible for the performance of the corporate governance functions pursuant to the Code of Corporate Governance.

The Board of Directors emphasizes similarity in both externality and internality in system establishment and practical operation, making the Board's decision more scientific and reasonable through the establishment of a diversified Board structure, improving the Board's efficiency through the operation of various committees. Constantly strengthening balanced, sound and sustainable development concept, the Board of Directors ensures the rapid, sustainable and sound development of the Bank through effective management of the strategies, risks, capital, compensation and audit.

(I) Composition of the Board of Directors

In accordance with the Articles of Association, the first extraordinary general meeting of 2018 was convened on February 5, 2018, at which, *inter alia*, the Shareholders elected the members of the fourth session of the Board. As of the date of this annual report, the fourth session of the Board consisted of 13 members, including:

- Mr. Gao Bing (chairman, 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)

The number of Directors and the composition of the Board of Directors are in compliance with applicable laws and regulations. The decision making, authorization and voting procedures strictly follow the relevant rules and regulations of regulatory authorities and the Articles of Association. During the Reporting Period, the Board of Directors discharged its duties diligently, carefully reviewed all matters that were significant to the Bank's future development, improved the Board operation mechanism, strengthened the corporate governance framework, implemented organizational changes, facilitated prudent decision making, ensured operational stability and protected the interests of the Bank and its Shareholders.

(II) Appointment, re-election and removal of Directors

According to the Articles of Association, Directors shall be elected or removed from office by Shareholders at a Shareholders' general meeting. The term of office of a Director shall be three years, and a Director may be re-elected and re-appointed upon expiry of their term of office. Subject to the relevant laws and administrative regulations, a Director whose term of office has not expired may be removed by Shareholders' ordinary resolution at a Shareholders' general meeting, without prejudice to any claim which may be instituted under any contract.

The term of service of non-executive Directors and independent non-executive Directors shall be the same as that of other Directors and they may be re-elected and re-appointed upon the expiration of their terms of office, provided that such term of office of independent non-executive Directors shall not be more than six years on an accumulative basis.

The Directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association. The Nomination Committee is responsible for discussing and reviewing the qualification and experience of each candidate for Director and recommending the suitable candidates to the Board of Directors. After the approval from the Board of Directors, the selected candidates will be recommended for further approval by the Shareholders at a general meeting. As a banking institution regulated by the CBIRC, the qualification of a candidate for the Bank's Directors shall also be approved by the CBIRC.

(III) Relationships among Directors, Supervisors and senior management members

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

(IV) Changes of Directors

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

(V) Operation of the Board of Directors

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

Provided that sufficient protection is ensured for the expression of opinions by Directors, the Directors may pass resolutions at an extraordinary meeting of the Board of Directors by communication voting and the resolutions shall be signed by the participating Directors. The conditions and procedures of communication voting are provided in the Articles of Association and the Rules of Procedure for Meetings of the Board of Directors.

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

The relevant senior management members are invited to attend meetings of the Board of Directors from time to time to provide explanations and answer queries from the Directors. In the meetings of the Board of Directors, the Directors may express their opinions freely, and important decisions should be made after detailed discussions. If any Director has a conflict of interest in a matter to be considered by the Board of Directors, the relevant Director shall abstain from the discussion of and voting on the relevant resolution, and such Director shall not be counted as quorum in voting for that particular resolution.

The Board of Directors has established an office as its operating arm, which is responsible for preparation of general meetings, meetings of the Board of Directors and meetings of Board committees, information disclosure and other daily matters.

(VI) Powers of the Board of Directors

The Board of Directors exercises the following powers:

(1) to convene general meetings and report its work to the general meetings;

(2) to implement the resolutions approved by the Shareholders at general meetings;

(3) to decide on the business plans and investment plans of the Bank;

(4) to prepare the annual financial budgets and final accounts of the Bank;

(5) to prepare the capital replenishment plan, risk capital distribution plan, profit distribution plan and the plan for making up the losses of the Bank;

(6) to prepare plans for increase or reduction of the registered capital of the Bank;

(7) to prepare plans for issue and listing of bonds or other securities of the Bank;

(8) to prepare plans for merger, division, dissolution or liquidation or alteration of corporate form of the Bank;

(9) to prepare plans for repurchase of any Shares of the Bank;

(10) to approve the establishment of any corporate bodies, material acquisitions, material external investments, material connected transactions, purchase and disposal and write-off of material assets and material external guarantees of the Bank;

(11) to decide on the establishment of any internal management structure and the reform plan for the operation and management affecting the Bank as a whole;

(12) to appoint or remove the president of the Bank and the secretary to the Board of Directors; and based on the nomination by the president of the Bank, to appoint or remove the deputy presidents and senior officers (such as the persons in charge of finance, credit and audit) of the Bank and other persons whom the Board of Directors believes should be appointed or removed by the Board of Directors and to determine their remunerations and rewards and penalties;

(13) to formulate the basic management system of the Bank (including but not limited to human resources, finance and remuneration) and internal control policies;

(14) to formulate any amendment proposals to the Articles of Association, the rules of procedure for general meetings and meetings of the Board of Directors;

(15) to formulate the information disclosure system of the Bank and to manage information disclosure of the Bank;

(16) to propose the appointment or removal of the Bank's auditors to the general meeting;

(17) to receive the work report and examine the work of the president of the Bank;

(18) to prepare the operation and development strategy and capital planning of the Bank and monitor the implementation of such strategy; and

(19) other duties and powers as provided in the laws, rules and regulations and the Articles of Association or conferred by the general meetings.

(VII) Responsibilities of Directors

During the Reporting Period, all the Directors are prudent, earnest, and diligent to exercise their rights granted by the Bank and domestic and overseas regulatory authorities. The Directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of the Bank's operation with laws, regulations and the requirements of national economic policies. The Directors have treated all the Shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, and performed other diligence obligations required by laws, administrative regulations, departmental rules and the Articles of Association.

The independent non-executive Directors make full use of their respective professional expertise to provide professional and independent advice on the corporate governance, operation and management of the Bank.

The Bank also pays attention to the ongoing training of Directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities authorized by the relevant laws and regulatory requirements and the Articles of Association. The Bank has purchased the director liability insurance for all Directors.

(VIII) Responsibilities assumed by the Directors in the preparation of financial statements

The Directors have acknowledged their responsibilities in the preparation of financial statements of the Bank for the year ended December 31, 2018. The Directors are responsible for reviewing and confirming the financial statements for each accounting period to ensure that the financial statements truly and fairly reflect the financial conditions, operating results and cash flows of the Bank. In preparing the consolidated financial statements of the Bank for the year ended December 31, 2018, the Directors have adopted appropriate accounting policies which have been applied consistently, and prudent and reasonable judgments have been made.

(IX) Meetings of the Board of Directors

During the Reporting Period, the Bank has convened six meetings (including teleconference) of the Board of Directors. Attendance of Directors at the meetings of the Board of Directors, meetings of Board committees and general meetings of the Bank are set out in the table as follows:

	Number of meetings attended in person/attended by proxy/should be attended									
Members of the Board of Directors	Board of Directors	Strategy and Development Committee	Audit Committee	Related-party Transactions Control Committee	Risk Management Committee	Nomination Committee	Remuneration Committee	Consumer Rights Protection Committee	Three Rurals Financial Services Committee	General Meeting (actual attendance)
Mr. Gao Bing	6/0/6	5/0/5	–	–	–	–	–	–	1/0/1	4
Mr. Liang Xiangmin	6/0/6	–	–	–	4/0/4	2/0/2	–	2/0/2	–	2
Mr. Yuan Chunyu	6/0/6	5/0/5	–	–	–	–	–	–	–	4
Ms. Guo Yan	6/0/6	–	–	—	–	–	1/0/1	–	–	0
Mr. Wu Shujun	6/0/6	–	–	4/0/4	–	–	–	–	–	1
Mr. Zhang Xinyou	6/0/6	–	–	4/0/4	–	–	–	–	1/0/1	1
Mr. Wang Baocheng	6/0/6	–	3/0/3	–	–	–	–	–	–	1
Mr. Zhang Yusheng	6/0/6	–	–	–	–	2/0/2	–	2/0/2	–	1
Dr. Fu Qiong	5/0/6	–	–	4/0/4	–	2/0/2	1/0/1	2/0/2	–	1
Mr. Jiang Ning	6/0/6	5/0/5	3/0/3	4/0/4	–	–	–	–	–	1
Mr. Li Beiwei	6/0/6	–	–	–	4/0/4	2/0/2	1/0/1	–	1/0/1	1
Mr. Chung Wing Yin	6/0/6	5/0/5	–	–	4/0/4	2/0/2	–	–	–	0
Mr. Yang Jinguan	6/0/6	5/0/5	3/0/3	4/0/4	–	–	–	–	–	1

(X) Independent Non-executive Directors

The Board of Directors consists of five independent non-executive Directors and the qualification, number and proportion are in accordance with the regulations of the CBIRC, the China Securities Regulatory Commission and the Hong Kong Listing Rules. The five independent non-executive Directors are not involved in any conflict with the independence issue described in Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive Directors the annual confirmation in respect of his independence. Therefore, the Bank confirms that all the independent non-executive Directors have complied with the provisions of the Hong Kong Listing Rules in respect of independence.

The independent non-executive Directors represent the majority of the Bank's Strategy and Development Committee, Audit Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination Committee and Remuneration Committee. They also serve as the chairman of the Audit Committee, Related-party Transactions Control Committee, Nomination Committee and Remuneration Committee.

The independent non-executive Directors kept in touch with the Bank's management through various means such as attending meetings. They earnestly participated in meetings of the Board of Directors and the Board committees and actively provided their opinions and emphasized the interests of minority Shareholders of the Bank. The independent non-executive Directors have fully discharged their responsibilities.

(XI) Continuing professional development plan for Directors

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

The Bank has encouraged all Directors to participate in continuing professional development to develop and refresh their knowledge and skills. The Bank will provide briefings on the latest development of the Hong Kong Listing Rules and other applicable regulatory requirements to the Directors from time to time to ensure that the Directors are aware of the latest regulatory development.

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

No.	Training program	Participants
1.	Spirit of the Training Seminar of CBIRC on the Corporate Governance of Small and Medium Banks and Insurance Companies (傳達中國銀保監會中小銀行及保險公司公司治理培訓座談會會議精神)	All Directors
2.	Strengthening Duty Performance and Accountability of Directors and Senior Management of Companies Listed in Hong Kong (香港上市董事及高管指強化責任及問責)	All Directors
3.	Related-party Transactions and their Effective Supervision (關聯交易及其有效監管)	All Directors
4.	Hong Kong Stock Exchange Training Video Clip (香港聯交所培訓短片) — Risk Management for Environmental, Social and Governance (環境、社會及管治的風險管理)/Dealing with Complex Transactions (處理複雜交易)/Dealing with Insider Information (處理內幕信息)/Conflict of Interests (利益衝突)/Internal Control (內部監控)/Annual and Ongoing Reviews (年度及持續檢討)	All Directors

No.	Training program	Participants
5.	Guidance for Boards and Directors (董事會及董事指引)	All Directors
6.	Consultation Conclusions on Review of the Corporate Governance Code and Related Listing Rules (諮詢總結—檢討《企業管治守則》及相關《上市規則》條文)	All Directors
7.	Academic Conference on the Reform of the Company Law – Theory Reflection and System Reconstruction (學術研討會: 公司法改革—理論反思與制度重構) Forum on the Development and Improvement of the Commercial Law (座談會: 商事法制建設與完善) 2nd Forum: Formulation of Commercial Code – Commercial Law on Business Conduct (第二屆論壇: 制定商法典—營業行為的商法構造) The 6th Forum of Laws on State-owned Assets: Revision of the Laws on State-Owned Assets for the Deepening of Reforms (第六屆國資法律論壇: 深化改革背景下的國有資產法修改) Special Seminar: 2018 Winter Forum of China's Commercial Law and Legal Affairs on Major Assets Disposal and Equity Transfer of Companies (專題研討會: 2018年中國商法冬季論壇暨公司重大資產處置與股權轉讓法律問題) The 4th Jilin University Forum of Chinese and Foreign Commercial Laws, "Wu Zhang Bu Sheng": Review of the Application of Commercial Law on the Structure and Implementation of the Articles of Association (吉林大學中外商法論壇第四期「無章不勝」: 公司章程構造與適用的商法審思)	Dr. Fu Qiong

No.	Training program	Participants
8.	Professional Trainings for Directors of Listed Companies (上市公司董事專業培訓課程) Seminar for Commercial Acceptance Bills (商業承兑匯票研討會) Financial Technology Industry Salon (金融科技行業沙龍) Vclub Seminar for the Practice of Industry Internet (Vclub 研討會產業互聯網方法實踐) 2018 China B50 Leadership Summit (2018中國B50領袖峰會)	Mr. Jiang Ning
9.	2018 Special Forum for Advanced Studies on Entrepreneurship in China (2018年中國創業研究前沿專題論壇)	Mr. Li Beiwei
10.	Keeping of Significant Controllers Register (儲存重要控制人登記冊) Guideline on the Keeping of Significant Controllers Registers by Companies (公司備存重要控制人登記冊指引) Update on Regulations of Listed Issuers (上市發行人法規更新) SFC's Top Enforcement Priority – Corporate Fraud and Misconduct (證監會執法工作重點 — 企業欺詐及失當行為)	Mr. Chung Wing Yin
11.	Strategic Thinking Forum (戰略思維講座) Cai Shui Forum: 40th Anniversary for China's Taxation Reform — Review and Outlook (財税論壇: 中國税制改革40年回顧與展望) Special Academic Lecture: Studies on Supply-side Structural Reform (專題學術講座: 推進供給側結構性改革研究) Academic Frontier Forum: Effects of Economic Trend on Auditors' Professional Judgment (學術前沿論壇: 經濟形勢如何影響審計師的職業判斷) Forum: Reform, Transformation and Prospects of the Banking Industry (論壇: 銀行業的改革、轉型與展望) Accounting and Financial Seminar: Corporate Governance and Financial and Accounting Issues (會計與財務研討會: 公司治理與財務會計問題) Summer Academic Seminar: Capital Market and Corporate Governance (夏季學術研討會: 資本市場、公司治理) Lecture: Sino – US Trade War and Restructuring of Global Value Chain (講座: 中美貿易戰與全球價值鏈重構) Academic Frontier Forum: Development of China's Audit System and Research on the Auditing Issues (學術前沿論壇: 中國審計制度發展與審計問題研究)	Mr. Yang Jinguan

(XII) Corporate governance functions of the Board of Directors

The Board of Directors is responsible for the establishment of sound corporate governance practice and procedures for the Bank. During the Reporting Period and up to the date of this annual report, the Board of Directors has:

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

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

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

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

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

(XIII) Board Committees

The Board of Directors delegates certain responsibilities to various committees. In accordance with relevant PRC laws, the Articles of Association and the Hong Kong Listing Rules, the Bank has formed eight Board committees, namely the Strategy and Development Committee, Audit Committee, Related-party Transactions Control Committee, Risk Management Committee, Nomination Committee and Remuneration Committee, Consumer Rights Protection Committee and Three Rurals Financial Services Committee.

1. Strategy and Development Committee

As of the date of this annual report, the Bank's Strategy and Development Committee consists of two executive Directors, namely Mr. Gao Bing and Mr. Yuan Chunyu, and three independent non-executive Directors, namely Mr. Jiang Ning, Mr. Chung Wing Yin and Mr. Yang Jinguan. Mr. Gao Bing is the chairman of the committee.

The principal responsibilities of the Strategy and Development Committee include but are not limited to:

- to formulate the business objectives and long-term development strategies;
- to supervise and review the execution of annual business plan and investment plan;
- to review regularly the capital management and capital plans and provide advices, particularly on any material investment proposals beneficial to share capital; and
- to discuss the operations and risk management with senior management, assess the implementation of the corporate governance policies and provide advices to the Bank on their improvement.

During the Reporting Period, the Strategy and Development Committee held five meetings in total, a total of 10 resolutions including the Resolution on the Termination of Acting-in-concert Agreements, the Resolution on the Private Placement of Domestic Shares, the Resolution on the Non-public Issuance of Foreign Shares Listed Overseas (H Shares), the Resolution on the Transfer of Investment Equity and the Resolution regarding the Proposed Extension of the Validity Period of the Authorization in relation to the Non-public Issuance of Offshore Preference Shares were considered and approved.

2. Audit Committee

As of the date of this annual report, the Bank's Audit Committee consists of one non-executive Director, namely Mr. Wang Baocheng, and two independent non-executive Directors, namely Mr. Jiang Ning and Mr. Yang Jinguan. Mr. Yang Jinguan is the chairman of the committee, and has the appropriate professional qualifications in accounting or relevant financial management expertise as required under Rule 3.10(2) of the Hong Kong Listing Rules.

The principal responsibilities of the Audit Committee include but are not limited to:

- to review the accounting policy, internal control policy, financial reporting procedure, compliance and risk management systems and financial condition;
- to consider major investigation findings on internal control matters and discuss the internal control system with senior management to ensure that management has performed its duty to establish an effective internal control system, covering topics such as adequacy of resources, staff qualifications and experience, training programs and budget of the accounting and financial reporting functions;
- to review and ensure the accuracy and completeness of the financial statements and audit reports submitted to the Bank's Board of Directors for approval and disclosure to Shareholders and the general public;
- to advise on the appointment of external auditors, review the scope of engagement, remuneration and independence of external auditors;
- to review the external auditor's management letter, any material queries raised by the external auditors to management about accounting records, financial accounts or systems of control and management's response and ensure that the Bank's Board of Directors provides a timely response to the issues raised in the external auditor's management letter;
- to ensure coordination between any internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Bank, and to review and monitor its effectiveness; and
- to report to the Board of Directors on matters covered by the corporate governance requirements in the Hong Kong Listing Rules.

During the Reporting Period, the Audit Committee held three meetings in total, a total of 25 resolutions including the Final Financial Report for 2017, the Profit Distribution Proposal for 2017, the Report of Annual Results for 2017, the Annual Report for 2017, the Internal Audit Report for 2017, the Resolution regarding the Engagement of External Auditing Firms for 2018, the Annual Financial Budget for 2018, the Interim Report for 2018 and the Interim Results Announcement for 2018 were considered and approved. The Audit Committee is of the view that the internal audit function of the Bank was effective during the Reporting Period.

Overview of the annual audit work of the Bank:

ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited carried out the 2018 audit on the Bank by two stages, the preliminary audit and year-end audit. In the preliminary audit stage, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited fully conducted an audit on internal control, and carried out internal control test at the Bank's level and business process level to evaluate the effectiveness of the internal control design and assess whether it has been consistently and effectively implemented during the audit. Through interviews, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited understood the Bank's control environment, the main operation conditions, business innovation, system updates and fraud risk. ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited conducted a preliminary analysis and audit on major subjects of financial statements, such as financial instruments, operating income, investment income and other subjects. ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited also tested and evaluated the main information system used by the Bank and discussed promptly the findings of preliminary audit with the Bank's management. In the year-end audit stage, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited followed up the findings on the preliminary audit stage and conducted detailed audit procedures for all major subjects, and communicated the findings of year-end audit with the Bank's management.

In order to successfully complete the audit work in 2018 and issue relevant audit reports as scheduled, the Audit Committee of the Board of Directors arranged the finance department of the Bank to discuss with ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited about the planning of audit work, audit progress, scope of consolidation, timing of initial draft and final draft of the audit report, etc. During the audit period, the Audit Committee made multiple rounds of supervision. On March 28, 2019, ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited issued the standard unqualified audit report to the Bank within the scheduled time.

The Audit Committee reviewed the independence and objectivity of ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited and the effectiveness of their audit procedures to ensure that the financial reports issued give a true and fair view. ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited have taken the necessary protective measures in accordance with the relevant requirements of professional ethics to prevent any possible threats to independence.

3. Related-party Transactions Control Committee

As at the date of this annual report, the Bank's Related-party Transactions Control Committee consists of two non-executive Directors, namely Mr. Wu Shujun and Mr. Zhang Xinyou, and three independent non-executive Directors, namely Mr. Jiang Ning, Dr. Fu Qiong and Mr. Yang Jinguan. Mr. Jiang Ning is the chairman of the committee.

The principal responsibilities of the Related-party Transactions Control Committee include but are not limited to:

- to identify and manage the collection of information regarding related parties and report to the Board of Directors and the Board of Supervisors;
- to manage, review and approve connected transactions in a timely manner and conduct an annual assessment on connected transactions and their management process;
- to control the risks of connected transactions and assess the information disclosure of connected transactions;
- to formulate the policies and management procedures regarding connected transactions; and
- to supervise and review the control of connected transactions, and report to the Bank's Board of Directors and competent regulatory authorities.

During the Reporting Period, the Related-party Transaction Control Committee held four meetings in total, a total of six resolutions including the Report on the Implementation of Connected Transactions Control Management System and Connected Transactions for 2017 and the Credit Planning for Related Corporations for 2018 were considered and approved.

4. Risk Management Committee

As at the date of this annual report, the Bank's Risk Management Committee consists of one executive Director, namely Mr. Liang Xiangmin, and two independent non-executive Directors, namely Mr. Li Beiwei and Mr. Chung Wing Yin. Mr. Liang Xiangmin is the chairman of the committee.

The principal responsibilities of the Risk Management Committee include but are not limited to:

- to control, manage, supervise and assess the risks through continuous assessment of the effectiveness of the risk management and internal control systems;

- to formulate the strategies, policies and targets for the risk management and control for the Board's approval;

- to supervise senior management on the control of risks such as credit risks, market risks, operating risks and liquidity risks and conduct regular evaluation on the risk management status and risk tolerance level;

- to provide advices on improvement of risk management and internal control and raise any material issues in risk management to the attention of Board of Directors;

- to undertake the duties of anti-money laundering of the Bank, and to organize and guide the anti-money laundering works in accordance with the authorization of the Board of Directors and be accountable to the Board of Directors; to supervise and provide guidance to the anti-money laundering steering group; to discuss important issues of anti-money laundering works and review work reports on anti-money laundering; to be authorized and obligated to make decisions on and handle substantial or sensitive issues in relation to anti-money laundering;

- to discuss the risk management and internal control system with the management to ensure that the management has performed its duties by developing an effective system, and the discussion shall cover the adequacy of resources, qualification and experience of employees, training of employees and the relevant budget for accounting, internal audit and financial reporting of the Bank; and

- to review the following special issues at least once a year:

    ➢ the changes of the nature and extent of major risks, and the capabilities of the Bank in dealing with the changes of its businesses and the external environment since the review of last year;

    ➢ the scope and quality of the works of the management for continuous monitoring of the risk and internal control system as well as (if applicable) the internal audit functions and the works of other assurers;

- ➢ the extent and frequency that the supervision results were reported to the Board of Directors, which may facilitate the assessment of the Board of Directors on the effectiveness of the supervision and risk management of the Bank;

- ➢ substantial supervision faults incurred and material supervision weaknesses identified during the period and the seriousness of the unforeseeable consequences or critical situations, as well as the significant influences which have been, might have been or will be caused by such consequences or situations on the financial performance or position of the Bank;

- ➢ the effectiveness of the procedures of the Bank in relation to financial reporting and compliance with the requirements of the Hong Kong Listing Rules.

During the Reporting Period, the Risk Management Committee held four meetings in total, a total of 15 resolutions including the Report on the Risk Management for 2017, the Risk Management Work Plan for 2018, the Liquidity Risk Limit Standard for 2018 and the Evaluation Report on the Comprehensive Risk and Internal Control Management System were considered and approved.

5. Nomination Committee

As at the date of this annual report, the Bank's Nomination Committee consists of one executive Director, namely Mr. Liang Xiangmin, one non-executive Director, namely Mr. Zhang Yusheng, and three independent non-executive Directors, namely Dr. Fu Qiong, Mr. Li Beiwei and Mr. Chung Wing Yin. Mr. Chung Wing Yin is the chairman of the committee.

The principal responsibilities of the Nomination Committee include but are not limited to:

- to review the structure and composition of the Bank's Board of Directors and senior management and advise on any changes to be made to the Board of Directors to complement the strategies;

- to formulate the selection procedures and criteria for Directors and senior management;

- to conduct preliminary review and examination of and advise the Board of Directors on the qualifications and suitability of candidates for Directors and senior management and the appointment and re-appointment of Directors; and

- to assess the independence of independent non-executive Directors.

During the Reporting Period, the Nomination Committee held two meetings in total, a total of four resolutions including the Work Report of the Nomination Committee for 2017, the Resolution regarding the Evaluation of Independence of Independent Non-executive Directors, the Resolution regarding the Evaluation of Structure, Composition and Diversity Policy of the Board of Directors, the Resolution regarding the Nomination of Joint Company Secretaries, Authorized Representative Required by the Listing Rules, ESS First Authorized Person and Authorized Agent of the Company were considered and approved.

6. Remuneration Committee

As at the date of this annual report, the Bank's Remuneration Committee consists of one non-executive Director, namely Ms. Guo Yan, and two independent non-executive Directors, namely Dr. Fu Qiong and Mr. Li Beiwei. Mr. Li Beiwei is the chairman of the committee.

The principal responsibilities of the Remuneration Committee include but are not limited to:

- to establish and review a reasonable and transparent remuneration system and policy for the Bank;

- to make recommendations to the Bank's Board of Directors on remuneration system and policy and supervise the implementation of the scheme;

- to assess and approve the fair and reasonable compensation for loss of office of Directors and senior management;

- to review the performance of Directors and senior management and review and advise on the remuneration for Directors and senior management with reference to the rates of remuneration of other comparable banks; and

- to review the duty performance of Directors and the senior management and to carry out annual appraisal.

During the Reporting Period, the Remuneration Committee held one meeting in total, a total of two resolutions including the Work Report of the Remuneration Committee for 2017 and the Administrative Measures on Remuneration for 2018 were considered and approved. In particular, the Remuneration Committee assessed the performance of executive Directors and approved the terms of executive Directors' service contracts.

7. Consumer Rights Protection Committee

As at the date of this annual report, the Bank's Consumer Rights Protection Committee consists of one executive Director, namely Mr. Liang Xiangmin, one non-executive Director, namely Mr. Zhang Yusheng and one independent non-executive Director, namely Dr. Fu Qiong. Mr. Liang Xiangmin is the chairman of the committee.

The principal responsibilities of the Consumer Rights Protection Committee include but are not limited to:

- to determine the strategies, policies and objectives for protection of the rights of financial customers of the Bank and supervise the senior management for implementation of the same and relevant work; to receive regularly the special reports on protection of rights of financial customers as prepared by the senior management and to disclose such reports as important information;

- to supervise the protection of rights of financial customers and evaluate the completeness, timeliness and effectiveness of the protection works of the Bank; and to review the duty performance of the senior management in this regard; and

- to review other matters in relation to the protection of customers' rights or authorized by the Board.

During the Reporting Period, the Consumer Rights Protection Committee held two meetings in total, and three resolutions including the Work Report of the Consumer Rights Protection Committee for 2017, the Consumer Rights Protection Committee Work Plan for 2018 and the Work Report of the Consumer Rights Protection Committee for the First Half of 2018 were considered and approved.

8. Three Rurals Financial Services Committee

As at the date of this annual report, the Bank's Three Rurals Financial Services Committee consists of one executive Director, namely Mr. Gao Bing, one non-executive Director, namely Mr. Zhang Xinyou and one independent non-executive Director, namely Mr. Li Beiwei. Mr. Gao Bing is the chairman of the committee.

The principal responsibilities of the Three Rurals Financial Services Committee include but are not limited to:

- to formulate the development strategy plan, policies and basic management systems of "three rurals" business in accordance with the general development strategy plan of the Bank and make recommendations to the Board;

- to determine the risk strategy plan and other important matters in relation to "three rurals" business development in accordance with the general development strategy plan of the Bank;

- to consider the important factors having impact on the development of the "three rurals" business of the Bank with reference to changes of government policy and financial market conditions in relation of "three rurals" and to make recommendations to the Board for the changes to the development strategy plan of "three rurals" business in a timely manner;

- to supervise the implementation of the development strategy plan, policies and basic management systems of "three rurals" business of the Bank;

- to evaluate the results of "three rurals" services and to propose suggestions to the Board accordingly;

- to review the "three rurals" business plan in accordance with the business plan of the Bank and to make recommendations to the Board; and

- to review other matters in relation to "three rurals" business or authorised by the Board.

During the Reporting Period, the Three Rurals Financial Services Committee held one meeting in total, and two resolutions including the Report of the Three Rurals Financial Services for 2017 and the Three Rurals Financial Services Plan for 2018 were considered and approved.

V. Board of Supervisors

The Board of Supervisors, which is the Bank's supervisory body, is committed to protecting the legitimate interests of the Bank, Shareholders, employees, depositors and other stakeholders, and has the obligation to oversee the Bank's financial activities, risk management and internal control, discharge of duties by the Board and its members and the senior management, and is accountable to the Shareholders as a whole.

The term of office of the Supervisors shall be three years. Upon expiry of the current term of office, a Supervisor is eligible for re-election and re-appointment. The cumulative term of office for an non-employee Supervisor of the Bank shall be no more than six years. Shareholder Supervisors and non-employee Supervisors shall be elected, removed or replaced by the general meeting. Employee Supervisors shall be elected, removed or replaced by the employee representative meeting of the Bank.

(I) Composition of the Board of Supervisors

According to the Articles of Association, the Board of Supervisors shall comprise Shareholder Supervisors, employee Supervisors and non-employee Supervisors. The number of the employee Supervisors of the Bank shall not be less than 1/3 of the total number of the Supervisors.

As at the date of this annual report, the Board of Supervisors consists of seven members, including:

- Mr. Luo Hui (chairman of the Board of Supervisors)
- Mr. Wang Enjiu
- Mr. Liu Xiangjun
- Mr. Fan Shuguang
- Mr. Gao Pengcheng
- Mr. Wang Zhi
- Mr. Zhang Ruibin

(II) Chairman of the Board of Supervisors

Mr. Luo Hui is the chairman of the Board of Supervisors. The chairman of the Board of Supervisors shall have the following duties and powers:

- to convene and preside over meetings of the Board of Supervisors;
- to report work to the general meetings on behalf of the Board of Supervisors;
- to organize the Board of Supervisors to perform its duties;
- to sign reports of the Board of Supervisors and other important documents; and
- other duties and powers as provided for in laws, regulations and the articles of association of a commercial bank.

(III) Changes of Supervisors

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

(IV) Responsibilities of the Board of Supervisors

The Board of Supervisors is a supervising organ of the Bank and accountable to the Shareholders as a whole. The Board of Supervisors shall exercise the following powers:

(1) to examine and supervise the Bank's financial affairs;

(2) to supervise the duty performance of the Board of Directors and senior management;

(3) to monitor the Directors, president of the Bank and other senior management in performing their duties;

(4) to demand rectification from a Director, the president of the Bank and any other senior management of the Bank when the acts of such persons are detrimental to the interests of the Bank;

(5) to conduct special and departure audits in respect of any Directors and senior management of the Bank;

(6) to conduct audits in respect of the operation policy, risk management and internal controls of the Bank and to provide guidance with respect to such internal audits of the Bank;

(7) to make inquiries to any Directors, the chairman of the Board and senior management of the Bank;

(8) to propose the convening of extraordinary general meetings;

(9) to propose to general meetings to remove any Directors, president of the Bank or Supervisors who have failed to perform their duties or violated any laws, administrative regulations or the Articles of Association;

(10) to review the financial reports, operation reports and profit distribution plans to be submitted by the Board to general meetings; if any queries arise or any abnormality is found in operations of the Bank, to conduct investigations; and when necessary, to engage such professionals as accounting firms or law firms to assist in the work, at the expenses of the Bank;

(11) to propose any remuneration (or allowance) arrangement of Supervisors; and

(12) other duties and powers as provided in laws, rules and regulations, department regulations, normative documents and the Articles of Association or conferred by the general meetings.

The Board of Supervisors fulfills their supervisory responsibilities mainly in the following manners:

- convening regular meetings of the Board of Supervisors;
- attending general meetings and the meetings of the Board of Directors;
- attending the relevant meetings of the senior management;
- reviewing various documents and materials provided by the senior management and listening to the work report prepared by the senior management;
- evaluating annual performance of the Directors and senior management;

- conducting on-site inspections of the Bank's branches and subsidiaries; and
- conducting departure audits of the Bank's executive Directors and senior management.

Through the above works, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management, internal controls, and the performance of the Board of Directors and senior management.

(V) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened six meetings and there was no objection to the matters under the supervision of the Board of Supervisors.

The following table sets forth the attendance of Supervisors at meetings during the Reporting Period:

	Number of meetings attended in person/attended by proxy/should be attended		
Members of the Board of Supervisors	**Attendance in Person**	**Attendance by Proxy**	**No. of Required Attendance**
Mr. Luo Hui	6	0	6
Mr. Wang Enjiu	6	0	6
Mr. Liu Xiangjun	6	0	6
Mr. Fan Shuguang	6	0	6
Mr. Gao Pengcheng	6	0	6
Mr. Wang Zhi	6	0	6
Mr. Zhang Ruibin	6	0	6

(VI) Attendance at the general meetings

During the Reporting Period, the Board of Supervisors designated representatives to attend the annual general meeting of the Bank. The Board of Supervisors presented its report on work and results of performance appraisal of Supervisors, which were approved at the annual general meeting.

(VII) Attendance at the meetings of the Board of Directors and senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend the meetings of the Board of Directors and supervised legal compliance of the meetings, procedures of voting, attendance, speech and voting of the Directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised implementation of resolutions by the Board of Directors.

(VIII) Committees of the Board of Supervisors

The Board of Supervisors has established the Nomination Committee and the Supervisory Committee. The committees operate in accordance with their respective terms of reference formulated by the Board of Supervisors.

1. Nomination Committee

The Nomination Committee consists of three Supervisors, being Mr. Fan Shuguang, Mr. Zhang Ruibin and Mr. Liu Xiangjun. The chairman of the Nomination Committee is Mr. Fan Shuguang.

The principal responsibilities of the Nomination Committee include:

(1) to make recommendations to the Board of Supervisors in relation to the scale and composition of the Board of Supervisors in accordance with the Bank's operation, scale of assets and shareholding structure;

(2) to review the procedures and criteria for selecting and appointing Supervisors and making recommendations to the Board of Supervisors;

(3) to search for qualified candidates for the Supervisors;

(4) to perform preliminary review of the qualifications and credentials of candidates for the Supervisors nominated by the Bank's Shareholders in accordance with applicable laws and regulations;

(5) to supervise the process of election and appointment of Directors;

(6) to supervise and examine the discharge of responsibilities and duties of the Supervisors during their term of office as authorized by the Board of Supervisors;

(7) to take the lead in conducting a comprehensive assessment and evaluation of the discharge of responsibilities and duties by the Board of Directors, the Board of Supervisors and senior management and report the results to the Board of Supervisors;

(8) to draft the proposals related to removal of a Supervisor to be submitted by the Board of Supervisors;

(9) to make proposals related to award or sanction of Supervisors to the Board of Supervisors;

(10) to be responsible for the daily work of the Nomination Committee and liaise with the members of the Nomination Committee under the guidance of the chairman of the Nomination Committee;

(11) to be responsible for the preparatory works in relation to the election of the members of the Board of Supervisors;

(12) to supervise scientificity and reasonableness of remuneration system and policies of the Bank and remuneration proposals of the senior management; and

(13) other matters authorized by the Board of Supervisors.

The Nomination Committee held a total of two meetings during the Reporting Period, and five resolutions including the Performance Evaluation Report of the Board of Supervisors for 2017, the Evaluation Report of the Board of Supervisors on the Performance of Duties by the Directors and Senior Management for 2017, and the Work Report of the Board of Supervisors for 2017 were considered and approved.

2. Supervisory Committee

The Supervisory Committee consists of three Supervisors, being Mr. Gao Pengcheng, Mr. Zhang Ruibin and Mr. Wang Enjiu. The chairman of the Supervisory Committee is Mr. Gao Pengcheng.

The principal responsibilities of the Supervisory Committee include:

(1) to formulate plans on supervising and examining the Bank's financial activities;

(2) to formulate plans of specific audits of the Directors and senior management and perform departure audit of the Directors and senior management;

(3) to formulate and implement audit plans of the Bank's business decision-making, risk management and internal controls;

(4) to perform audit related to the authenticity of the financial results of the Bank in the last financial year;

(5) to supervise compliance with applicable laws, regulations, financial policies and the Articles of Association by the Directors and senior management in discharging their respective duties and responsibilities;

(6) to make proposals in relation to engagement or change of external auditors;

(7) to provide guidance to the Bank's internal audit and supervise the Bank's internal audit policies and implementation of these policies;

(8) to liaise with internal auditors and external auditors;

(9) to review the financial information of the Bank and its disclosure;

(10) to review the internal control policies of the Bank; and

(11) other matters authorized by the Board of Supervisors.

The Supervisory Committee held a total of four meetings during the Reporting Period, a total of 15 resolutions including the Review Report on the Financial Activities for 2017, the Review Report on the Risk Management and Internal Control for 2017, the Review Plan of the Board of Supervisors for the Financial Activities for 2018, the Audit Plan of the Board of Supervisors for the Risk Management for 2018, the Special Audit Plan of the Board of Supervisors for the Operation Decisions for 2018, the Audit Plan of the Board of Supervisors for the Internal Control for 2018, the Special Audit Plan of the Board of Supervisors for the Directors and Senior Management for 2018, and the Supervisory Opinions regarding Operation Decisions for 2017 were considered and approved.

(IX) Work performed by Non-employee Supervisors

The Chairmen of the Nomination Committee and the Supervisory Committee are served by non-employee Supervisors, which strengthens the role of non-employee Supervisors in performing assessment, internal control and other aspects of independent oversight functions, and plays a positive role in improving the Bank's management quality and governance structure.

During the Reporting Period, non-employee Supervisors actively participated in meetings, carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of sustainable development of the Bank and protection of its Shareholders' interests, carefully provided their independent opinions, and fulfilled the responsibilities of non-employee Supervisors in compliance with applicable laws and regulations.

VI. Senior Management

The Bank establishes a system under which the president is fully accountable to the Board of Directors. According to the Articles of Association, the Bank shall have one president, and three to seven vice presidents. The president and vice presidents shall be appointed and removed by the Board of Directors after their qualifications have been approved by competent authorities.

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

As at the date of this annual report, the senior management of the Bank consists of seven members, including:

- Mr. Zhang Haishan (president)
- Mr. Zhu Weidong (vice president)
- Mr. Liang Xiangmin (executive Director, vice president and chief operating officer)
- Mr. Li Guoqiang (vice president)
- Ms. Song Xiaoping (vice president)
- Mr. Gao Zhonghua (vice president)
- Mr. Yuan Chunyu (executive Director, secretary to the Board of Directors and joint company secretary)

The president of the Bank is responsible to the Board of Directors and has the following powers and duties:

(1) to manage the business operations of the Bank and report work to the Board of Directors;

(2) to organize the implementation of resolutions passed by the Board of Directors, the annual business plans and investment plans of the Bank;

(3) to prepare plans for the establishment of internal management organizations;

(4) to establish the basic management system of the Bank;

(5) to formulate detailed regulations of the Bank;

(6) to propose to the Board of Directors for the appointment or removal of such senior management members of the Bank as the vice president and persons in charge of finance, credit and audit;

(7) to appoint or remove the management personnel other than those required to be appointed or removed by the Board of Directors;

(8) to determine the salary, welfare, reward and punishment of employees of the Bank and to decide on the appointment and dismissal of employees of the Bank;

(9) to propose to convene interim meetings of the Board of Directors;

(10) to decide on the set-up and cancellation of any branches of the Bank and to authorize presidents of any sub-branches to manage daily business and operation;

(11) in the event of emergencies (such as a run on the Bank), to take contingency measures and report immediately to the banking regulators under the State Council, the Board of Directors and the Board of Supervisors; and

(12) other duties and powers provided by laws, regulations, departmental regulations, normative documents, regulators and the Articles of Association and conferred by the Board of Directors.

The president of the Bank shall attend the meetings of the Board of Directors as a non-voting attendee, and a non-director president shall have no voting rights at the meetings of the Board of Directors. The president shall, as required by the Board of Directors or the Board of Supervisors, report to the Board of Directors or the Board of Supervisors any conclusion and performance of material contracts, use of fund and profits and losses, as well as the relevant guarantees, and ensure the truthfulness of such reports.

The remuneration paid to the senior management (excluding the members of senior management who are also Directors) for the year ended December 31, 2018 is set out as follows:

Remuneration bands	Number of Persons
RMB1.6 million – RMB1.8 million	3
RMB1.8 million – RMB2.0 million	2

VII. Chairman of the Board and the President

The roles and duties of the chairman of the Board of Directors and the president of the Bank are assumed by different persons, with their respective responsibilities clearly delineated and in compliance with the requirements under the Hong Kong Listing Rules.

Mr. Gao Bing, an executive Director, is the chairman of the Board of Directors, who is responsible for the overall strategic planning and management of the Board of Directors to ensure that the Board of Directors operates efficiently and that all Directors are aware of the current issues so as to discuss any issues in a timely and effectively manner. To assist the Board of Directors to discuss all important or other related matters, the chairman of the Board of Directors works with the Bank's senior management to ensure that all Directors promptly receive appropriate, complete and reliable information for their consideration and review.

Mr. Zhang Haishan is the president of the Bank, who is responsible for business operations, implementing the Bank's strategies and carrying out the business plans. The president of the Bank, being nominated by the chairman of the Board of Directors and appointed by the Board of Directors, reports to the Board of Directors and performs his duties and responsibilities in accordance with the Articles of Association and within the authorization by the Board of Directors.

VIII. Securities Transactions by Directors, Supervisors and Senior Management

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

Having made specific enquiries to all Directors, Supervisors and members of the senior management of the Bank, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

IX. External Auditors and Remuneration of Auditors

The Group engaged ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited as its domestic and international auditors for 2018, respectively. The fees as agreed to be paid by the Group for the audit of the financial statements for the year ended December 31, 2018 are RMB2.86 million, and for the non-audit service (i.e. interim review) are RMB2.005 million.

The Audit Committee of the Board of Directors is of the view that ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited could properly complete various tasks as required by the Bank, stick to the principles of independence, objectiveness and impartiality and comply with the applicable account principles and ethical requirements for accountants, and conduct the audit work in a prudent and flexible manner. The Bank has continued to appoint ShineWing Certified Public Accountants LLP as its domestic external auditor in the past three years. During the Reporting Period, there was no occasion where the Board of Directors did not agree with the opinions of the Audit Committee on the selection and appointment of external auditors.

X. Joint Company Secretaries

Mr. Wong Yat Tung, a manager of SWCS Corporate Services Group (Hong Kong) Limited, resigned as a joint company secretary of the Bank on May 31, 2018 and Mr. Lau Kwok Yin was appointed as a joint company secretary of the Bank on the same day. Mr. Yuan Chunyu, an executive Director and the secretary to the Board of Directors, and Mr. Lau Kwok Yin, a manager of SWCS Corporate Services Group (Hong Kong) Limited, are the current joint company secretaries of the Bank. The key contact person between Mr. Lau Kwok Yin and the Bank is Mr. Yuan Chunyu.

During the Reporting Period, the joint company secretaries have complied with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

XI. Communication with Shareholders

The Bank places great importance on its Shareholders' opinions and suggestions and has enhanced understanding and interaction with the Shareholders through a wide range of channels such as the general meetings, reception for visitors, on-site visits and telephone consultations.

General enquiries

For enquiries made to the Board of Directors by the Shareholders and potential investors, please contact:

Office of the Board of Directors of Jilin Jiutai Rural Commercial Bank Corporation Limited
No. 2559 Wei Shan Road, High-tech Zone
Changchun City, Jilin Province, the PRC
Telephone: +86 (431) 8925 0628
Facsimile: +86 (431) 8925 0628

Place of Business in Hong Kong: Room 3521, 35/F, Two Pacific Place, 88 Queensway, Hong Kong

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

Enquiries on matters relating to the H Shares

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

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

Enquiries on matters relating to the Domestic Shares

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

Office of the Board of Directors of Jilin Jiutai Rural Commercial Bank Corporation Limited
No. 2559 Wei Shan Road, High-tech Zone
Changchun City, Jilin Province, the PRC
Telephone: +86 (431) 8925 0628
Facsimile: +86 (431) 8925 0628

XII. Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and internal controls to provide timely, accurate and fair information for the investors. During the Reporting Period and up to the date of this annual report, no insider dealing was identified.

In accordance with the requirements of the "Measures for the Information Disclosure of Commercial Banks" and the "Notice on Standardizing the Contents of Annual Reports of Joint Stock Commercial Banks", the Bank continuously improves the timeliness, accuracy and completeness of information disclosure.

The Bank has also formulated the Measures for Information Disclosure, which provide for the basic principles of information disclosure, including the principles of disclosure of the Bank's prospectus, offering circulars, listing documents, regular reports and interim reports. The Board of Directors is primarily responsible for the information disclosure of the Bank and the chairman is the primary person-in-charge of the information disclosure of the Bank.

XIII. Procedures and Regulatory Measures related to Inside Information

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality, maintain fairness with regard to information disclosure and protect the legitimate interest of investors, the Bank has formulated the Measures for Information Disclosure and the Measures for Registration of Insiders and Management of Confidential Information pursuant to applicable laws, regulations, the Hong Kong Listing Rules and other regulatory requirements.

The Bank's Measures for Information Disclosure and the Measures for Registration of Insiders and Management of Confidential Information provide for the scope of inside information and the definition of insiders possessing inside information, detailed requirements on the management of insiders and inside information, confidentiality of such information and sanction measures for divulgence of inside information.

XIV. Amendment to the Articles of Association

(1) According to the spirit of the documents including the Constitution of the Communist Party of China (《中國共產黨章程》), the Guiding Opinions on Deepening the Reforms of State-owned Enterprises (《關於深化國有企業改革的指導意見》) issued by the Central Committee of the Communist Party of China and the State Council, the Several Opinions on Upholding the Party's Leadership and Strengthening the Party's Construction in Deepening the Reforms of State-owned Enterprises (《關於在深化國有企業改革中堅持黨的領導加強黨的建設的若干意見》) issued by the General Office of the CPC Central Committee, and the Notice regarding the Promotion of Incorporation of the Requirements of Party Building Work into the Articles of Associations of State-owned Enterprises (《關於紮實推動國有企業黨建工作要求寫入公司章程的通知》) issued by the Organization Department of the CPC Central Committee and the Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council, the Bank intended to incorporate the party building work into the Articles of Association.

The resolution on the proposed amendments to the Articles of Association in respect of the party building work was considered and approved by the Shareholders at the first extraordinary general meeting of 2018 of the Bank held on February 5, 2018. Such amendments were approved by the CBIRC Jilin Bureau on March 29, 2019. For details of the amendments, investors may refer to the circular of the Bank dated December 21, 2017 posted on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

(2) The resolutions on the private placement of Domestic Shares and non-public issuance of H Shares by the Bank were considered and approved by Shareholders at the second extraordinary general meeting of 2018, the first H Share class meeting of 2018 and the first Domestic Share class meeting of 2018 held on September 5, 2018. The Bank intends to amend the relevant articles of the Articles of Association in relation to its registered capital and share structure to reflect such changes to be made following the completion of the private placement of Domestic Shares and non-public issuance of H Shares.

The resolution regarding the proposed amendments to the relevant articles of the Articles of Association in relation to the registered capital and share structure of the Bank was considered and approved by Shareholders at the second extraordinary general meeting of 2018 of the Bank held on September 5, 2018. The proposed amendments shall be subject to approval of the CBIRC, and shall become effective upon completion of the private placement of Domestic Shares and non-public issuance of H Shares. Prior to this, the current Articles of Association of the Bank shall remain in force. For details of the proposed amendments, investors may refer to the circular of the Bank dated August 15, 2018 posted on the website of the Bank (www.jtnsh.com) and the designated website of the Hong Kong Stock Exchange (www.hkexnews.hk).

XV. Rights of Shareholders

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

The Shareholders of the Bank who individually or jointly hold more than 10% of the total voting Shares of the Bank (the “Relevant Shareholders”) may request the Board of Directors in writing to convene an extraordinary general meeting (the shareholding percentage shall be calculated based on the shareholding of the Relevant Shareholders on the date when such written request is made). The Board of Directors shall hold an extraordinary general meeting within two months from the date when the Relevant Shareholders make such request.

Where the Relevant Shareholders propose to the Board to convene an extraordinary general meeting, the topic to be considered at the meeting and the proposals with complete contents shall be submitted to the Board in writing. The Relevant Shareholders shall ensure the proposals are in compliance with the provisions of laws, rules and regulations, and the Articles of Association.

For the purpose of any proposal submitted in writing by the Relevant Shareholders to convene a general meeting, the Board shall decide whether to convene such meeting in accordance with laws, rules and regulations, and the Articles of Association. The decision of the Board shall be given to the Relevant Shareholders within 15 days upon receipt of such written proposal.

Where the Board agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given and the consent of the Relevant Shareholders shall be obtained in respect of any changes to the original proposals stated in such notice. After the notice is given, the Board shall neither propose any new proposals nor change or postpone the time for convening the general meeting without the consent of the Relevant Shareholders.

Where the Board does not agree to convene an extraordinary general meeting or does not respond within 15 days upon receipt of the request, the Relevant Shareholders shall have the right to propose to the Board of Supervisors to convene an extraordinary general meeting and make such proposal in writing to the Board of Supervisors. Where the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of the general meeting shall be given within five days upon receipt of such request and the consent of the Relevant Shareholders shall be obtained in respect of any changes to the original proposal stated in such notice.

Where the Board of Supervisors does not give a notice of the general meeting, the Board of Supervisors shall be deemed not to agree to convene and preside over the general meeting. The Shareholders holding more than 10% of the Shares for consecutive 90 days individually or in aggregate may convene and preside over a general meeting.

Where the Shareholders convene and preside over a general meeting due to the failure on the part of the Board to hold such meeting as required, any reasonable expenses incurred shall be borne by the Bank and deducted from any amount due from the Bank to the Directors in default.

(II) Proposing resolutions at Shareholders' general meetings

When the Bank convenes a general meeting, the Board, the Board of Supervisors and the Shareholders individually or jointly holding more than 3% of the voting Shares of the Bank are entitled to propose new proposals to the general meeting in writing. The Bank shall include in the agenda of the meeting any matters in the proposals that fall within the scope of powers of the general meeting.

The Shareholders who individually or jointly hold more than 3% of the total voting Shares of the Bank may nominate candidates for Directors and Supervisors to the Board of Directors and the Board of Supervisors, respectively, but the number of candidates must be in compliance with the provisions of the Articles of Association and shall not be more than the number of Directors and Supervisors to be elected and appointed.

The Shareholders who individually or jointly hold more than 1% of the total voting Shares of the Bank may nominate candidates for independent non-executive Directors to the Board of Directors and such independent non-executive Directors shall be elected at the general meeting. A Shareholder who has nominated a candidate for Director shall not nominate any candidate for independent non-executive Director and the same Shareholder can only nominate one candidate for independent non-executive Director. No Shareholder can concurrently nominate a candidate for independent non-executive Director and a candidate for non-employee Supervisor.

The Shareholders who individually or jointly hold more than 1% of the total voting Shares of the Bank may nominate candidates for non-employee Supervisors.

(III) Making inquiries to the Board of Directors

The Shareholders of the Bank are entitled to supervise the business activities of the Bank, and make recommendations or inquiries to the Board of Directors.

(IV) Inspection rights of the Shareholders

The Shareholders are entitled to access to the following information in accordance with applicable laws, regulations, departmental rules, normative documents, the relevant requirements of the securities regulatory authorities of the place where the Bank's Shares are listed and the Articles of Association, including:

1. a copy of the Articles of Association upon the payment of cost;

2. a copy of the following documents after a reasonable fee has been paid:

   a. all parts of the register of members of the Bank;

   b. the personal information of Directors, Supervisors, president and senior management of the Bank;

c. status of the share capital of the Bank;

d. reports on the aggregate par value, number, and highest and lowest prices of each class of Shares in relation to any repurchase by the Bank of its own Shares since the last financial year, as well as all the expenses paid by the Bank in relation to such repurchases;

e. minutes of the general meeting;

f. special resolutions of the Bank;

g. the latest audited financial statements and the reports of the Board, auditors and the Board of Supervisors; and

h. any annual report of the Bank that has been submitted to the State Administration for Industry & Commerce of China or other competent authorities for filing.

In accordance with the requirements of Hong Kong Listing Rules, the Bank shall make the documents referred to in items (a), (c), (d), (e), (f), (g) and (h) available for free inspection by the public and Shareholders of H Shares at the address of the Bank in Hong Kong, of which the documents referred to in item (f) shall be available for inspection by Shareholders only.

Copies of minutes of the meetings will be available for inspection by the Shareholders free of charge during the office hours of the Bank. If any Shareholder makes a request to obtain a copy of the relevant minutes from the Bank, the Bank shall send a copy of the requested minutes within seven days upon the receipt of a reasonable fee. The Bank may refuse to provide any documents if such documents or the copies thereof requested involve any business secrets and/or include inside information of the Bank.

Where a Shareholder of the Bank requests to review the relevant information above, such Shareholder shall provide written document to prove that he possesses any Shares of the Bank and the Bank shall make available such information required by the Shareholder after the identity of such Shareholder has been proved.

Chapter 10 Risk Management, Internal Control and Internal Audit

I. Overview

The Group emphasizes prudent business management and believes that effective risk management and internal control are critical to its sustainable business growth:

- The Bank has established a comprehensive risk management system covering its front, middle and back offices and all business procedures to monitor, evaluate and manage the risk exposure of its business activities. The Group has adopted different risk management strategies based on the risk characteristics of different industries. In particular, for sensitive industries such as real estate, the Group has adopted more stringent management measures and optimized its credit structure to lower concentration risks.

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

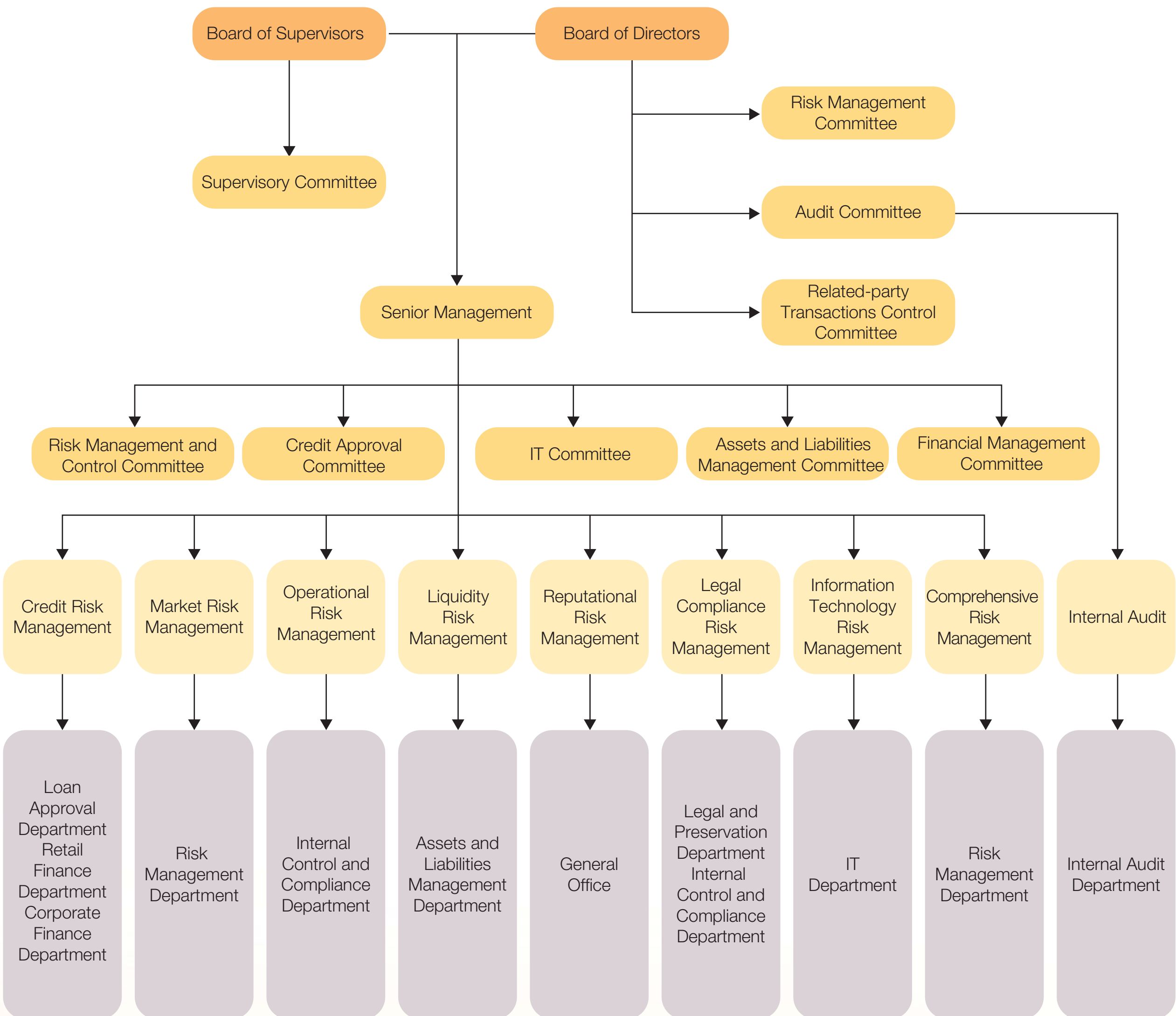
The Bank actively participates in formulating the risk management policies and strategies of the subsidiaries through the nomination of representatives to serve on their respective board of directors. The Bank also assists each subsidiary in formulating and reforming its risk management measures and processes, and supervises and monitors the implementation of the risk management measures and processes by sending or designating risk management personnel to each subsidiary or through the management department of village and township banks.

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

II. Risk Management and Internal Control of the Bank

(I) Organizational System

As of the date of this annual report, the organizational structure of the Bank's risk management was as follows:



Board of Directors and special committees of the Board of Directors

The Board of Directors is ultimately responsible for risk management and internal control of the Bank. The Board of Directors is responsible for (i) determining the Bank's overall risk appetite and risk tolerance level; (ii) approving risk management strategies, policies and procedures; (iii) requiring senior management to take necessary risk response measures; and (iv) monitoring and assessing the comprehensiveness and effectiveness of the Bank's risk management and internal control. The Bank has also established the Risk Management Committee, Audit Committee and Related-party Transactions Control Committee under the Board of Directors.

Risk Management Committee

The Bank's Risk Management Committee is primarily responsible for (i) controlling, managing, monitoring and evaluating risks and assessing its risk management system and internal control system; (ii) proposing risk management strategies, policies and targets for Board's discussion and approval; (iii) reviewing risk management measures; and (iv) reviewing risk management issues and making recommendations to improve its risk management and internal control.

Audit Committee

The Bank's Audit Committee is primarily responsible for (i) reviewing its accounting policies, financial position, financial reports, and risk and compliance conditions; (ii) proposing the engagement or replacement of external auditing firms; (iii) supervising its internal audit system; (iv) coordinating internal and external audits; and (v) ensuring the truthfulness, accuracy and completeness of its audited financial information.

Related-party Transactions Control Committee

The Bank's Related-party Transactions Control Committee is primarily responsible for (i) identifying related parties and monitoring and reviewing significant connected transactions; (ii) establishing, updating and overseeing the implementation of rules for connected transactions; and (iii) submitting regular reports on connected transactions to the Board of Directors.

Chapter 10 Risk Management, Internal Control and Internal Audit

During the Reporting Period, through the strengthening of bottom line thinking and in pursuit of synchronized improvement in business scale, quality and efficiency, the Bank promoted comprehensive risk management to ensure steady growth. In addition to license management and classified management, the Bank also implemented risk pre-warning and reporting system to constantly regulate its operation and management activities. Furthermore, it strengthened the inspection of key business lines to prevent and mitigate various risk exposures. Employee education and training programs were conducted, which effectively enhanced the competence of staff and their awareness of internal control and compliance. The supervisory functions of the business management departments, internal control and compliance department and audit department in internal control were improved, which set up a supervision and inspection system covering all levels of institutions, different products and business procedures.

According to the regulatory requirements, the Board of Directors of the Bank conducts self-evaluation on the effectiveness of risk management and internal control on an annual basis. During the Reporting Period, the Bank maintained effective and adequate risk management and internal control in all material respects, and the Board of Directors was not aware of any significant or material defects in risk management and internal control.

Board of Supervisors and its Supervisory Committee

The Board of Supervisors monitors the compliance of the Board of Directors and senior management of the Bank with laws, regulations and internal policies related to risk management. It also examines and supervises the financial activities and internal control of the Bank. Additionally, the Board of Supervisors conducts departure audits on executive Directors and senior management.

The Supervisory Committee of the Board of Supervisors draws up supervisory plans for financial activities and conducts related inspections. It also oversees the implementation of the Bank's operating philosophy and development strategies. Additionally, the Supervisory Committee monitors and inspects the Bank's operational decisions, risk management and internal control while performing other duties as authorized by the Board of Supervisors.

Senior management and its special committees

Senior management implements risk management policies, strategies, plans and any policies determined by the Board of Directors and coordinates risk management activities. With the assistance of other senior management personnel, the Bank's president is ultimately responsible for risk management at the senior management level and reports directly to the Board of Directors.

The Bank has established five special committees with risk management functions, namely the Risk Management and Control Committee, Credit Approval Committee, IT Committee, Assets and Liabilities Management Committee and Financial Management Committee. These committees work together to organize, coordinate and review measures for risk management and their implementation.

Risk Management and Control Committee

The Bank's Risk Management and Control Committee is primarily responsible for (i) monitoring the daily risk management and internal control activities of the Bank; (ii) regularly assessing overall risk status of the Bank; (iii) approving the disposal of non-performing assets; and (iv) making recommendations for the improvement of risk management and internal control.

Credit Approval Committee

The Bank's Credit Approval Committee is mainly responsible for (i) reviewing and approving extension of credits; (ii) providing market knowledge for authorized approval officers; and (iii) ensuring the appropriate check and balance of approval rights exercised by authorized approval officers. The Credit Approval Committee reviews any credit business that exceeds the approval authority of vice presidents.

IT Committee

The Bank's IT Committee is responsible for (i) reviewing the IT development plans of the Bank; (ii) reviewing and coordinating work plans for IT development; (iii) evaluating information technology management standards, data standards and information management specifications; (iv) reviewing approvals and system requirements for bank-wide informatization development projects; (v) coordinating the development, testing and maintenance of IT systems; and (vi) reviewing the development plans and policies for information safety management system.

Assets and Liabilities Management Committee

The Bank's Assets and Liabilities Management Committee is primarily responsible for (i) centralized management of the size, structure and proportion of the Bank's asset and liability businesses; (ii) making appropriate adjustments to risk asset management plans in accordance with the Bank's business development strategies; and (iii) evaluating the Bank's internal and external pricing policies and strategies, pricing management mechanism and liquidity management system.

Financial Management Committee

The Bank's Financial Management Committee is responsible for (i) monitoring the implementation of the national policies and regulations; (ii) overseeing the accuracy, timeliness, truthfulness and completeness of financial information; (iii) evaluating the Bank's financial condition and operating performance; (iv) reviewing the financial inspections of the Bank by external institutions and preparing appropriate remediation plans; and (v) reviewing fixed asset purchases, construction and leasing as well as the feasibility of other bulk purchase plans.

Risk Management Department

A number of the Bank's business departments, such as the Loan Approval Department, the Corporate Finance Department and the Retail Finance Department, are also involved in the Bank's daily risk management.

(II) Risk Management System

1. Authorization management system

The Bank has established the Measures for Authorization Management to grant the annual basic authorization for the operation, finance, human resources and other affairs of the general and ordinary business within its statutory scope of business. The Bank may also grant a temporary special authorization for any businesses that exceed the scope of basic authorization, special financing business and new businesses. While the Bank's headquarters grants an authorization directly to specific personnel, such authorized personnel may delegate authority to other personnel within their scope of authority after proper approvals or reporting have been made.

The Bank grants and properly adjusts authorizations to different authorized personnel in accordance with their operational management performance, management role and employment status. The businesses and other affairs that are beyond the scope of authorization of the relevant personnel shall be reported to and obtained approval from the higher level pursuant to the Measures for Authorization Management.

2. Credit management system

The credit management system of the Bank has the following features:

- ***Credit management for all credit customers:*** in accordance with the CBIRC's requirements, the Bank determines the credit limit for each customer primarily based on factors such as (a) the operational and financial condition and repayment history of borrowers, (b) the intended purpose of loans, and (c) the collateral or guarantees for loans.

- ***Strengthening uniform credit management for group customers:*** in order to identify and control concentration risks arising from group customers, the Bank does not extend credit to any group customer in excess of 15% of its regulatory capital. The Bank uniformly determines the overall credit limits for group customers to prevent parallel credit extension from multiple branches.

- ***Separate systems for credit examination and approval:*** the investigation, assessment and decision of the Bank's credit business are carried out by different departments and personnel.

- ***Strengthening the management of credit business procedures:*** the Bank has formulated specific administrative measures for each stage of credit extension.

- ***Strengthening the management of the acceptance business:*** the Bank has formulated specific administrative measures for its acceptance bill business, discounted bill business and other bill businesses to ensure that its acceptance business complies with applicable laws and regulations and to prevent the use of false trading information or the use of loan proceeds for security deposits.

- ***Strengthening the management of loan classifications:*** the Bank has established refined loan classification measures based on the loan risk classifications formulated by the CBIRC to precisely evaluate its credit risks.

- ***Strengthening the management of corporate customers:*** the Bank has formulated a sophisticated management system for credit ratings of corporate customers to evaluate credit risks for each type of corporate customers.

- ***Strengthening the risk awareness of employees:*** the Bank has formulated stringent punishment measures targeted on the non-compliance with regulations and disciplines by working staff, as well as the punishment measures for the issues identified in its internal audits to increase the initiative of all employees to strictly implement the policies and rules relevant to risk management.

(III) Management of Different Types of Risks

The Bank has paid close attention to the development trend and directional changes of various risks and continued to improve its comprehensive risk management system, which effectively enhances its risk management ability.

For details of the management of various risks including credit, market, operating, liquidity, reputational, legal and compliance, and information technology risks, and anti-money laundering management, please refer to the section headed "Management Discussion and Analysis — 4.5 Risk Management — (a) Risk Management of the Bank" of this annual report.

III. Risk Management and Internal Control of Subsidiaries

As a separate legal entity, each subsidiary of the Bank has established risk management and internal control systems, in accordance with applicable regulatory requirements. The Bank participates in formulating the risk management policies and strategies of each subsidiary through the Bank's Board representatives. The Bank supervises and monitors the implementation of the risk management processes of its subsidiaries by sending or designating risk management personnel and through the management department of the Bank's village and township banks.

(I) Organizational System

Each subsidiary has established a multi-layer risk management organizational system that primarily consists of (1) the Board of Directors that is ultimately responsible for risk management, (2) various special committees under the Board of Directors, which are responsible for proposing risk management strategies, policies and targets and reviewing accounting policies, financial reports and risk and compliance conditions, (3) the Board of Supervisors, which is primarily responsible for monitoring the compliance by the Board of Directors and senior management with risk management laws, regulations and internal policies, and (4) senior management and various special committees, which are responsible for implementing the risk management policies, strategies, plans and any policies determined by the Board of Directors and coordinating risk management activities.

(II) Management of Different Types of Risks

For details of the management of various risks including credit, market and operating risks of each subsidiary, please refer to the section headed "Management Discussion and Analysis — 4.5 Risk Management — (b) Risk Management of the Subsidiaries" of this annual report.

IV. Internal Audit

(I) Internal audit of the Bank

For details regarding the internal audit of the Bank, please refer to the section headed "Management Discussion and Analysis — 4.5 Risk Management — (a) Risk Management of the Bank — (ix) Internal audit" of this annual report.

(II) Internal audit of subsidiaries

Each subsidiary has designated auditors who perform the functions of audit, supervision, assessment and consultation independently.

V. Regulation of the Bank's Inside Information

The Bank attaches great importance to information disclosure and inside information management. In order to strengthen the inside information and confidentiality work, safeguard the fairness of information disclosure and protect the legitimate rights and interests of investors, the Bank has formulated the Measures for Information Disclosure (《信息披露制度》) and the Measures for Registration of Insiders and Confidentiality of Relevant Persons Possessing the Bank's Inside Information (《內幕信息知情人登記管理及保密制度》) in accordance with the PRC Company Law, the PRC Securities Law, the Hong Kong Listing Rules, and other applicable laws, regulations and normative documents. The following aspects are clearly provided for in the Measures of Registration of Insiders and Management of Confidential Information, including the coverage of the information that involves the Bank's operation and finance, or that may have significant impact on the market prices of the Bank's Shares and that has not been publicly disclosed on the information disclosure media designated by securities regulatory authorities, and the scope of insiders. In addition, the Bank has specified in detail the management of insiders and confidential information and the penalties for violating the internal measures governing insiders and inside information.

In accordance with the Measures for Registration for Insiders and Confidentiality of Relevant Persons Possessing the Bank's Inside Information, the Office of the Board of Directors shall maintain a complete list of the persons that are involved in preparing, circulating, reviewing and disclosing the inside information of the Bank before such information is formally disclosed. The details of registration include the identities of insiders, number of their securities accounts, relationship between the insiders and the Bank, and timing and method of obtaining the inside information. The Office of the Board of Directors shall also conduct regular and ad hoc inspections of the securities transactions between the insiders and the Bank.

The Bank carries out information disclosure strictly according to regulatory requirements. In the Measures for Information Disclosure, the Bank has clearly defined the basic principles of information disclosure and the disclosure rules. In addition, the Bank has specified that the Office of the Board of Directors is responsible for developing and implementing the Measures for Information Disclosure, the Bank's chairman is the first responsible officer responsible for implementing the Bank's information disclosure system, the secretary to the Board of Directors is the designated contact person between the Bank and the PRC banking regulatory authorities, and the company secretary is responsible for submitting the required documents to the Hong Kong Stock Exchange. The Board of Supervisors is responsible for supervising the Bank's information disclosure and reporting to the general meeting of the Bank and the competent regulatory authorities about irregularities related to information disclosure involving the Bank's Directors, president or senior management.

Chapter 11 Environmental, Social and Governance Report

1. About the ESG Report

This Environmental, Social and Governance Report (the "ESG Report") of Jilin Jiutai Rural Commercial Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group" or "We") summarizes the efforts in fulfilling our social responsibilities as well as the environmental and social performance (please refer to "Appendix I: Sustainability Data Statements" of this chapter) in pursuit of sustainable development and operation.

Scope of Reporting

The ESG Report elaborates the environmental and social performance of the core business of the Group from January 1, 2018 to December 31, 2018 (the "Reporting Period" or the "Year"). Key performance indicators have been consolidated in the ESG Report in order to quantify the performance of the Group and reflect its business development on various aspects.

Reporting Guidance

The ESG Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited, the covering scope of which is in compliance with the disclosure obligations under the Guide. Readers can refer to "Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index" for quick reference. For details of corporate governance, please refer to the section headed "Corporate Governance Report" of this annual report, which should be read in conjunction with this ESG Report in order to have a thorough understanding of the environmental, social and governance practices of the Group.

Reporting Language

The ESG Report is published in both Traditional Chinese and English. In the event of any discrepancy between the two versions, the Traditional Chinese version shall prevail.

Feedbacks

Your opinions on this ESG Report are highly valued by the Group for continuous improvement of the disclosure in future reports. If you have any advice or suggestion, please email to the following address: jtnsyh@126.com.

2. Sustainable Development Strategies

The Group has attached importance to environmental protection, fulfilled its social responsibilities and proactively promoted inclusive finance in the course of its sound development. The Group has taken up the leading role in rural revitalization to make contribution to the innovation, coordination, greening, openness, sharing development.

Communication with Stakeholders

We have identified stakeholders from different sectors, including shareholders/investors, employees, customers, business partners, government and regulatory authorities, suppliers and the general public. We actively and openly listen to and understand the concerns of stakeholders, so as to determine the aspects that shall be covered in the ESG Report. We also continue to communicate and interact with internal and external stakeholders to understand their opinions and expectations for the Group and establish a long-term relationship with mutual trust. The following set forth the major communication methods of the Group with substantial stakeholders:

Substantial stakeholders	Major engagement methods
Shareholders/investors	• Annual general meetings and other Shareholders' general meetings • Interim reports and annual reports • Corporate communications such as letters/circulars to Shareholders and notices of meeting • Shareholders' visits • Senior management conferences
Employees	• Surveys on employees' opinions • Feedback forms and suggestion boxes for employees • Work performance appraisal • Group discussion • Conferences and face-to-face discussion • Business presentation • Volunteering activities • Employees newsletters • Employee communication meetings • Employee intranet

Substantial stakeholders	Major engagement methods
Customers	• Customer satisfaction surveys and feedback forms • Customer consultation groups • Customer service centers • Customers' visits • Daily operation/interaction • Internet service platforms • Telephone • Mailbox
Business partners	• Reports • Conferences • Visits • Seminars
Media	• Press releases • Senior management interviews • Results announcements
Community/non-governmental organizations	• Community and volunteering activities • Donations • Community investment schemes • Conferences
Regulatory authorities	• Conferences • Written responses to public consultation • Compliance reports
Suppliers	• Supplier management procedures • Conferences • Supplier/contractor assessment systems • On-site inspection
Peers of the financial industry	• Strategic cooperation projects

3. Compliance Operation

The Group has strictly complied with laws and regulations, including the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》), the Guidelines for the Management Comprehensive Risk of Banking Financial Institutions (《銀行業金融機構全面風險管理指引》) and the relevant requirements of the Bank to regulate various business operation and management activities and ensure compliance and sound operation.

3.1 Improvement of Management System

The committees established under the Board of Directors, such as the Risk Management Committee, the Strategy and Development Committee and the Audit Committee, conduct supervision and management based on their functions and duties to disperse and undertake risks. The Board of Directors is responsible for introducing policies, strategies and plans while the senior management are required to identify major risks and hidden issues, review the execution and compile the special report of its feasibility. A bottom-up management model is adopted to improve administrative efficiency and help the Board of Directors to identify more risks and take follow-up measures in a timely manner.

Prevention of bribery, extortion and fraud

In order to prevent employees from conducting bribery, extortion and fraud for the establishment of cooperative relationship, we have specifically formulated the Employee Compliance Handbook (《員工合規手冊》) and the Administrative Measures for the Supervision of Employees' Activities Beyond Eight Hours (《員工八小時以外活動監督管理辦法》) to strengthen the supervision of employees. All employees are required to comply with the national laws applicable to the business operation of banks such as the PBOC Law (《中國人民銀行法》), the Law on Commercial Banks (《商業銀行法》), the Banking Supervision Law (《銀行業監督管理法》) and the Guidelines on Compliance Risk Management of Commercial Banks (《商業銀行合規風險管理指引》). It is the responsibility and obligation of all employees to fully understand and implement the Employee Compliance Handbook (《員工合規手冊》). Our employees are strictly prohibited from having any abnormal interaction and economic interests with our service targets, providing financial services, such as loans, investments, guarantees, financing, settlement and withdrawals, to their relatives and friends, in violation of relevant rules and taking advantage of their positions to accept banquet invitation, enjoy high-end consumption or receive valuable gifts and negotiable securities.

Anti-money laundering and anti-corruption management

The Group also attaches high importance to anti-corruption management, and strictly implements the Anti-corruption Management System (《反舞弊管理制度》) and the Employee Compliance Handbook (《員工合規手冊》). Our employees must comply with the relevant national regulations including the Anti-money Laundering Law, and various requirements of the PBOC and the Bank in respect of anti-money laundering. We stipulate that employees shall voluntarily perform their reporting obligations for businesses that meet the standards for being identified as high-value or suspicious transactions and reporting scope. Any employee has no authority to obstruct or interfere other employees from performing their reporting duties according to law. In addition, all reports on high-value or suspicious transactions and terrorist financing business must be kept in strict confidence. Unless specifically required by laws, no disclosure shall be made to any third parties and customers themselves. All employees shall be familiar with these rules and regulations and attend training course when they first join the Group in order to take the issues of anti-corruption seriously and enhance the ideological level and skills of employees in anti-corruption earnestly, further establish a good corporate culture of honesty, diligence and sense of responsibility.

Non-compliance investigation procedures

We have established the sound procedures for investigation of misconduct and non-compliance, with zero tolerance to all kinds of bribery, extortion, fraud and illegal behaviors. In the event that an employee discovers any violation of rules and regulations by other employees or any suspicious or fraudulent events in relation to the work of the Bank, he/she must immediately report to his/her direct supervisor or other senior departments, the Complaints and Proposals Department, the Internal Control and Compliance Department. For any clues of non-compliance material suspected and specially urgent matters, the employees may directly report to the Discipline Inspection Department, Internal Control and Compliance Department of the head office as required by bypassing the immediate levels. During the Reporting Period, the Group was not subject to any lawsuits relating to bribery, extortion, fraud and corruption.

3.2 Enhancement of Information Management

The operation of the financial industry involves commercial and customer information. In order to protect the privacy of personal and other information of customers and maintain good reputation of corporate governance, we have formulated the Provisional Measures for IT Risk Management (《資訊科技風險管理暫行辦法》) and the Employee Handbook (《員工手冊》) to handle and protect customers' information according to the Banking Supervision Law of the People's Republic of China (《中華人民共和國銀行業監督管理法》), the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and the Guidelines on IT Risk Management of Commercial Banks (《商業銀行資訊科技風險管理指引》). Employees must strictly adhere to confidentiality disciplines, including keeping secrets of country, the Bank and customers confidential during their employment or after resignation. Information of customers and transaction records shall be kept properly to ensure that there is no violation of laws and regulations of customers' privacy during operation. The confidentiality agreements signed by customers shall protect their rights. If customers believe their information is disclosed or illegally used, they can report the issues through the IT service complaint mechanism.

Adhering to the approach of "prevention as the key measures, safety as the top priority, work in compliance with laws, governance comprehensively adopted", the Group has constantly stepped up its prevention efforts, and coped with ever-changing challenges. Employees have to attend training courses on political ideologies, work ethic and safety and confidentiality education regularly so that they can fully understand the IT risk management system and procedures. Moreover, we regularly carry out drills so as to verify the effectiveness of the emergency response and disaster recovery procedures, decision-making mechanisms, reporting channels and resource protection ability. Efforts are also made to enhance the awareness and professional skills of relevant employees regarding emergency and disaster response.

3.3 Attaching Importance to Consumer Rights Protection

With an emphasis on establishing a harmonious and stable financial consumption relationship and the focus on product and service design, the Group optimizes its organizational structure and enhances the awareness of main responsibilities. The Group has formulated the Measures for the Protection of Consumer Rights (《消費者權益保護管理辦法》) based on relevant laws and regulations, including the Guidelines on Consumer Rights Protection for the Banking Industry (《銀行業消費者權益保護工作指引》) of China and the Implementation Measures of the PBOC for Protecting Financial Consumers' Rights and Interests (《中國人民銀行金融消費者權益保護實施辦法》). In line with its development strategies, the Group improves its measures for consumer rights protection in order to push forward and commence the work in relation to consumer rights protection in an orderly manner.

Optimizing organizational structure

The consumer rights protection initiatives have been included in the one of the development strategies of the Bank. The Consumer Rights Protection Committee has been established under the Board of Directors to formulate the policies and targets of its financial consumer rights protection efforts and supervise the senior management in carrying out the policies and achieving the target efficiently. The Group has also set up the Consumer Rights Protection Department with designated personnel in charge of the daily work of consumer rights protection.

Improving complaint handling system

The Group has established the Complaint Handling and Management Mechanism of the Customer Service Center (《客戶服務中心投訴處理管理機制》) which collects customers' opinions through the 24-hour service center hotlines with automated and manual customer service and handles complaints promptly by providing the best solutions. We have consolidated compliants and formulated the complaint registers to collect and analyze various types of complaints. The complaint record is kept in an account for effective analysis, facilitating improvement of the products and services, and satisfying of customers' reasonable demands in a timely manner. Meanwhile, weaknesses in handling complaints could be promptly identified through the handling of complaints to further improve functions and streamline the processes, achieving standardization of the complaint handling procedures and enhancing the complaint handling service quality. During the Reporting Period, we received 15 complaints, and 7 of which were related to products and services. All the complaints were handled and followed up promptly. There was no repeated complaint or material incident.

Refining financial information confidentiality mechanism

Effective protection measures have been taken to better protect personal financial information in the process of information collection, usage and storage in an effort to ensure information safety and prevent information leakage and misuse. In respect of the enhancement of the preventive measures of information safety technology, relevant employees are required to sign the Undertaking of Key Personnel on Personal Financial Information Confidentiality (《重要崗位個人金融信息保密承諾書》) to prevent leakage of personal information in every aspect.

Regulating product development and service standards

We have strictly complied with the applicable requirements of China and the relevant regulations and code of conduct formulated by the Bank. Consumer rights protection is integrated into each business segment of products and services, including development and design, pricing management, approval and admission, marketing and promotion, and aftersales management. Our staff must comply with the regulatory requirements and recommend products or provide services to customers under the circumstance that the consumers are fully aware of the relevant laws, policies and market risks relating to such products and services. Our staff are also required to reply to customer inquiries honestly with accurate information. The process shall be recorded and both audio and video footages are kept to make sure that our staff will not conceal any risks, make false or misleading statements, make promises or guarantees to customers that do not comply with the relevant laws and the rules and regulations of relevant institutions, exaggerate earnings for the purpose of concluding a transaction, or conduct forced transactions. Education and Training Department provides staff education and training courses on a regular basis to increase their knowledge of financial products and sales regulations. In addition, in terms of strengthening service management, we divert customers to shorten their waiting time and provide convenient services according to the actual needs of special customers (such as disabled people and the elderly)

Promoting public education

We will continue to organize a series of promotion campaigns such as 3.15 Financial Consumer Rights Day (「3.15金融消費者權益日」), Learning Finance (「金融知識進萬家」) and Financial Knowledge Walk (「普及金融知識萬里行」). In response to the disputes over wealth management business, non-compliance, campus loans (「校園貸」), training loans (「培圳貸」), and telecommunication and Internet frauds, the Group has conducted featured campaigns to promote financial knowledge, basic rights of financial consumers and channels to protect their rights. Efforts were also made to raise the awareness of financial consumers on risk prevention and rights protection.

3.4 Stronger Supply Chain Management

The Group has 27 major suppliers from Changchun, Beijing, Hangzhou, Wenzhou and Shenzhen. Its procurement includes goods and services such as office furniture and electronic equipment. The Group formulates the Administrative Measures for Central Procurement (《集中採購管理辦法》) and establishes a Procurement Committee to regulate procurements. Following the procurement principle of "pre-planning, budgeting and then repurchasing", a procurement plan shall be formulated according to the project background, budget, method and the procurement shall only be carried out after review and approval. At least three suppliers (inclusive) fulfilling requirements, such as the capacity for such projects, good reputation and compliance operation, shall be invited for participating in the procurement process. A review panel shall select suppliers according to various requirements, such as procurement demand, quality, price, service, lower impact on the environment and performance of social responsibilities in their operation. In addition, suppliers shall enter into a written contract with the Bank when large-scale procurement is involved, and major terms such as price, payment terms, quality standards, and procurement deadlines shall be specified in the contract.

The Procurement Committee shall conduct regular and ad hoc inspections, and provide guidance and supervision on procurement and performance of contracts in due course. If violations of laws and discipline are identified, the committee shall correct the misconduct and offer opinions, and also urge relevant departments to complete the work promptly. A procurement shall be ordered to stop immediately and treated with the utmost seriousness if any act that causes damage to the interests of the Bank is identified, and relevant personnel shall be held accountable. Behaviors such as abuse of power for personal gains shall also be sanctioned or transferred to the judicial authorities if the case is found to be serious.

4. Professional Team

In the context of business expansion and transformation, recruitment of professionals and enhancement of the sense of belonging for the existing employees have become the focus of the Group. The Group also ensures its compliance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) to protect the interests of its employees.

4.1 Compliance with Employment Standards

The Group carries out recruitment procedures in strict accordance with the Administrative Measures for Employees (《員工管理辦法》) and under close supervision of its Audit Department to ensure impartiality and avoid falsification and malpractices. We publish recruitment information through open channels to select candidates in a fair and competitive manner. During the recruitment process, certificates of identity, education and qualifications shall be collected and relevant files shall be kept for stringent inspection. No child labor was found during the Reporting Period. In addition, the Group adopts a working schedule of eight hours per day and 40 hours on average per week. It makes reasonable arrangements of employees' working hours to ensure that there is no forced labor.

4.2 Employee Benefits

Based on its "people-oriented" management principle, the Group is committed to improving employees' regulations and protecting their rights and interests. The Group introduces the Supplementary Administrative Measures on Medical Insurance (《補充醫療保險管理辦法》) to improve the medical protection for employees and retirees. Participants in the medical insurance shall be provided with subsidies from the fund to reduce their medical expenses, provided that the medicines, scope of medical treatments and standards of medical service facilities are in line with standards specified in the catalogue for basic medical insurance. In addition to providing the statutory holidays for employees, the Group also provides benefits such as festival allowances for government statutory holidays.

4.3 Platform for Training and Promotion

We require our employees to participate in training and continuous learning. The Group arranges the following training and learning tasks to enable employees to acquire new skills, update their knowledge and remain competitive:

- The Group adopts position rotation model so that employees could be familiar with various business segments and improve their skills and service standards;

- Business-related books, newspapers, magazines and training videos are provided in the reading room for employees to borrow and study;

- The Group actively encourages its employees to participate in self-study examinations, including diploma examinations, qualification examinations for practitioners in the banking industry and examinations for various national professional certificates;

- Employees who have obtained relevant professional qualification certificates would have greater chances of increasing salary and promotion so that they are motivated to improve their professional ability, academic level and enthusiasm for learning.

4.4 Healthy Working Environment

The Group believes that the health of its employees is closely related to its business development. It has issued the Administrative Measures for Medical Examination of Employees (《員工健康體檢管理辦法》) and continues to provide free medical checkups for eligible employees. Results of the medical examinations of employees have been kept in the health record for reference and comparison. Professionals also provide specific advices for employees. These initiatives make early detection, early diagnosis and early treatment possible and raise the health awareness of employees. In respect of mental health of its employees, the Group increases its concern about employees by organizing seminars on how to cope with their workplace stress. In addition, the Group regularly organizes various emergency drills to strengthen safety training of its employees and ensure the safety of employees and customers. During the Reporting Period, there was no incident of work-related injury or death of employee.

5. Contribution to Community

The Group pays attention to its social responsibilities in its pursuit of steady development. It has endeavored to conduct different charity activities and financial poverty alleviation in an effort to contribute to the community with practical actions.

5.1 Adoption of Inclusive Finance

Adhering to the operation philosophy of "inclusive financial services and improving the well-being of both the public and the enterprises", we promoted the regional development comprehensively and extensively in different aspects.

Dedicated efforts were made to serve small and micro enterprises and private economy. We introduced innovative financial products, such as the mortgage loans secured by farmers' housing property rights, mortgage loans secured by the land use rights regarding rural collectively-owned construction land for operating purpose, and mortgage loans secured by exclusive rights of trademarks, to support the development of new business and modern agriculture. In particular, products of small and micro enterprises were supported by the service system of the "small enterprise financial services center" and "micro-credit center". In addition, we established a team of "financial nannies" and "financial butlers" to build a standardized and customized service model of community finance.

We launched the "rural services", including transforming outlets, establishing rural service stations and setting up ATM, to provide basic financial services for customers living in remote areas or with disabilities. In addition, the Group participated in the financial services of "New Rural Social Pension Insurance" (「新農保」) and "New Rural Cooperative Medical Insurance" (「新農合」). Favorable collection and disbursement services, including social security assistance, New Rural Social Pension Insurance, New Rural Cooperative Medical Insurance, medical insurance and direct food subsidies were provided to the rural community in order to enhance the convenience of financial services.

5.2 Charity Activities

The Group received the "Jilin Charity Award" (「吉林慈善獎」) and the "Outstanding Award of the Second Session of China Charity" (「第二屆中華慈善突出貢獻獎」) from the Jilin provincial government and China Charity Federation respectively, for its passion and active participation in charity activities.

We set up a volunteering team to visit rural communities from time to time to help and care for the underprivileged groups. We established charitable funds under the Changchun Charity Federation and the Charity Federation of Jilin Province respectively, with donation of RMB5 million to support education, the poor and the unprivileged. Furthermore, the Group has served as the title sponsor of the basketball team, Jilin Northeast Tigers, to support the development of cultural and sports undertakings of Jilin Province.

During the Reporting Period, the Group organized over 350 charity activities with a total investment of more than RMB9.3 million, including supporting and visiting the elderly who live alone, supporting the poor families, offering education subsidies, providing financial knowledge lectures and social welfare talks. In the future, we will continue to fulfill our corporate social responsibilities by providing services and support for the daily lives of the general public in order to promote the outstanding charitable culture.

5.3 Supporting Targeted Poverty Alleviation

In line with the spirit of the 19th National Congress and our social responsibilities, we explore targeted poverty alleviation models and measures for the financial industry so as to make contribution to poverty alleviation and economic development of the local communities.

Establishment of Platforms with Integrated Resources

We collaborated with Jilin Financial Association (吉林省金融商會) and Jiutai Commerce Association (九台商會) and attracted over 40 renowned enterprises in the province to jointly establish the Financial Poverty Alleviation Alliance (金融商會扶貧聯盟) and Jiutai Industrial Poverty Alleviation Alliance (九台產業扶貧聯盟). We also invited Jilin Agricultural University and Changchun University of Chinese Medicine to provide technical guidance. In addition, the leading enterprises of the poverty alleviation alliances and rural collectives jointly established an entity with "transparent shareholding structure, clear division of power and duties, and sharing of interests" in order to effectively overcome the bottleneck constraint of "having an organization but no entity, having an intent but no opportunity, and having resources but no income" in poor villages and implemented their plans of creating income with available resources through organized entities.

Development of Local Industries

Based on research and actual situation, the Group will support the development of featured industries in poor villages. We assisted villages such as Maolin Village in Jiutai and Yongfeng Village in Panshi in the construction of featured agricultural bases and processing factories of agricultural products. We also supported Northeast Socks Park (東北襪業園) to set up a sewing factory and hire poor villagers. These initiatives brought opportunities for start-up, employment and shareholding to poor families and supported the development of industries.

Integrated Services to Support Finance

The Group completed credit rating and granted loans of over RMB30 million to 609 registered poor families in 20 villages in Jiutai. Moreover, we also developed and adopted a new poverty alleviation model of "loan + shareholding + bonus", to provide support to Maolin Village in Jiutai by establishing a cooperative for more than 110 families and granting poverty alleviation loans. Such loans were given to the cooperative on an unified basis for the purchase of machines and equipment. Such machines and equipment were leased to Northeast Socks Park (東北襪業園) and the leasing income was distributed as bonus to the poor families. We also offered loans for social security funds "in order to help those who are unable to pay the basic pension insurance due to financial hardship. The loans were "applied by individuals on a voluntary basis, granted by financial institutions, guaranteed by insurance companies and to be repaid upon retirement".

Long-term Poverty Alleviation through Talent Cultivation

With the principle of "poverty alleviation through education", the Group recruited junior high school graduates from poor families to attend the motivation class with special training programs provided by Changchun Finance College and sponsored by the Bank. Those students would be assigned to the local branches of the Bank at their hometowns upon graduation, achieving poverty alleviation through education, intelligence and employment.

In addition, the Bank cooperated with Jilin Agricultural University to organize a training class for potential "village cadres" and recruit undergraduate talents from the university. Graduates would be sent to villages to support poverty alleviation, thus effectively connecting the financial industry with the "three rurals". The Bank also selected outstanding grassroots employees to attend intensive training and act as the "village cadres" on secondment for two to three years, providing villages in poverty with professional financial knowledge and services.

6. Caring for the Environment

Although our businesses are mainly carried out in offices, we comply with environmental protection laws of regions in which we operate our business and aim to minimize the impacts on the environment.

6.1 Promoting Low Carbon Culture

A total of 195 countries over the world participated in the United Nations Climate Change Conference (COP21) and determined to work together in combating climate change through the climate change agreement with historical meaning — the Paris Agreement.

Major Goals of the Paris Agreement:

- To keep the increase of average global temperature well below 2°C from the pre-industrial level and to strive to limit the temperature increase to 1.5°C;

- To achieve a peak of the global greenhouse gas ("GHG") emissions as soon as possible and achieve the global target of "carbon neutral" (i.e. keeping the balance between GHG emissions and carbon removal) during the period from 2050 to 2100;

- To set carbon emissions reduction targets and update the progress every five years.

The People's Republic of China has been committed to making contribution on a voluntary basis and endeavouring to reach the peak as soon as possible. Important policies such as the National Plan on Climate Change (2014–2020) (《國家應對氣候變化規劃(2014–2020年)》) and the National Strategy for Climate Adaptation (《國家適應氣候變化戰略》) were subsequently promulgated. In response to the national target, the Bank has proactively put the green and low carbon concept into practice and promoted corporate social responsibilities and green competitiveness.

Summary of GHG Emissions

In order to combat global climate change, we have conducted carbon audit for 36 banks of the Group in accordance with the Greenhouse Gas Protocol prepared by the World Resources Institute and the World Business Council for Sustainable Development and the ISO14064-1 formulated by the International Organization for Standardization. Details of GHG emissions are as follows:

GHG Emissions	Unit	2017	2018
GHG Emissions			
Direct GHG emissions (Scope 1)	Tonnes of carbon dioxide equivalent (CO_2e)	3,731	**1,111**
Indirect GHG emissions (Scope 2)	Tonnes of CO_2e	42,368	**29,085**
Other indirect GHG emissions (Scope 3)	Tonnes of CO_2e	318	**275**
Total GHG emissions (Scope 1, 2 and 3)	Tonnes of CO_2e	46,417	**30,471**
GHG Emissions Intensity			
Per square meter of floor area (Scope 1, 2 and 3)	Tonnes of CO_2e/square meter	0.12	**0.09**

Scope 1: The direct GHG emissions generated from sources owned and controlled by the Bank.

Scope 2: GHG emissions indirectly generated by electricity generation, heating and cooling or steam purchased by the Bank.

Scope 3: Emissions include GHG emissions indirectly generated by sources that are not owned or directly controlled by the Bank but related to the Bank's business activities.

Upon the audit, GHGs emissions of the Bank could be classified as direct emissions (Scope 1) and indirect emissions (Scope 2 and 3). GHG emissions from various scopes include gasoline consumed by vehicles owned by the Bank (Scope 1), electricity consumed during business operation (Scope 2), emissions from air travel of employees for overseas business trips, waste disposal and paper consumption (Scope 3). During the Year, the Bank's total GHG emissions amounted to 30,471 tonnes of CO_2e. GHG emissions per square meter amounted to 0.09 tonnes of CO_2e, representing a decrease of 25.71% as compared to the previous year.

In order to reduce GHG emissions and deal with climate changes, the Group has implemented the following specific measures in relation to different emissions sources:

Business trips

Measures: Direct flights are chosen for necessary business trips while telephone and video conferences are adopted to replace business trips unneccessary.

Purpose: To significantly reduce emissions of GHG

Business vehicles

Measures: Application form should be submitted to, reviewed and approved by the Administrative Department based on the usage and route before using business vehicles.

Purpose: To ensure proper usage of business vehicles.

Vehicles maintenance

Measures: Regular maintenance for business vehicles is performed and problems identified are promptly fixed.

Purpose: To prevent over consumption of gasoline or emissions of more pollutants due to vehicle aging.

Boilers

Measures: All gas stoves are replaced with electronic heaters for heating.

Purpose: To reduce energy consumption.

Reducing Electricity and Water Consumption

During the Year, the Bank's electricity consumption in total amounted to 17,060 MWh during business operation. Total electricity consumption intensity per square meter amounted to 0.05 MWh, representing a decrease of 9.6% from 0.06 MWh of the previous year. The Group has formulated the following energy saving measures in order to consume natural resources in a responsible manner:

Lighting system	• Choosing lighting systems of high energy efficiency • Installing motion detector in low usage areas
Air-conditioning system	• Setting the lowest temperature of air-conditioning system at 25.5°C • Installing airtight seal on doors and windows to prevent leakage of conditioned air
Printers	• Reducing usage of individual printers

During the Year, the Bank's water consumption in total amounted to 125,756 cubic meter during business operation while total water consumption intensity was 0.37 cubic meter per square meter, representing a decrease of 16% as compared to 0.44 cubic meters of the previous year. To prevent wastage of water resources, we test hidden water pipes and inspect water meter readings regularly. Water pipes would be repaired immediately once problems are identified in order to prevent water leakage. Water saving slogans and notices are placed in each toilet to promote proper water consumption practice among employees.

Reduction of Paper Consumption

As the Group is engaged in banking business, we mainly carry out our business in offices where paper consumption quantity is substantial. We measure the paper consumption of our branches on an annual basis. During the Year, the Group consumed 30,972 reams of paper in total and each employee consumed 0.68 reams of paper. The Bank places great importance to the environmental impacts of paper consumption and issued the Notice on the Trial Operation of New Office Automation System (《關於新版辦公自動化系統試運行的通知》). Our head office has commenced the trial operation of the new office automation system (OA system). We aim to realize efficient, automatic and standardized daily office work while making contribution to environmental protection. OA system could be used in computers and mobile phones, and tasks that may consume a large quantity of paper would be processed in the system. When printing internal documents is necessary, we use recycled paper or paper made of recycled materials. We will continue to observe our consumption of paper and review the efficiency of our measures and rectify inadequacies.

Cherishing Resources

The Group will promote and educate its employees to conserve resources via emails, posters and internal network as to enhance their sense of responsibility towards environmental protection. In addition, the Group promotes green procurement by purchasing products that have minimum effects on the environment as well as electronic equipment and lamps with energy efficiency labels. In the future, we will put efforts in resources conservation and environmental protection through adopting sustainable development mode of operation.

Waste Management

We believe that proper disposal of hazardous wastes may minimize the impacts on the environment. The Group disposes electronic wastes in accordance with the Administrative Regulations on Computer Equipment of Jilin Jiutai Rural Commercial Bank Corporation Limited (《吉林九台農村商業銀行股份有限公司電腦物品管理規定》). Our Information Technology Department has established a scrapping approval team to review scrapping application and deal with wastes in accordance with the requirements for scrapping management. In case of any computer malfunction, the team will prepare a test report based on the feasibility of repair or modification and estimated repair cost, so as to avoid excessive consumption of parts and generation of unnecessary waste during maintenance. If criteria of scrapping are fulfilled, the Information Technology Department and relevant departments will confirm the approval of scrapping. We also collect obsolete computers or other electronic wastes through cooperation with electronic companies for recycling.

Paper is the primarily source of non-hazardous waste generated in our office. All waste papers, except for papers containing confidential information, are recycled by paper recycling companies. When purchasing office supplies, we will choose pens with replaceable cartridges or reusable stationery. Waste sorting bins are placed in our offices to encourage our staff to separate non-recyclables such as metal cans, plastics, waste paper, and glass bottles, and recyclables before they are collected and recycled by recycling companies.

During the Year, we put great efforts in encouraging our employees to participate in emissions reduction and enhancing energy efficiency and achieved remarkable results. In the future, we will continue to pay attention to the GHG emissions and energy consumption, and hope that we can constantly improve our overall performance in respect of environmental protection and perform our corporate social responsibilities.

Appendix I: Sustainability Data Statements

Indicators	Unit	2018
Environmental Aspect		
GHG Emissions		
Direct GHG emissions (Scope 1)	Tonnes of CO_2e	1,111
Indirect GHG emissions (Scope 2)	Tonnes of CO_2e	29,085
Other indirect GHG emissions (Scope 3)	Tonnes of CO_2e	275
Total GHG emissions (Scope 1, 2 and 3)	Tonnes of CO_2e	30,471
Intensity of GHG emissions		
Per square meter (Scope 1, 2 and 3)	Tonnes of CO_2e/square meter	0.09
Per employee (Scope 1, 2 and 3)	Tonnes of CO_2e/employee	5.26
Fuel consumption		
Fuel consumption of vehicles	Tonnes	257
Consumption of natural gases	Cubic meter	54,621
Electricity consumption		
Total electricity consumption	MWh	17,060
Total electricity consumption intensity (per square meter)	MWh/square meter	0.05
Total electricity consumption intensity (per employee)	MWh/employee	2.94
Water consumption		
Total water consumption	Cubic meter	125,756
Total water consumption intensity (per square meter)	Cubic meter/square meter	0.37
Total water consumption intensity (per employee)	Cubic meter/employee	22
Hazardous wastes		
Total hazardous wastes	Number of computers and printers	50
Total hazardous wastes intensity (per employee)	Number of computers and printers/employee	0.01
Non-hazardous waste		
Total non-hazardous wastes	Tonnes	64
Total non-hazardous wastes intensity (per employee)	Tonnes/employee	0.01
Total paper consumption	Ream	3,921
Total paper consumption intensity (per employee)	Ream/employee	0.68

Indicators	Unit	2018
Social Aspect		
Employees		
Total number of employees	Number of employees	5,798
Female employees	Number of employees	3,060
Male employees	Number of employees	2,738
Junior employees	Number of employees	4,836
Middle management	Number of employees	732
Senior management	Number of employees	230
Employees aged under 30	Number of employees	2,949
Employees aged between 30 to 50	Number of employees	2,573
Employees aged above 50	Number of employees	276
Turnover rate		
Female employees	Percentage (%)	4.02
Male employees	Percentage (%)	2.92
Employees aged under 30	Percentage (%)	4.95
Employees aged between 30 to 50	Percentage (%)	2.06
Employees aged above 50	Percentage (%)	1.45
Health and Safety		
Number of work-related fatalities	Number of employees	0
Lost days due to work injuries	Number of days	0
Development and training		
Average training hours per junior employee	Hours	36.75
Average training hours per middle management	Hours	42.26
Average training hours per senior management	Hours	16.02

Appendix II: Hong Kong Stock Exchange ESG Reporting Guide Index

Indicators			Chapter
A. Environmental Aspect			
A1 Emissions	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharge into water and land, and generation of hazardous and non-hazardous wastes.	Caring for the Environment
	A1.1	The types of emissions and respective emissions data.	Promoting Low Carbon Culture
	A1.2	Greenhouse gas emissions in total and intensity.	Promoting Low Carbon Culture
	A1.3	Total hazardous waste produced and intensity.	Promoting Low Carbon Culture Appendix I: Sustainability Data Statements
	A1.4	Total non-hazardous waste produced and intensity.	Promoting Low Carbon Culture Appendix I: Sustainability Data Statements
	A1.5	Description of measures to mitigate emissions and results achieved.	Promoting Low Carbon Culture
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Promoting Low Carbon Culture

Indicators			Chapter
A2 Use of resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Promoting Low Carbon Culture
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Promoting Low Carbon Culture Appendix I: Sustainability Data Statements
	A2.2	Water consumption in total and Intensity.	Promoting Low Carbon Culture Appendix I: Sustainability Data Statements
	A2.3	Description of energy use efficiency initiatives and results achieved.	Promoting Low Carbon Culture
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Promoting Low Carbon Culture
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Inapplicable as no packaging material is used in the course of business of the Group
A3 The environment and natural resources	General disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Promoting Low Carbon Culture
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Promoting Low Carbon Culture

Indicators			Chapter
B. Social Aspect			
B1 Employment	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Compliance with Employment Standards Employee Benefits
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Appendix I: Sustainability Data Statements
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Sustainability Data Statements
B2 Health and safety	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Healthy Working Environment
	B2.1	Number and rate of work-related fatalities.	Healthy Working Environment Appendix I: Sustainability Data Statements
	B2.2	Lost days due to work injury.	Healthy Working Environment Appendix I: Sustainability Data Statements
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Healthy Working Environment

Indicators			Chapter
B3 Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Platform for Training and Promotion
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	We will consider disclosing the relevant information in the future.
	B3.2	The average training hours completed per employee by gender and employee category	Appendix I: Sustainability Data Statements
B4 Labour standards	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Compliance with Employment Standards
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	Compliance with Employment Standards
	B4.2	Description of steps taken to eliminate such practices when discovered.	Compliance with Employment Standards
B5 Supply chain management	General disclosure	Policies on managing environmental and social risks of the supply chain.	Stronger Supply Chain Management
	B5.1	Number of suppliers by geographical region.	Stronger Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Stronger Supply Chain Management

Indicators			Chapter
B6 Product responsibility	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Attaching Importance to Consumer Rights Protection
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Inapplicable as the Group is not engaged in recalls of products
	B6.2	Number of products and service related complaints received and how they are dealt with.	Attaching Importance to Consumer Rights Protection
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Attaching Importance to Consumer Rights Protection
	B6.4	Description of quality assurance process and recall procedures.	Inapplicable as the Group is not engaged in recalls of products
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Attaching Importance to Consumer Rights Protection

Indicators			Chapter
B7 Anti-corruption	General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing bribery, extortion, fraud and money laundering.	Improvement of Management System
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Improvement of Management System
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Improvement of Management System
B8 Community investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Contribution to Community
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Contribution to Community
	B8.2	Resources contributed (e.g. money or time) to the focus area	Contribution to Community

Independent Auditor's Report to the Shareholders of Jilin Jiutai Rural Commercial Bank Corporation Limited

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

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

Opinion

We have audited the consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 257 to 465, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Key audit matters identified in our audit are summarised as follows:

- Basis of consolidation
- Impairment of loan and advances to customers
- Impairment of goodwill
- Outsourcing arrangements for information technology system

Basis of consolidation

Refer to note 61 to the consolidated financial statements and the accounting policies on page 277 to 279.

The key audit matter	How the matter was addressed in our audit
The Bank operates its businesses through the Bank itself and through 35 subsidiaries as at 31 December 2018. As at 31 December 2018, the Bank controlled and consolidated 14 subsidiaries in which the Bank owned no more than 50% equity interest (the "non major subsidiaries"). To control these non major subsidiaries, the Bank held more than 50% of the voting rights in these non major subsidiaries through acting in concert agreements (the "AIC agreements") with certain minority shareholders of the subsidiaries. In particular, under these AIC agreements, these minority shareholders have agreed to align their votes with the Bank in respective shareholders' meeting of the subsidiaries. If these minority shareholders fail to abide by their agreements, or if the AIC agreements are terminated, the Bank may not be able to continue to control and consolidate the financial results of these non major subsidiaries.	Our procedures were designed to review the management's assessment, with reference to the legal advice on the validity of AIC agreements, of whether the Group control the non-major subsidiaries and challenge the reasonableness of the methodologies used to assessment of control. We have discussed the indicators of possible loss of control with the management and, where such indicators were identified, assessing the management's view on control. Also, we have sought legal advice on the validity of AIC agreements.

Impairment of loans and advances to customers

Refer to note 23 to the consolidated financial statements and the accounting policies on pages 290 to 297.

The key audit matter	How the matter was addressed in our audit
Impairment allowances represent management's best estimate of the expected credit losses within the loan portfolios at the balance sheet date. They are assessed based on whether the credit risk has increased significantly since initial recognition and the Group's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions. The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Management estimations and judgements are required to determine the whether there are significant increase in credit risk, the probability of default, loss given default and the expected future cash flows related to each loan within the loan portfolios.	Our procedures were designed to review the management assessment on the expected credit losses model and challenge the reasonableness of the methods and assumptions used to estimate the expected credit losses of loans and advances to customers. We have discussed the judgement in relation to the recognition of 12 months and life time expected credit losses of loan and advance under the 3 different stages and assessed the appropriateness of the modelling policy, assumptions and methodology used for material portfolios independently by reference to the accounting standards and market practices, and model calculations were tested through re-performance. We have challenged the assumptions, critical judgement and statistical models used by the management by assessing the reliability of the management's past estimates and future forecast, and taking into account the ageing at year end and whether any significant increase in credit risk of borrowers.

Impairment of loans and advances to customers (Continued)

Refer to note 23 to the consolidated financial statements and the accounting policies on pages 290 to 297.

The key audit matter	How the matter was addressed in our audit
The audit was focused on impairment due to the materiality of the balances amounted to approximately RMB75,354,549,000 and the subjective nature of the judgement, estimation and calculation involved in the determination of the expected credit losses.	For the collectively assessed ECL, we assessed the reasonableness of the Group's ECL models, including the model input, model design, model performance for significant portfolios. We assessed the reasonableness of the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment. We challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings. Where changes had been made in model parameters and assumptions, we evaluated the appropriateness of such changes. We also assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions. For a sample of exposures that was subject to an individual impairment assessment, we specifically reviewed the Group's assumptions on the expected future cash flows, including the value of realisable collateral based on available market information. We also assessed the financial statement disclosures relating to the Group's exposure to credit risk.

Impairment of goodwill

Refer to note 31 to the consolidated financial statements and the accounting policies on page 282.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2018, the Group had goodwill of approximately RMB401,335,000 and no impairment was recognised. The impairment assessment relied on the calculation of a value in use for each of the cash-generating units (the "CGUs"). That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate and pre-tax discount rate. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3% which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the People's Republic of China. The discount rates used were the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU. The estimation of future cash flows and the level to which they are discounted are inherently uncertain and requires significant judgement. The extent of judgement and the size of the goodwill resulted in impairment of goodwill being identified as an area of audit focus.	In order to address this matter in our audit, we have obtained management's assessment and challenged the reasonableness of the selection of valuation model, adoption of key assumptions and input data. In particular, we have tested the future cash flow forecasts on whether they are agreed to the budgets approved by the board of directors of the Bank and compared the budgets with actual results available up to the report date. We have also challenged the appropriateness of the assumptions, including the growth rates and gross margin, against latest market expectations. We have also challenged the discount rate employed in each calculation of value in use by reviewing its basis of calculation and comparing its input data to market sources. As any changes in these assumptions and input to valuation model may result in significant financial impact, we have tested management's sensitivity analysis in relation to the key inputs to the impairment assessment and performed our own sensitivity analysis which included changes in the growth rate, gross margin and discount rates employed.

Outsourcing arrangements for information technology system

Refer to note 53(d) to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The Group's information technology ("IT") system are critical to various aspects of its operations which are developed, operated and maintained by various IT service providers (the "IT outsourcing arrangements"). The Group entrusts those IT service providers to manage and maintain its database but has its own dedicated IT team to perform daily monitoring on those IT service providers for the operations and maintenance of the Group's IT system. If the Group cannot effectively monitor the services provided by the IT service providers, any problems of the IT system could have a material impact, among other aspects, on the Group's financial statements.	We involved our IT audit specialists in the course of audit. We carried out assessment, testings and review of the Group's controls over the IT outsourcing arrangements and the monitoring procedures executed by the Group on various IT service providers. We also assessed the reliability of the Group's IT system regarding the process in the preparation of the Group's financial statements.

Information other than the Consolidated Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors of the Bank and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibilities towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chuen Fai.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Wong Chuen Fai

Practising Certificate Number: P05589

Hong Kong

28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Interest income		8,602,590	9,859,358
Interest expenses		(5,082,541)	(5,123,465)
Net interest income	6	3,520,049	4,735,893
Fee and commission income		407,164	652,152
Fee and commission expenses		(31,560)	(37,295)
Net Fee and commission income	7	375,604	614,857
Net trading gains	8	914,483	65,608
Dividend income		82,167	105,864
Net gains arising from investment securities	9	11,843	259,120
Gain on disposal of an associate	29	—	2,343
Losses on deemed disposals of subsidiaries	60	(6,204)	—
Net exchange gains/(losses)		14,998	(38,759)
Other operating incomes, net	10	124,637	95,377
Operating income		5,037,577	5,840,303
Operating expenses	11	(2,851,399)	(3,030,072)
Impairment losses on assets	14	(890,169)	(748,049)
Operating profit		1,296,009	2,062,182
Share of profits of associates	29	143,731	23,255
Profit before tax		1,439,740	2,085,437
Income tax expense	15	(256,076)	(447,023)
Profit for the year		1,183,664	1,638,414
Earnings per share			
— Basic and diluted (RMB cents)	16	24.67	32.19

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

For the Year Ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Profit for the year		**1,183,664**	1,638,414
Other comprehensive income/(expense) for the year:			
Items that may be reclassified subsequently to profit or loss:			
— Available-for-sale financial assets			
— Change in fair value recognised in investment revaluation reserve		**—**	(455,432)
— Reclassified to the profit or loss upon disposal		**—**	9,456
— Income tax relating to item that may be reclassified subsequently		**—**	111,494
— Financial assets at fair value through other comprehensive income			
— Changes in fair value recognised in investment revaluation reserve		**355,804**	—
— Reclassified to the profit or loss upon disposal		**5,938**	—
— Income tax relating to item that may be reclassified subsequently		**(90,436)**	—
— Changes in allowance for expected credit loss		**(217)**	—
— Release of reserve upon deemed disposal of subsidiaries	60	**6,204**	—
— Share of other comprehensive income of associates	29	**3,352**	—
		280,645	(334,482)
Items that will not be reclassified subsequently to profit or loss:			
Financial assets at fair value through other comprehensive income			
— Fair value gain on investments in equity investments		**6,046**	—
		286,691	(334,482)
Total comprehensive income for the year		**1,470,355**	1,303,932
Profit for the year attributable to:			
— Owners of the Bank		**982,940**	1,275,556
— Non-controlling interests		**200,724**	362,858
		1,183,664	1,638,414
Total comprehensive income for the year attributable to:			
— Owners of the Bank		**1,256,482**	957,888
— Non-controlling interests		**213,873**	346,044
		1,470,355	1,303,932

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Assets			
Cash and deposits with the central bank	17	**22,458,129**	24,118,157
Deposits with banks and other financial institutions	18	**9,884,358**	13,219,552
Placements with banks and other financial institutions	19	**1,698,580**	1,200,000
Financial assets held under resale agreements	20	**—**	479,923
Financial assets at fair value through profit or loss	21	**16,387,635**	17,435,090
Interests receivables	22	**750,735**	821,524
Loans and advances to customers	23	**75,354,549**	76,492,240
Financial assets at fair value through other comprehensive income	24	**6,349,689**	—
Financial assets measured at amortised cost	25	**23,716,352**	—
Available-for-sale financial assets	26	**—**	8,914,455
Held-to-maturity investments	27	**—**	10,448,665
Debt securities classified as receivables	28	**—**	26,659,669
Interests in associates	29	**2,203,249**	244,569
Property and equipment	30	**4,009,412**	4,455,914
Goodwill	31	**401,335**	1,184,527
Deferred tax assets	32	**405,626**	555,646
Other assets	33	**633,627**	778,572
Total assets		**164,253,276**	187,008,503

Consolidated Statement of Financial Position (Continued)

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank	35	**2,376,520**	1,576,170
Deposits from banks and other financial institutions	36	**4,711,266**	4,690,533
Placements from banks and other financial institutions	37	**1,106,496**	1,652,496
Financial assets sold under repurchase agreements	38	**8,406,720**	9,679,700
Deposits from customers	39	**109,521,161**	129,881,593
Accrued staff costs	40	**163,083**	229,329
Tax payable		**64,664**	86,579
Interests payable	41	**1,749,748**	1,964,780
Debt securities issued	42	**20,552,182**	20,039,565
Other liabilities	43	**493,798**	557,106
Total liabilities		**149,145,638**	170,357,851
Equity			
Share capital	44	**3,984,797**	3,984,797
Capital reserve	45	**5,331,249**	5,315,803
Investment revaluation reserve		**(30,292)**	(299,747)
Surplus reserve	46	**724,671**	631,095
General reserve	46	**1,571,192**	1,538,170
Retained earnings		**1,374,517**	1,381,593
Total equity attributable to owners of the Bank		**12,956,134**	12,551,711
Non-controlling interests		**2,151,504**	4,098,941
Total equity		**15,107,638**	16,650,652
Total liabilities and equity		**164,253,276**	187,008,503

The consolidated financial statements on pages 257 to 465 were approved and authorised for issue by the board of directors of the Bank on 28 March 2019 and are signed on its behalf by:

Mr. GAO Bing
Director

Mr. YUAN Chunyu
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2018

	Attributable to owners of the Bank								
	Share Capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2017 (As previously reported)	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
Changes in accounting policies (Note 2)	–	–	(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 year	–	–	–	–	–	982,940	982,940	200,724	1,183,664
Other comprehensive income for the year	–	–	273,542	–	–	–	273,542	13,149	286,691
Total comprehensive income for the year	–	–	273,542	–	–	982,940	1,256,482	213,873	1,470,355
Changes in ownership in subsidiaries without changes in control (Note 59)	–	11,586	–	–	–	–	11,586	111,068	122,654
Deemed disposal of subsidiaries (Note 60)	–	–	–	–	–	–	–	(1,969,005)	(1,969,005)
Release of reserve upon deemed disposal of subsidiaries	–	3,860	–	–	(92,293)	88,433	–	–	–
Appropriation of profits									
– Appropriation to surplus reserve	–	–	–	93,576	–	(93,576)	–	–	–
– Appropriation to general reserve	–	–	–	–	125,315	(125,315)	–	–	–
– Dividends recognised as distribution (Note 47)	–	–	–	–	–	(717,264)	(717,264)	–	(717,264)
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(157,326)	(157,326)
At 31 December 2018	3,984,797	5,331,249	(30,292)	724,671	1,571,192	1,374,517	12,956,134	2,151,504	15,107,638

Consolidated Statement of Changes in Equity (Continued)

For the Year Ended 31 December 2018

	Attributable to owners of the Bank								
	Share Capital RMB'000	Capital reserve RMB'000	Investment revaluation reserve RMB'000	Surplus reserve RMB'000	General reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2017	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 year	–	–	–	–	–	1,275,556	1,275,556	362,858	1,638,414
Other comprehensive expense for the year	–	–	(317,668)	–	–	–	(317,668)	(16,814)	(334,482)
Total comprehensive income for the year	–	–	(317,668)	–	–	1,275,556	957,888	346,044	1,303,932
Change in share capital									
– Capital contributed by equity shareholders (Note 44)	690,000	2,105,445	–	–	–	–	2,795,445	–	2,795,445
Share issue expenses (Note 44)	–	(147,749)	–	–	–	–	(147,749)	–	(147,749)
Capital contributed by non-controlling interests	–	–	–	–	–	–	–	264,000	264,000
Acquisition of subsidiary (Note 58)	–	–	–	–	–	–	–	86,818	86,818
Changes in ownership in subsidiaries without changes in control (Note 59)	–	11,062	–	–	–	–	11,062	49,488	60,550
Appropriation of profits									
– Appropriation to surplus reserve	–	–	–	120,762	–	(120,762)	–	–	–
– Appropriation to general reserve	–	–	–	–	186,234	(186,234)	–	–	–
– Dividends recognised as distribution (Note 47)	–	–	–	–	–	(1,195,440)	(1,195,440)	–	(1,195,440)
– Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(240,050)	(240,050)
At 31 December 2017	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

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax for the year	1,439,740	2,085,437
Adjustments for:		
Depreciation of property and equipment	295,324	301,934
Amortisation of long-term deferred expenses and land use rights	13,619	10,329
Impairment losses on assets, net of reversals	890,169	748,049
Interest expense on debts securities issued	1,070,868	1,050,333
Dividend income	(82,167)	(105,864)
Loss (Gain) on disposal of property and equipment	6,340	(1,113)
Net unrealised trading gains	(44,816)	(66,081)
Net gains arising from investment securities	(10,387)	(259,120)
Government grants	(72,926)	(126,850)
Interest income from financial investments	(1,946,319)	(2,524,237)
Share of profits of associates	(143,731)	(23,255)
Gain on disposal of associate	—	(2,343)
Losses on deemed disposals of subsidiaries	6,204	—
	1,421,918	1,087,219
Changes in operating assets		
Net decrease/(increase) in deposits with the central bank	3,159,264	(4,174,865)
Net (increase)/decrease in deposits and placements with the banks and other financial institutions	(2,345,366)	23,165,988
Net decrease/(increase) in financial assets at fair value through profit or loss	4,249,286	(3,571,460)
Net increase in loans and advances to customers	(18,758,045)	(16,283,219)
Net (increase)/decrease in interest receivables	(262,128)	8,483
Net increase in other assets	(337,911)	(71,334)
	(14,294,900)	(926,407)
Changes in operating liabilities		
Net increase/(decrease) borrowing from central bank	920,750	(246,675)
Net increase/(decrease) in deposits from banks and other financial institutions	3,185,890	(2,615,202)
Net increase in placements from banks and other financial institutions	244,000	1,210,000
Net decrease in financial assets sold under repurchase agreements	(304,540)	(4,915,344)
Net increase in deposits from customers	6,312,640	2,260,272
Net (decrease)/increase in accrued staff costs	(36,354)	10,834
Net increase in interests payable	290,711	180,569
Net increase /(decrease) in other liabilities	32,607	(96,943)
	10,645,704	(4,212,489)

Consolidated Statement of Cash Flows (Continued)

For the Year Ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Cash used in operations	(2,227,278)	(4,051,677)
Income tax paid	(400,831)	(695,232)
NET CASH USED IN OPERATING ACTIVITIES	(2,628,109)	(4,746,909)
INVESTING ACTIVITIES		
Proceeds from disposal of financial investments	17,592,270	78,078,831
Interest income from financial investments	2,174,926	2,073,701
Dividend received from associates	49,579	—
Dividend income received from equity investments	82,167	105,864
Proceeds from disposal of property and equipment	914	2,643
Payments on acquisition of financial investments	(13,488,374)	(99,709,330)
Payments on acquisition of property and equipment	(567,882)	(1,033,982)
Net cash inflow arising on of disposals subsidiaries	—	13,000
Net cash inflow arising on acquisitions of subsidiaries	—	18,860
Net cash outflow arising on deemed disposal of subsidiaries (Note 60)	(2,236,343)	—
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	3,607,257	(20,450,413)
FINANCING ACTIVITIES		
Proceeds from capital contribution by equity shareholders	—	2,795,445
Capital contribution by non-controlling interests	—	264,000
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	122,654	60,550
Government grants received	72,926	126,850
Net proceeds from issue of new debt securities	19,668,949	23,280,553
Repayment of debt securities issued	(20,090,000)	(27,550,000)
Interest paid on debts securities issued	(137,200)	(137,200)
Share issue expense	—	(147,749)
Dividends paid	(717,760)	(1,194,945)
Dividends paid to non-controlling interests	(157,326)	(240,050)
NET CASH USED IN FINANCING ACTIVITIES	(1,237,757)	(2,742,546)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(258,609)	(27,939,868)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	16,354,589	44,294,457
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (Note 50)	16,095,980	16,354,589
Interest received	9,211,792	9,417,055
Interest paid (excluding interest expense on debts securities issued)	(4,654,630)	(4,803,798)

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 31 December 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 consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Bank and its subsidiaries.

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

In the current year, the Group has applied, for the first time, the following new and amendments to IFRSs, which include related Interpretations, issued by the International Accounting Standards Board (the "IASB").

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

The impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 superseded IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

In current year, the Group's revenue mainly includes interest income, 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 1 January 2018. The adoption of IFRS 15 has had no material impact on the financial position and the financial result of the Group.

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

IFRS 9 Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. 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.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in details in note 3 below.

(i) Classification and measurement of financial instruments

The directors of the Bank reviewed and assessed the Group's existing financial assets and liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of IFRS 9 has had the following impact on the Group's financial assets and liabilities as regards their classification and measurement:

a) Other receivables, interest receivable and loans 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.

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

IFRS 9 Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (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 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 previously recognised against these investments, 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 remaining 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.

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

IFRS 9 Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (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, debt investments 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.

c) 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.

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

IFRS 9 Financial Instruments (Continued)

(i) Classification and measurement of financial instruments (Continued)

c) 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 basis as are previously measured under IAS 39.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss model with a forward-looking ECL model.

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.

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

IFRS 9 Financial Instruments (Continued)

(ii) Loss allowance for expected credit losses ("ECL") (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 and financial assets at FVTOCI

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

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

IFRS 9 Financial Instruments (Continued)

(ii) Loss allowance for expected credit losses ("ECL") (Continued)

Financial assets at amortised cost and financial assets at FVTOCI (Continued)

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.

As at 1 January 2018, the directors of the Bank 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 2 (iii).

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 earnings. The additional loss allowance is charged against the respective financial assets expected 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.

(iii) Summary of effects arising from initial application of IFRS 9

The table below summarises the original measurement categories under IAS 39 and the new measurement categorised under IFRS 9 for each class of the Group's financial assets and reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on 1 January 2018 and the impact of transition to IFRS 9 on retained earnings and other components of equity at 1 January 2018.

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

IFRS 9 Financial Instruments (Continued)

(iii) Summary of effects arising from initial application of IFRS 9 (Continued)

				Reclassification				Remeasurement				
									Fair value change			
	Notes	Closing balance at December 31, 2017 – IAS 39 RMB'000	IAS 39 category	From AFS equity investments 2(i)b(i) RMB'000	From AFS debt investments 2(i)b(ii) RMB'000	From HTM investments 2(i)(c) RMB'000	From Debt securities classified as receivables 2(i)(c) RMB'000	Impairment under ECL model 2(iii) RMB'000	From AFS equity investments to fair value 2(i)(b) RMB'000	From amortised cost to fair value 2(i)(c) RMB'000	Opening balance at January 1, 2018 (Restated) IFRS 9 RMB'000	IFRS 9 category
Assets												
Cash and deposits with the central bank	17	24,118,157	L&R								24,118,157	AC
Deposits with banks and other financial institutions	18	13,219,552	L&R					(5,518)			13,214,034	AC
Placements with banks and other financial institutions	19	1,200,000	L&R					(1,166)			1,198,834	AC
Financial assets held under resale agreements	20	479,923	L&R					(37)			479,886	AC
Financial assets at FVTPL	21	17,435,090	FVTPL	833,900	101,045		2,195,543		300,391	18,450	20,884,419	FVTPL
Interests receivables	22	821,524	L&R							(23,121)	798,403	AC
Loans and advances to customers	23	76,492,240	L&R					(297,811)			76,194,429	AC
Available-for-sale financial assets	26	8,914,455	AFS	(992,650)	(7,921,805)						–	
Held to maturity investments	27	10,448,665	HTM			(10,448,665)					–	
Debt securities classified as receivables	28	26,659,669	L&R				(26,659,669)				–	
Financial assets at FVTOCI	24	–		158,750	7,820,760				(6,305)		7,973,205	FVTOCI
Financial assets measured at amortised cost	25	–				10,448,665	24,464,126	(376,812)			34,535,979	AC
Deferred tax assets	32	555,646						175,101	(76,539)	(4,611)	649,597	
Liabilities												
Tax payable		86,579								(5,780)	80,799	
Other liabilities	43	557,106	AC					230			557,336	AC
Equity												
Retained earnings		1,381,593			(5)			(362,010)	223,223	(3,502)	1,239,299	
Investment revaluation reserve		(299,747)			5			935	(5,027)		(303,834)	
Non-controlling interests		4,098,941						(145,398)	(649)		3,952,894	

Note:

L&R	Loans and receivables
AFS	Available-for-sale financial assets
HTM	Held-to-maturity investments
AC	Amortised cost
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income

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

IFRS 9 Financial Instruments (Continued)

(iii) Summary of effects arising from initial application of IFRS 9 (Continued)

All the financial liabilities have not been impacted by the application of IFRS 9 and continue to be classified and measured on the same basis as they were under IAS 39.

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:

	Loans and advance to customers RMB'000 (Note 23)	Deposits with banks and other financial institutions RMB'000 (Note 18)	Placements with banks and other financial institutions RMB'000 (Note 19)	Financial assets held under resale agreements RMB'000 (Note 20)	Financial assets measured at amortised cost RMB'000 (Note 25)	Provision for credit commitments and financial guarantees RMB'000 (Note 43)	Total RMB'000
At 31 December 2017	2,334,931	–	–	–	387,704	–	2,722,635
Amounts remeasured under ECL charged to opening retained earnings	297,811	5,518	1,166	37	376,812	230	681,574
At 1 January 2018	**2,632,742**	**5,518**	**1,166**	**37**	**764,516**	**230**	**3,404,209**

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

New and revised IFRSs issued but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
Amendments to IFRS 3	Definition of a Business[5]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IAS 1 and IAS 8	Definition of Material[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after 1 January 2021.

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

5 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

The directors of the Bank anticipate that, except as described below, the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

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

New and revised IFRSs issued but not yet effective (Continued)

IFRS 16 Leases (Continued)

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 16 will supersede the current lease standards including IAS 17 *Leases* and the related interpretations when it becomes effective.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of approximately HK$830,932,000 as disclosed in note 56. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Bank are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under IFRS 16. The directors of the Bank expect that the adoption of IFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Bank and entities controlled by the Bank (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Bank reassess whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income of subsidiaries are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets and liabilities of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets and liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments (on or after 1 January 2018) or IAS 39 *Financial Instruments: Recognition and Measurement* (before 1 January 2018) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Businesses combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities arising from the assets acquired and liabilities assumed in the business combination are recognised and measured in accordance with IAS 12 *Income Taxes*;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations (Continued)

- assets or liabilities related to the acquiree's employee benefit arrangements are recognised and measured in accordance with IAS 19 *Employee Benefits*;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of the acquiree's share-based payment transactions with the share-based payment transactions of the Group are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in subsidiaries and associates

Investments in subsidiaries and associates are included in the Bank's statement of financial position at cost less accumulated impairment losses, if any.

Translation of foreign currencies

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

A spot exchange rate is quoted by The People's Bank of China (the "PBOC"), the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is a rate determined by a systematic and rational method, normally the average exchange rate of the current period.

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill relating to an associate that included in the carrying amount of the investment is set out in "investments in associates" below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

The Group's investments in associates are accounted for in the consolidated financial statements using the equity method. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised in profit or loss in the period in which the investment is acquired.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investment in the associate. Goodwill that forms part of the carrying amount of an investment in an associate is not separately recognised. The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method and any retained interest is measured at fair value at that date which is regarded as its fair value on initial recognition as a financial asset in accordance with the applicable standard. Any difference between the fair value of any retained interest and any proceeds from disposing of a part interest in the associate and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

Gains and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018)

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding ECL, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Net interest income" line item (Note 6).

Financial assets at FVTOCI (debt instruments)

The Group measures financial assets subsequently at FVTOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's debt instruments classified as at FVTOCI includes investments in debt instruments. Fair value is determined in the manner described in note 54. Debt instruments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of debt instruments as a result of foreign exchange gains and losses, impairment gains or losses, and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income ("OCI") and accumulated under the heading of investments revaluation reserve. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

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

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established 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.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The interest earned on the financial assets is included in the "Net trading gains" line item. Fair value is determined in the manner described in note 54.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets

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

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

Stage 1 is where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, entities are required to recognise 12 month ECL and recognise interest income on a gross basis — this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.

Stage 2 is where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2 entities are required to recognise lifetime ECL but interest income will continue to be recognised on a gross basis.

Stage 3 is where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event under the IAS 39 model. For financial assets in stage 3, entities will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. This means that interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

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

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

For deposits with banks and other financial institutions, placements with banks and other financial institutions, financial asset held under resale agreement and financial assets at amortised cost, the ECL is based on the 12-month ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (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.

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.

Except for investments in debt instruments that are measured at FVTOCI, credit commitments and financial guarantees contracts, the Group recognises an impairment gain or loss for all other financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account. The Group recognised an impairment gain or loss in profit or loss for all financial instruments.

For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Impairment of financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Loan commitments and financial guarantee contracts

Loan commitments and financial guarantee contract are contracts that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Loan commitments and financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IFRS 9 (applicable on or after 1 January 2018) (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Under IAS 39 (applicable before 1 January 2018)

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the net gains/(losses) arising from investment securities line item in the consolidated statement of profit or loss. Fair value is determined in the manner described in Note 54.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are stated at amortised cost using the effective interest method, less any identified impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are stated at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial assets (Continued)

Available-for-sale financial assets (Continued)

Debt securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale financial assets are recognised in profit or loss. Impairment losses are recognised in profit or loss.

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- disappearance of an active market for financial assets because of financial difficulties.

Loans and receivables

The Group uses two methods of assessing impairment losses: those assessed individually and those assessed on a collective basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Impairment loss on financial assets (Continued)

Individual assessment

Loans and receivables, which are considered individually significant, are assessed individually for impairment. If there is objective evidence of impairment of loans and receivables, the amount of loss is measured as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. The impairment losses are recognised in profit or loss.

It may not be possible to identify a single, discrete event that caused the impairment but it may be possible to identify impairment through the combined effect of several events.

Cash flows relating to short-term loans and receivables are not discounted when assessing impairment loss if the difference between the estimated future cash flows and its present value is immaterial.

The calculation of the present value of the estimated future cash flows of a collateralised loan or receivable reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

Collective assessment

Loans and receivables which are assessed collectively for impairment include individually assessed loans and receivables with no objective evidence of impairment on an individual basis, and homogeneous groups of loans and receivables which are not considered individually significant and not assessed individually. Loans and receivables are grouped for similar credit risk characteristics for collective assessment. The objective evidence of impairment mainly includes that, though it is unable to identify the decrease of cash flow of each individual asset, after collective assessment based on observable data, there is observable evidence indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Impairment loss on financial assets (Continued)

Homogeneous groups of loans not considered individually significant

For homogeneous groups of loans that are not considered individually significant, the Group adopts a loan mitigation rate methodology to collectively assess impairment losses. This methodology utilises a statistical analysis of historical trends of probability of default and amount of consequential loss, as well as an adjustment of observable data that reflects the current economic conditions and judgement based on management's historical experience.

Individually assessed loans with no objective evidence of impairment on an individual basis

Loans which are individually significant and therefore have been individually assessed but for which no objective evidence of impairment can be identified, either due to the absence of any loss events or due to an inability to measure reliably the impact of loss events on future cash flows, are grouped together in portfolios of similar credit risk characteristics for the purpose of assessing a collective impairment loss. This assessment covers those loans and advances that were impaired at the end of each of the reporting period but which will not be individually identified as such until sometime in the future.

The collective impairment loss is assessed after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics;
- the emergence period between a loss occurring and that loss being identified; and
- the current economic and credit environments and the judgement on inherent loss based on management's historical experience.

The emergence period between a loss occurring and its identification is determined by management based on the historical experience of the markets where the Group operates.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Impairment loss on financial assets (Continued)

Individually assessed loans with no objective evidence of impairment on an individual basis (Continued)

As soon as information is available that specifically identifies objective evidence of impairment on individual assets in a portfolio, those assets are removed from the portfolio of financial assets. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

The Group periodically reviews and assesses the impaired loans and receivables for any subsequent changes to the estimated recoverable amounts and the resulted changes in the provision for impairment losses.

If, in a subsequent period the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. The reversal shall not result in a carrying amount of the financial asset that exceeds the amortised cost at the date of the reversal had the impairment not been recognised.

When the Group determines that loans and receivables have no reasonable prospect of recovery after the Group has completed all the necessary legal or other claim proceedings, the loans and receivables are written off against its provision for impairment losses upon necessary approval. If in a subsequent period the loans and receivables written off are recovered, the amount recovered is recognised in profit or loss through impairment losses.

Rescheduled loans are loans that have been restructured due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are assessed individually and classified as impaired loans upon restructuring. Rescheduled loans are subject to ongoing monitoring. Once a rescheduled loan meets specific conditions, it is no longer considered as impaired.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Impairment loss on financial assets (Continued)

Individually assessed loans with no objective evidence of impairment on an individual basis (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investments revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Offsetting financial instruments

Financial assets and liabilities of the Group are offset and the net amount presented in the consolidated statement of financial position when, and only when, there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Financial guarantees contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract issued by the Group and not designated as at FVTPL is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of obligation under the contract, as determined in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

Derecognition

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Under IAS 39 (applicable before 1 January 2018) (Continued)

Derecognition (Continued)

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in investments revaluation reserve is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Fair value measurement

When measuring fair value for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs.

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the consolidated statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the consolidated statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment loss, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Property and equipment including buildings and leasehold improvement for use in the supply of services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off their costs, other than construction in progress, less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress is carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

The estimated residual value rates and useful lives of each class of property and equipment, other than construction in progress, are as follows:

Classes	Estimated residual value rates	Useful lives
Premises	3%	20 years
Leasehold improvement	0%	Over the shorter of the economic useful lives and remaining lease terms
Office equipment	3%	3–10 years
Motor vehicles	3%	4 years

Useful lives, residual values and depreciation methods are reviewed at least at each year-end.

Land use rights

Land use rights are classified in other assets and amortised over a straight-line basis over their authorised useful lives.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as, a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Impairment on tangible and intangible assets other than goodwill and financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Repossessed assets

Repossessed assets are physical assets or property rights obtained by the Group from debtors, warrantors or third parties following the enforcement of its creditor's rights. The repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

Employee benefits

Salaries and allowances

Salaries and allowances are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Contributions to retirement benefits scheme

The Group participates in Central Provident Fund ("CPF") Scheme for its employees in the PRC organised by the municipal governments of the relevant provinces. The Group also sets up annuity scheme for qualified employees. Annuity contributions are accrued based on a certain percentage of the participants' total salary when employees have rendered service entitling them to the contributions. The contribution is recognised in profit or loss.

Other social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the government of the PRC, including social pension insurance, health care insurance, housing funds and other social welfare contributions. The Group contributes on a regular basis to these funds based on certain percentage of the employees' salaries and the contributions are recognised in profit or loss for the period when employees have rendered service entitling them to the contribution. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in respect of their services in the current and prior periods.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding ("entrusted funds") to the Group, and the Group grants loans to third parties ("entrusted loans") under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Revenue recognition

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15) (Continued)

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

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

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

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

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2018 (with application of IFRS 15) (Continued)

The Group recognised revenue from the following major sources:

- Advisory fees
- Settlement and clearing fees
- Wealth management service fees
- Agency services fees
- Syndicated loan services fees
- Bank card services fees

The Group recognises settlement and clearing fees and agency services fees at a point in time when the services are provided to customers.

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

The Group recognises the advisory fees, bank card service fees and wealth management service fees overtime as the related services are transferred overtime. The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

Regarding to the syndicated loan service fees, those contracts contain two performance obligations, the syndicated loan service and loan management services. For the syndicated loan service, this fee is one-off and recognised when syndicated loans provided to customers. Hence, the revenue is recognised at a point of time. For loan management services, the fee depends on services transferred overtime according to contract terms. Hence, the revenue is recognised over-time. The Group allocates the transaction price to each performance obligations on a relative stand-alone fair value of these performance obligations.

The 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 year, 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 1 January 2018.

Policy applicable to the year ended 31 December 2017

Revenue is measured at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business.

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Policy applicable to the year ended 31 December 2017 (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

- Fee and commission income is recognised in profit or loss when the corresponding service is provided.

- Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

- Other income is recognised on an accrual basis.

- Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Expenses recognition

Interest expenses

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

Other expenses

Other expenses are recognised on an accrual basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

If a Group has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Group is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group include, but are not limited to:

(a) the Bank's subsidiaries;

(b) investors that exercise significant influence over the Group;

(c) key management personnel of the Group and close family members of such individuals;

(d) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Dividends

Dividends are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as a subsequent event.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Bank are required to make judgements, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Determination of consolidation scope

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as an investor, controls the investee. The principle of control sets out the following three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

Critical judgements in applying accounting policies (Continued)

Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Determination of control over investees

Management applies its judgement to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed investment products. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed investment products in which the Group has an interest or for which it is a sponsor, see Note 48(iii).

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

Critical judgements in applying accounting policies (Continued)

Classification of financial assets

When the Group determines the classification of financial assets, a number of significant judgements in the business model and the contractual cash flow characteristics of the financial assets are required. Factors considered by the Group in determining the business model for a group of financial assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. When the Group assesses whether the contractual cash flows of the financial assets are consistent with basic lending arrangements, the main judgements are described as whether the principal amount may change over the life of the financial asset (for example, if there are repayments of principal); whether the interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin and cost, associated with holding the financial asset for a particular period of time.

Legal title of land and buildings and land use rights

As detailed in Note 30 and 33, certain of the Group's premises and land use rights as at 31 December 2018 and 2017 of which title deeds were not yet finalised by the Group. Although the Group has not obtained the relevant legal titles, the premises and land use rights are recognised in the consolidated statement of financial position as at 31 December 2018 and 2017 on the grounds that the Group is in substance controlling these buildings and land use rights.

At 31 December 2018, the net book values of premises and land use rights of which title deeds were not yet finalised by the Group were approximately RMB2,302,874,000 and RMB1,120,000 respectively (2017: approximately RMB2,655,779,000 and RMB5,052,000 respectively).

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key source of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for all categories debt security of financial assets

The measurement of impairment losses under both IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model, which assigns probabilities of default to the individual grades

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

Key sources of estimation uncertainty (Continued)

Provision of ECL for all categories debt security of financial assets (Continued)

- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment

- The segmentation of financial assets based on risk characteristics of the customers and by product types when their ECL is assessed on a collective basis

- Development of ECL models, including the various formulas and the choice of inputs over determination of the period over which the entity is exposed to credit risk based on the behavioural life of the credit exposures, loss given default and collateral recovery of the credit exposures

- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on probabilities of default, exposures at default and losses given default

- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

As at 31 December 2018, the carrying amounts of loans and advances to customers, deposits with banks and other financial institutions, placements with banks and other financial institutions, interest receivables, debt securities financial assets at fair value through other comprehensive income and financial assets measured at amortised cost were approximately RMB75,354,549,000, RMB9,884,358,000, RMB1,698,580,000, RMB750,735,000, RMB6,349,689,000 and RMB23,716,352,000 respectively, net of impairment loss RMB2,173,122,000, RMB7,356,000, RMB2,056,000, nil, nil and RMB636,757,000 respectively.

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

Key sources of estimation uncertainty (Continued)

Provision of ECL for all categories debt security of financial assets (Continued)

The measurement of impairment losses under IFRS 9 across all categories of debt securities financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Bank assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Bank considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments and discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

Impairment of non-financial assets

Non-financial assets (i.e. property and equipment, repossessed assets, long-term deferred expenses and land use rights) are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

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

Key sources of estimation uncertainty (Continued)

Impairment of non-financial assets (Continued)

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

As at 31 December 2018, the carrying amount of non-financial assets were approximately RMB4,347,720,000 (2017: approximately RMB5,080,261,000), net of accumulated impairment losses amounted approximately RMB14,892,000 (2017: approximately RMB97,207,000).

Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each of the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

As at 31 December 2018, the carrying amount of property and equipment were approximately RMB4,009,412,000 (2017: approximately RMB4,455,914,000), net of accumulated impairment losses amounted nil (2017: approximately RMB2,029,000).

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

Key sources of estimation uncertainty (Continued)

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of goodwill is approximately RMB401,335,000 (2017: approximately RMB1,184,527,000). Details of the recoverable amount calculation are disclosed in Note 31.

Impairment of interests in associates

In determining whether the interests in associates are impaired, the directors of the Bank assesses the recoverable amount of the interests in associates which is the higher of its fair value less costs of disposal and its value in use. An impairment loss is made if the carrying amount of interests in associates exceeds its recoverable amount. In determining the recoverable amount of the interests in associates, the directors of the Bank require an estimation of the future cash flows expected to arise from the expected dividend yield from the associates in order to determine the value in use of the interests in associates. When the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of interests in associates was approximately RMB2,203,249,000 (2017: approximately RMB244,569,000). No accumulated impairment losses were recognised for the year ended 31 December 2018 and 2017.

5. TAXATION

The Group's main applicable taxes and tax rates are as follows:

(a) Urban maintenance and construction tax

Urban maintenance and construction tax is calculated as 5%–7% of business tax and value added tax.

(b) Education surcharge

Education surcharge is calculated as 3% of business tax and value added tax.

(c) Local education surcharge

Local education surcharge is calculated as 2% of business tax and value added tax.

(d) Income tax

The income tax is calculated on taxable income. The statutory income tax rate is 15%–25%.

(e) Value added tax

Pursuant to the "Circular regarding the Pilot Program on Comprehensive Implementation of Value Added Tax Reform" issued by the Ministry of Finance of the PRC (the "MOF") and the State Administration of Taxation, the Group is required to pay value added tax instead of business tax from 1 May, 2016. Value added tax and related underlying value of the invoice for value added taxable income and expenses shall be stated and accounted for separately.

6. NET INTEREST INCOME

	2018 RMB'000	2017 RMB'000
Interest income arising from		
— Deposits with the central bank	**227,262**	269,547
— Deposits with banks and other financial institutions	**665,722**	842,323
— Placements with banks and other financial institutions	**74,359**	41,719
— Financial assets at fair value through profit or loss (Note)	**—**	668,257
— Financial assets at fair value through other comprehensive income	**332,188**	—
— Financial assets measured at amortised cost	**1,614,131**	—
— Loans and advances to customers:		
Corporate loans and advances		
— Loans	**3,945,766**	3,774,191
— Finance lease loans	**95,235**	65,626
Personal loans and advances	**1,432,385**	1,317,280
Discounted bills	**14,412**	1,100
— Financial assets held under resale agreements	**201,130**	355,078
— Available-for-sale financial assets	**—**	814,290
— Held-to-maturity investments	**—**	220,319
— Debt securities classified as receivables	**—**	1,489,628
	8,602,590	9,859,358
Less: Interest expenses arising from		
— Borrowings from the central bank	**(15,270)**	(13,802)
— Deposits from banks and other financial institutions	**(279,366)**	(302,552)
— Placements from banks and other financial institutions	**(93,049)**	(82,156)
— Deposits from customers:		
Corporate customers	**(1,269,312)**	(1,438,869)
Individual customers	**(1,972,412)**	(1,717,203)
— Financial assets sold under repurchase agreements	**(382,264)**	(518,550)
— Debts securities issued	**(1,070,868)**	(1,050,333)
	(5,082,541)	(5,123,465)
	3,520,049	4,735,893

Note:

For the year ended 31 December 2018, fair value gains and losses as well as interest income on financial instruments classified as at FVTPL are included in "net trading gains" (Note 8).

7. NET FEE AND COMMISSION INCOME

	2018 RMB'000	2017 RMB'000
Fee and commission income		
— Advisory fees	**218,848**	318,965
— Settlement and clearing fees	**51,351**	58,090
— Wealth management service fees	**9,234**	163,069
— Agency service fees	**19,924**	33,351
— Syndicated loan service fees	**94,311**	61,468
— Bank card service fees	**5,739**	6,860
— Others	**7,757**	10,349
	407,164	652,152
Fee and commission expense		
— Settlement and clearing fees	**(22,234)**	(24,578)
— Others	**(9,326)**	(12,717)
	(31,560)	(37,295)
	375,604	614,857

8. NET TRADING GAINS

	2018 RMB'000	2017 RMB'000
Financial assets at FVTPL/trading financial instruments		
— Debt securities	**—**	(6,732)
— Financial instruments designated at FVTPL	**—**	72,340
Investment income from financial assets at FVTPL (Note)	**914,483**	—
	914,483	65,608

Note:

The investment income from financial assets at FVTPL includes interest income from Financial assets at FVTPL of approximately RMB871,330,000 for the year ended 31 December 2018.

9. NET GAINS ARISING FROM INVESTMENT SECURITIES

	2018 RMB'000	2017 RMB'000
Net losses on disposal of available-for-sale debt securities investment	—	(198,201)
Net gains on disposal of debt securities classified as receivables	—	273,537
Net gains on disposal of financial assets measured at amortised cost	7,394	—
Net gains on disposal of financial assets at FVTOCI	10,387	—
Net gains on disposal of available-for-sale equity investment	—	193,240
Net revaluation losses reclassified from other comprehensive income upon disposal	(5,938)	(9,456)
	11,843	259,120

10. OTHER OPERATING INCOMES, NET

	2018 RMB'000	2017 RMB'000
Government grants (Note)	72,926	126,850
(Loss) gain on disposal of property and equipment	(6,340)	1,113
Other operating incomes (expenses)	58,051	(32,586)
	124,637	95,377

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.

11. OPERATING EXPENSES

	2018 RMB'000	2017 RMB'000
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and bonuses	**1,170,420**	1,258,091
— Staff welfares	**90,674**	99,214
— Social insurance	**284,086**	320,522
— Housing allowances	**85,050**	81,953
— Labour union and staff education expenses	**29,524**	33,209
	1,659,754	1,792,989
Premises and equipment expenses		
— Depreciation of property and equipment	**295,324**	301,934
— Amortisation of long-term deferred expenses	**12,746**	8,201
— Amortisation of land use rights	**873**	2,128
— Rental and property management expenses	**252,885**	234,642
	561,828	546,905
Other tax and surcharges	**94,764**	65,134
Other general and administrative expenses (Note)	**535,053**	625,044
	2,851,399	3,030,072

Note:

Auditor's remuneration for the year ended 31 December 2018 was RMB2,860,000 (2017: RMB2,860,000).

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 20 (2017: 21) directors, the chief executive and supervisors were as follows:

For the Year Ended 31 December 2018

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Gao Bing	–	543	235	1,875	2,653
Yuan Chunyu	–	367	161	1,125	1,653
Liang Xiangmin	–	368	161	1,125	1,654
Non-executive directors					
Wu Shujun	–	–	–	–	–
Zhang Xinyou	–	–	–	–	–
Guo Yan	–	–	–	–	–
Zhang Yusheng	–	–	–	–	–
Wang Baocheng	–	–	–	–	–
Independent non-executive directors					
Fu Qiong	100	–	–	–	100
Li Beiwei	100	–	–	–	100
Yang Jinguan	100	–	–	–	100
Chung Wing Yin	273	–	–	–	273
Jiang Ning(1)	100	–	–	–	100

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

The emoluments paid or payable to each of the 20 (2017: 21) directors, the chief executive and supervisors were as follows: (Continued)

For the Year Ended 31 December 2018 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Supervisors					
Luo Hui	–	457	174	1,188	1,819
Wang Enjiu	–	1,144	103	–	1,247
Liu Xiangjun	–	103	27	17	147
External supervisors					
Gao Pengcheng	50	–	–	–	50
Wang Zhi	50	–	–	–	50
Zhang Ruibin	50	–	–	–	50
Fan Shuguang	50	–	–	–	50
	873	2,982	861	5,330	10,046

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the Year Ended 31 December 2017

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
Executive directors					
Gao Bing	—	547	691	1,875	3,113
Fan Guobao(2)	—	—	—	—	—
Yuan Chunyu	—	372	429	1,125	1,926
Liang Xiangmin(3)	—	373	429	1,125	1,927
Non-executive directors					
Wu Shujun	—	—	—	—	—
Zhang Xinyou	—	—	—	—	—
Zhao Xiaoguang(4)	—	—	—	—	—
Guo Yan	—	—	—	—	—
Zhang Yusheng	—	—	—	—	—
Gao Xijun(5)	—	—	—	—	—
Wang Baocheng(6)	—	—	—	—	—
Independent non-executive directors					
Xie Di(7)	—	—	—	—	—
Fu Qiong	100	—	—	—	100
Jin Shuo(8)	75	—	—	—	75
Li Beiwei(9)	100	—	—	—	100
Wan Chi Wai Anthony(10)	—	—	—	—	—
Yang Jinguan(11)	100	—	—	—	100
Chung Wing Yin(12)	301	—	—	—	301
Supervisors					
Luo Hui	—	461	471	1,188	2,120
Wang Enjiu	—	383	101	—	484
Zhou Jianquan(13)	—	—	—	—	—
Duan Baojun(14)	—	—	—	—	—
Liu Xiangjun	—	102	27	17	146

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

For the Year Ended 31 December 2017 (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Discretionary bonuses (Note) RMB'000	Total RMB'000
External supervisors					
Chen Guangli(15)	—	—	—	—	—
Wang Baocheng(6)	—	—	—	—	—
Wang Liying(16)	—	—	—	—	—
Jiang Hong(17)	—	—	—	—	—
Gao Pengcheng(18)	50	—	—	—	50
Wang Zhi(19)	50	—	—	—	50
Zhang Ruibin(20)	50	—	—	—	50
Fan Shuguang(21)	50	—	—	—	50
	876	2,238	2,148	5,330	10,592

Note:

Discretionary bonuses are paid depending on staff grading, individual performance and the profitability of the Group.

(1) Jiang Ning was appointed as independent non-executive director on 19 January 2017.

(2) Fan Guobao resigned as executive director on 13 April 2017.

(3) Liang Xiangmin was appointed as executive director on 21 April 2017.

(4) Zhao Xiaoguang resigned as non-executive director on 13 April 2017.

(5) Gao Xijun resigned as non-executive director on 13 April 2017.

(6) Wang Baocheng resigned as external supervisor on 17 January 2017 and was appointed as non-executive director on 21 April 2017.

(7) Xie Di resigned as independent non-executive director on 15 April 2017.

(8) Jin Shuo was appointed as independent non-executive director on 21 April 2016 and resigned on 19 January 2017.

(9) Li Beiwei was appointed as independent non-executive director on 21 April 2017.

(10) Wan Chi Wai Anthony was appointed as independent non-executive director on 21 April 2017 and resigned on 21 July 2017.

(11) Yang Jinguan was appointed as independent non-executive director on 26 April 2017.

(12) Chung Wing Yin was appointed as independent non-executive director on 21 July 2017.

(13) Zhou Jianquan resigned as supervisor on 17 January 2017.

(14) Duan Baojun resigned as supervisor on 17 January 2017.

(15) Chen Guangli resigned as external supervisor on 17 January 2017.

(16) Wang Liying was appointed as external supervisor on 17 January 2017 and resigned on 19 June 2017.

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

Note: (Continued)

(17) Jiang Hong resigned as external supervisor on 17 January 2017.

(18) Gao Pengcheng was appointed as external supervisor on 17 January 2017.

(19) Wang Zhi was appointed as external supervisor on 17 January 2017.

(20) Zhang Ruibin was appointed as external supervisor on 17 January 2017.

(21) Fan Shuguang was appointed as external supervisor on 19 June 2017.

Mr. Gao Bing is also the chief executive of the Bank and his emoluments disclosed above include those for services rendered by him as the chief executive.

No directors of the Bank waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2018 and 2017. No emoluments were paid by the Group to the directors of the Bank as an incentive payment for joining the Group or as compensation ,for loss of office during the years ended 31 December 2018 and 2017.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2017: one) was director whose emoluments are disclosed in Note 12 above. The emoluments of remaining four (2017: four) individuals were as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	**8,882**	10,537
Retirement benefits scheme contributions	**553**	1,339
Discretionary bonuses	**3,121**	1,260
	12,556	13,136

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2018 No. of employees	2017 No. of employees
RMB1,500,001–2,000,000	2	—
RMB2,000,001–2,500,000	—	2
RMB2,500,001–3,000,000	1	—
RMB3,000,001–3,500,000	1	—
RMB3,500,001–4,000,000	—	—
RMB4,000,001–4,500,000	—	1
RMB4,500,001–5,000,000	—	1

None of these individuals received any inducement to join or upon joining the Group or compensation for loss of office, or waived any emoluments during the years ended 31 December 2018 and 2017.

14. IMPAIRMENT LOSSES ON ASSETS

	2018 RMB'000	2017 RMB'000
Loans and advances to customers		
Charge for the year	670,886	512,223
Reverse for the year	(157,107)	(149,009)
	513,779	363,214
Debt securities classified as receivables	—	375,904
Property and equipment	—	526
Other receivables and repossessed assets		
Charge for the year	18,321	9,782
Reverse for the year	—	(1,377)
	18,321	8,405
Debt securities financial assets at FVTOCI	(217)	
Financial assets held under resale agreements	(37)	
Deposits with bank and other financial institutions	4,294	—
Placements with banks and other financial institutions	1,007	—
Provision for credit commitments and financial guarantees	2	—
Financial assets measured at amortised costs	353,020	—
	890,169	748,049

15. INCOME TAX EXPENSE

(a) Income tax:

	2018 RMB'000	2017 RMB'000
Current tax:		
— Mainland China Enterprise Income Tax	**383,444**	574,041
Under provision in prior years:		
— Mainland China Enterprise Income Tax	**9,215**	17,540
Deferred tax (Note 32)		
— Current year	**(136,583)**	(144,558)
	256,076	447,023

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 years ended 31 December 2017 and 2018, 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%.

15. INCOME TAX EXPENSE (Continued)

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

	2018 RMB'000	2017 RMB'000
Profit before tax	**1,439,740**	2,085,437
Tax at domestic income tax rate of 25%	**359,935**	521,359
Tax effect of share of profit of associates	**(35,933)**	(5,814)
Tax effect of expenses not deductible for tax purpose (Notes i)	**22,063**	13,259
Tax effect of income that are not taxable for tax purpose (Notes ii)	**(97,303)**	(90,818)
Under provision in respect of prior years	**9,215**	17,540
Income tax on concessionary rate	**(1,901)**	(8,503)
Income tax expense	**256,076**	447,023

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 32.

16. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Profit for the year attributable to owners of the Bank	**982,940**	1,275,556
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	**3,984,797**	3,962,277

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2018 and 2017.

17. CASH AND DEPOSITS WITH THE CENTRAL BANK

	2018 RMB'000	2017 RMB'000
Cash on hand	**733,406**	987,228
Deposits with the central bank		
— Statutory deposit reserves (Note a)	**10,847,788**	16,879,576
— Surplus deposit reserves (Note b)	**10,774,110**	6,119,287
— Fiscal deposits	**102,825**	132,066
	21,724,723	23,130,929
	22,458,129	24,118,157

Notes:

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

	2018	2017
Reserve ratio for RMB deposits	**12.0%**	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.

18. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2018 RMB'000	2017 RMB'000
Deposits in Mainland China		
— Banks	9,837,621	13,175,764
— Other financial institutions	12,324	1,200
	9,849,945	13,176,964
Deposits outside Mainland China		
— Banks	41,769	42,588
	9,891,714	13,219,552
Less: provision for impairment losses (Note (a))	(7,356)	—
	9,884,358	13,219,552

Notes:

(a) As at 31 December 2018, the Group classifies all deposits with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12-month ECL.

(b) Movement of provision for impairment losses:

	2018 RMB'000	2017 RMB'000
At 1 January (restated) (Note 2)	5,518	—
Impairment losses recognised	4,294	—
Derecognised on deemed disposal of subsidiaries	(2,456)	—
At 31 December	7,356	—

19. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2018 RMB'000	2017 RMB'000
Placements in Mainland China		
— Banks	20,636	—
— Other financial institutions	1,680,000	1,200,000
	1,700,636	1,200,000
Less: provision for impairment losses (Note (a))	(2,056)	—
	1,698,580	1,200,000

Notes:

(a) As at 31 December 2018, the Group classifies all placements with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12-month ECL.

(b) Movement of provision for impairment losses:

	2018 RMB'000	2017 RMB'000
At 1 January, (restated) (Note 2)	1,166	—
Impairment losses recognised	1,007	—
Derecognised on deemed disposals of subsidiaries	(117)	—
At 31 December	2,056	—

20. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	2018 RMB'000	2017 RMB'000
In Mainland China		
— Banks	–	263,500
— Other financial institutions	–	216,423
	–	479,923

(b) Analysed by type of security held

	2018 RMB'000	2017 RMB'000
Debt securities		
— Government	–	70,000
— Banks and other financial institutions	–	409,923
	–	479,923

Movement of provision for impairment losses:

	2018 RMB'000	2017 RMB'000
At 1 January (restated) (Note 2)	37	—
Impairment losses reversed	(37)	—
At 31 December	–	—

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Debt securities held for trading (Note (a))	–	221,982
Financial assets designated at FVTPL (Note (b))	–	17,213,108
Unlisted equity investments measured at FVTPL (Note (c))	1,017,382	—
Other debt instruments (Note (d))	15,370,253	—
	16,387,635	17,435,090

Notes:

(a) Debt securities held for trading

	2018 RMB'000	2017 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.

As at the end of 2017, part of the debt securities held for trading was pledged for repurchase agreements. Details are disclosed in Note 34 (a).

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

(b) Financial assets designated at FVTPL

Financial assets designated at FVTPL 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) Unlisted equity investments measured at FVTPL

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

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes: (Continued)

(d) Other debt instruments

Other debt securities 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.

	2018 RMB'000	2017 RMB'000
Trusts plans	481,775	—
Asset management plans	14,888,478	—
	15,370,253	—

22. INTERESTS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Interests receivables arising from:		
— Investments	425,218	653,825
— Loans and advances to customers	222,397	145,623
— Financial assets held under resale agreements	—	413
— Deposits and placements with banks and other financial institutions	103,120	21,663
	750,735	821,524

23. LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	2018 RMB'000	2017 RMB'000
Gross loans and advances to customers		
Corporate loans and advances		
— Loans	55,288,224	57,592,135
— Finance lease loans	1,559,929	1,477,084
	56,848,153	59,069,219
Personal loans and advances		
—Personal business loans	14,655,473	13,470,571
—Personal consumption loans	3,621,813	3,407,041
—Credit card overdrafts	17,161	7,608
—Residential and commercial mortgage loans	2,374,172	2,859,702
	20,668,619	19,744,922
Discounted bills	10,899	13,030
	77,527,671	78,827,171
Less: Provision for impairment losses		
— Individually assessed	(811,371)	(576,584)
— Collectively assessed	(1,361,751)	(1,758,347)
	(2,173,122)	(2,334,931)
	75,354,549	76,492,240

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector

	At 31 December 2018		
	Amounts RMB'000	Percentages	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
Corporate loans and advances			
— Wholesale and retail	15,583,519	20.10%	5,216,367
— Manufacturing	12,886,435	16.62%	4,907,736
— Construction	5,769,832	7.44%	1,785,101
— Real estate	3,396,590	4.38%	1,708,978
— Agriculture, forestry, animal husbandry and fishery	4,496,574	5.80%	1,624,946
— Leasing and business services	3,164,569	4.08%	921,712
— Transportation, storage and postal services	2,853,619	3.68%	668,315
— Electricity, gas and water production and supply	1,754,995	2.26%	292,816
— Education	1,641,562	2.12%	567,432
— Accommodation and catering	928,286	1.20%	667,936
— Resident and other services	684,361	0.88%	210,237
— Health and social services	985,999	1.27%	152,052
— Information transmission, computer services and software	850,759	1.10%	121,499
— Water, environment and public facility management	333,780	0.43%	102,800
— Scientific research, technical services and geological prospecting	439,742	0.57%	127,806
— Mining	109,271	0.14%	25,321
— Finance	647,560	0.84%	—
— Cultural, sports and entertainment	320,700	0.42%	74,950
	56,848,153	73.33%	19,176,004
Personal loans and advances	20,668,619	26.66%	11,489,594
Discounted bills	10,899	0.01%	—
	77,527,671	100.00%	30,665,598
Less: Provision for impairment losses			
— Individually assessed	(811,371)		
— Collectively assessed	(1,361,751)		
	(2,173,122)		
	75,354,549		

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

	At 31 December 2017		
	Amounts RMB'000	Percentages	Loans and advances secured by collaterals RMB'000
Gross loans and advances to customers			
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
Less: Provision for impairment losses			
— Individually assessed	(576,584)		
— Collectively assessed	(1,758,347)		
	(2,334,931)		
	76,492,240		

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(b) Analysed by industry sector (Continued)

As at 31 December 2018 and 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 31 December 2018					
	Gross impaired loans and advances RMB'000	ECL Stage 1 RMB'000	ECL Stage 2 RMB'000	ECL Stage 3 RMB'000	Impairment charged during the year RMB'000	Written-off during the year RMB'000
— Wholesale and retail	**314,497**	**282,668**	**37,375**	**114,127**	**231,937**	**—**
— Manufacturing	**366,038**	**309,362**	**91,159**	**213,057**	**220,277**	**3,565**

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

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(c) Analysed by type of collateral

	2018 RMB'000	2017 RMB'000
Gross loans and advances to customers		
Unsecured loans	3,045,467	2,371,287
Guaranteed loans	36,121,702	29,760,568
Collateralised loans	30,665,598	35,316,515
Pledged loans	7,694,904	11,378,801
	77,527,671	78,827,171
Less: Provision for impairment losses		
— Individually assessed	(811,371)	(576,584)
— Collectively assessed	(1,361,751)	(1,758,347)
	(2,173,122)	(2,334,931)
	75,354,549	76,492,240

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(d) Overdue loans analysed by overdue period

	At 31 December 2018				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	2,946	1,473	504	4,823	9,746
Guaranteed loans	476,166	91,844	259,899	66,090	893,999
Collateralised loans	372,010	470,160	357,072	316,990	1,516,232
Pledged loans	45,100	1,770	15,000	43,090	104,960
	896,222	565,247	632,475	430,993	2,524,937
As a percentage of gross loans and advances to customers	1.16%	0.73%	0.82%	0.55%	3.26%

	At 31 December 2017				
	Overdue within three months (inclusive) RMB'000	Overdue more than three months to one year (inclusive) RMB'000	Overdue more than one year to three years (inclusive) RMB'000	Overdue more than three years RMB'000	Total RMB'000
Unsecured loans	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
	477,601	537,612	985,961	503,937	2,505,111
As a percentage of gross loans and advances to customers	0.61%	0.68%	1.25%	0.64%	3.18%

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

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	As at 31 December 2018			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Gross loans and advances to customers	73,681,683	2,204,381	1,641,607	77,527,671
Less: Provision for impairment losses	(1,080,762)	(219,925)	(872,435)	(2,173,122)
	72,600,921	1,984,456	769,172	75,354,549

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the expected credit losses are further classified into "Normal", "Special mention", "Substandard", "Doubtful" and "Loss" within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes.

The Group has adopted IFRS 9 from 1 January 2018. As at 31 December 2018, an analysis of the gross amount of loans receivables with the grading of the loan is as follows:

	At 31 December 2018			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Normal	73,681,683	1,339,001	300	75,020,984
Special mention	–	865,380	286,538	1,151,918
Substandard	–	–	363,590	363,590
Doubtful	–	–	965,019	965,019
Loss	–	–	26,160	26,160
Gross carrying amount	73,681,683	2,204,381	1,641,607	77,527,671
Less: allowance for impairment losses	(1,080,762)	(219,925)	(872,435)	(2,173,122)
Net carrying amount	72,600,921	1,984,456	769,172	75,354,549

Loans and advances and provision for impairment losses as at 31 December 2017 as below do not reflect the adoption of IFRS 9 and are not comparable to the loans and advances and provision for impairment losses as at 31 December 2018 which are disclosed on IFRS 9 basis as above.

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	At 31 December 2017					
	Loans and advances for which provision are collectively assessed (Notes (i))	Impaired loans and advances (Notes (ii))				Gross impaired loans and advances as a percentage of gross loans and advances
		For which provision are collectively assessed	For which provision are individually assessed	Subtotal	Total	
	RMB'000	RMB'000	RMB'000		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.

(iii) The definitions of the loan classifications, stated in Notes (i) and (ii) above.

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements of provision for impairment losses

	As at 31 December 2018			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Loss allowance at 1 January 2018	1,169,497	178,588	1,284,657	2,632,742
Changes in the loss allowance				
— Transfer to stage 1	16,244	(15,049)	(1,195)	–
— Transfer to stage 2	(3,489)	40,957	(37,468)	–
— Transfer to stage 3	(5,299)	(8,108)	13,407	–
— Charge to profit or loss, net	194,688	62,832	256,259	513,779
— Recoveries of loans and advances previously written off as uncollectible	–	–	23,826	23,826
— Interest income on impaired loans and advances to customers	–	–	(28,598)	(28,598)
— Amounts written off as uncollectible	–	–	(16,257)	(16,257)
— Derecognised on deemed disposals of subsidiaries	(290,879)	(39,295)	(622,196)	(952,370)
Loss allowance at 31 December 2018	1,080,762	219,925	872,435	2,173,122

Movement of provision for impairment losses against loans and advances to customers during the year ended 31 December 2017 as below do not reflect the adoption of IFRS 9 and are not comparable to the provision for loans and advances to customers for the year ended 31 December 2018 which are disclosed on IFRS 9 basis as above.

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

	Year ended 31 December 2017		
	Provision for loans and advances which are collectively assessed RMB'000	Provision for impaired loans and advances which are individually assessed RMB'000	Total 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 subsidiaries	17,403	25,955	43,358
At 31 December 2017	1,758,347	576,584	2,334,931

	Total RMB'000
At 31 December 2017	2,334,931
Adjustment on opening balances as adoption of IFRS 9 (Note 2)	297,811
	2,632,742
Impairment losses recognised	
Charge for the year	670,886
Reverse for the year	(157,107)
	513,779
Recoveries of loans and advances previously written off	23,826
Interest income on impaired loans and advances to customers	(28,598)
Amounts written off as uncollectible	(16,257)
Derecognised on deemed disposal of subsidiaries	(952,370)
At 31 December 2018	2,173,122

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(g) Analysed by geographical sector

	At 31 December 2018		
	Gross loans balance RMB'000	Percentages	Loans and advances secured by collaterals RMB'000
Jilin Region	**65,442,106**	**84.41%**	**24,296,165**
Mainland China excluding Jilin Region	**12,085,565**	**15.59%**	**6,369,433**
	77,527,671	**100.00%**	**30,665,598**

	At 31 December 2017		
	Gross loans balance RMB'000	Percentages	Loan and advances secured by collaterals 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

23. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(h) Finance lease receivables

	2018	2017	2018	2017
	Minimum lease payments		Present value of minimum lease payments	
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts receivable under finance leases:				
Within one year	976,715	57,187	934,035	47,656
In the second to fifth years, inclusive	690,454	511,592	625,894	487,231
Over five years	—	1,039,457	—	942,197
	1,667,169	1,608,236	1,559,929	1,477,084
Less: Unearned finance income	(107,240)	(131,152)	—	—
Present value of minimum finance lease receivables	1,559,929	1,477,084	—	—
Less: Provision for impairment losses (Note)			(18,143)	(14,729)
			1,541,786	1,462,355

Note:

As at 31 December 2018, the Group classifies all finance lease receivables in Stage 1, and measures the loss allowance equal to 12-month ECL included in note 23(f).

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	3,131,872	–
– Banks and other financial institutions	2,073,041	–
– Corporations	675,508	–
	5,880,421	–
Asset management plans	324,651	–
Unlisted equity investments measured at FVTOCI	144,617	–
	469,268	–
	6,349,689	–
Analysed as:		
Listed outside Hong Kong	5,880,421	–
Unlisted outside Hong Kong	469,268	–
	6,349,689	–

At 1 January 2018, the Group made an irrevocable election to present changes in the fair value of certain of its equity investments (previously classified as available-for-sale equity investments) in other comprehensive income, as explained in note 2.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Debt securities included in FVTOCI are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

At 31 December 2018, parts of financial assets at FVTOCI were pledged as security for repurchase agreement (Note 34(a)).

As at 31 December 2018, the Group classifies all financial assets at fair value through other comprehensive income in Stage 1, and measures the loss allowance equal to 12-month ECL.

Movement of allowance for impairment losses:

	Total RMB'000
At 1 January 2018 (restated) (Note 2)	1,430
Reverse for the year	(217)
Derecognised on deemed disposal of subsidiaries	(53)
At 31 December 2018	1,160

25. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
Debt securities issued by the following institutions in Mainland China		
— Government	5,518,559	—
— Banks and other financial institutions	1,353,901	—
	6,872,460	—
Wealth management products issued by other financial institutions	—	—
Trust plans	9,021,324	—
Asset management plans	7,761,214	—
Investment funds	698,111	—
	24,353,109	—
Less: Provision for impairment losses (Note(a))	(636,757)	—
	23,716,352	—
Analysed as:		
Listed outside Hong Kong	6,871,790	—
Unlisted outside Hong Kong	16,844,562	—
	23,716,352	—

Notes:

(a) Provision for impairment losses:

	At 31 December 2018			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Gross financial assets measured at amortised costs	17,684,535	1,972,592	4,695,982	24,353,109
Less: Provision for impairment losses	(81,066)	(22,498)	(533,193)	(636,757)
	17,603,469	1,950,094	4,162,789	23,716,352

25. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

Notes: (Continued)

(b) Movements of allowance for impairment losses

	As at 31 December 2018			
	Stage 1 12m ECL RMB'000	Stage 2 Lifetime ECL RMB'000	Stage 3 Lifetime ECL RMB'000	Total RMB'000
Loss allowance at 1 January 2018	139,910	141,117	483,489	764,516
Changes in the loss allowance				
– Transfer to stage 1	–	–	–	–
– Transfer to stage 2	(2,144)	2,144	–	–
– Transfer to stage 3	(1,566)	(117,024)	118,590	–
– Charge (reverse) to profit or loss, net	(33,513)	2,028	384,505	353,020
– Interest income on impaired financial asset measured at amortised cost	–	–	(177,671)	(177,671)
– Derecognised on deemed disposals of subsidiaries	(21,621)	(5,767)	(275,720)	(303,108)
Loss allowance at 31 December 2018	81,066	22,498	533,193	636,757

	At 31 December 2018 RMB'000
At 31 December 2017	387,704
Adjustments on opening balance as adoption of IFRS 9 (Note 2)	376,812
	764,516
Impairment losses recognised, net	353,020
Interest income on impaired financial asset measured at amortised cost	(177,671)
Derecognised on deemed disposal of subsidiaries	(303,108)
At 31 December	636,757

Notes:

(i) The Group had an objective to hold these investments in order to collect contractual cash flows and had measured them at their amortised cost.

(ii) All debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".

(iii) At 31 December 2018, parts of financial assets at amortised cost were pledged as securities for repurchase agreement (Note 34(a)).

26. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 RMB'000	2017 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

	2018 RMB'000	2017 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".

As at 31 December 2017, part of the available-for-sale financial assets was pledged for repurchase agreements. Details are disclosed in Note 34 (a).

(b) Available-for-sale equity investments

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

27. HELD-TO-MATURITY INVESTMENTS

Analysed by type and location of issuers:

	2018 RMB'000	2017 RMB'000
Carrying value		
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 (Note 34(a)).

28. DEBT SECURITIES CLASSIFIED AS RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trust plans	–	14,232,394
Asset management plans	–	10,107,979
Wealth management products issued by other financial institutions	–	1,627,000
Funds	–	1,080,000
	–	27,047,373
Less: Provision for impairment losses	–	(387,704)
	–	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

	At 31 December 2018 RMB'000	At 31 December 2017 RMB'000
At 1 January	–	11,800
Impairment losses recognised	–	375,904
At 31 December	–	387,704

29. INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Costs of investments in associates, unlisted	2,071,188	210,012
Share of post-acquisition profits and other comprehensive income, net of dividends received	132,061	34,557
	2,203,249	244,569

29. INTERESTS IN ASSOCIATES (Continued)

As at 31 December 2018 and 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
				2018	2017	2018	2017	
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") (1)	Incorporated	PRC	Ordinary	30%	–	30%	–	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") (1)	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") (1)	Incorporated	PRC	Ordinary	45%	–	45%	–	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") (1)	Incorporated	PRC	Ordinary	30%	–	30%	–	Corporate and retail bank
Haikou United Rural Commercial Bank Co., Ltd* ("海口聯合農村商業銀行股份有限公司", "Haikou United Rural Commercial Bank") (1)	Incorporated	PRC	Ordinary	20%	20%	24%	24%	Corporate and retail bank

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

* The English translation is for identification only.

29. INTERESTS IN ASSOCIATES (Continued)

On 28 May 2018, certain shareholders who hold 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 with the Group. Hence, the Group loss control over these banks as the Group did not obtain more than half of the voting power in the shareholder meetings of these banks. Details are set out in note 60.

The financial information and carrying amount, in aggregate, of the Group's interests in the associates that are not individually material and are accounted for using the equity method are set out below:

	2018 RMB'000	2017 RMB'000
The Group's share of profit for the year	**143,731**	23,255
The Group's share of other comprehensive income for the year	**3,352**	—
	147,083	23,255

	2018 RMB'000	2017 RMB'000
Carrying amount of the Group's interests in these associates	**2,203,249**	244,569

During the year ended 31 December 2017, the Bank disposed 20% equity interest in Dongfang Huifeng Village Bank Co., Ltd to an independent third party at cash consideration of RMB13,000,000. The result gain recognised in profit or loss is as follow:

	2017 RMB'000
Consideration	13,000
Carrying amount of 20% investment on the date of loss of significant influence	(10,657)
Gain on disposal of an associate	2,343

30. PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost						
At 1 January 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 right	–	–	–	(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	3,732,129	587,306	706,791	380,000	14,154	5,420,380
Additions	30,332	35,864	111,272	388,091	2,323	567,882
Transfers in/(out) of construction in progress	222,445	282	24,450	(247,177)	–	–
Deemed disposals of subsidiaries	(487,987)	(23,006)	(153,795)	(269,824)	(5,175)	(939,787)
Disposals	–	–	(13,716)	–	(977)	(14,693)
At 31 December 2018	3,496,919	600,446	675,002	251,090	10,325	5,033,782

30. PROPERTY AND EQUIPMENT (Continued)

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
Accumulated depreciation and impairment						
At 1 January 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	320,374	243,509	388,124	–	12,459	964,466
Provided for the year	113,581	69,793	111,834	–	116	295,324
Deemed disposals of subsidiaries	(112,943)	(6,947)	(104,319)	–	(3,772)	(227,981)
Eliminated on disposals	–	–	(6,724)	–	(715)	(7,439)
At 31 December 2018	321,012	306,355	388,915	–	8,088	1,024,370
Net book value						
At 31 December 2018	3,175,907	294,091	286,087	251,090	2,237	4,009,412
At 31 December 2017	3,411,755	343,797	318,667	380,000	1,695	4,455,914

At 31 December 2018 and 2017, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB2,302,874,000 (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 RMB533,783,000 (2017: approximately RMB336,967,000).

30. PROPERTY AND EQUIPMENT (Continued)

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

At 31 December 2018 and 2017, the net book values of premises are analysed by the remaining terms of the leases as follows:

	2018 RMB'000	2017 RMB'000
Held in Mainland China		
— Long term leases (over 50 years)	76,068	91,207
— Medium term leases (10–50 years)	3,016,806	3,268,606
— Short term leases (less than 10 years)	83,033	51,942
	3,175,907	3,411,755

31. GOODWILL

	2018 RMB'000	2017 RMB'000
Cost		
At the beginning of the financial year	1,184,527	1,173,756
Arising on acquisition subsidiaries	—	10,771
Eliminated on deemed disposals of subsidiaries	(783,192)	—
At the end of the financial year	401,335	1,184,527
Carrying amounts		
At the end of the financial year	401,335	1,184,527

31. GOODWILL (Continued)

Impairment testing on goodwill

For the purpose of impairment testing, goodwill with indefinite useful lives set out as above have been allocated to four and eight individual cash-generating units ("CGUs"), comprising four and eight subsidiaries in corporate and retail banking as at 31 December 2018 and 2017 respectively.

	2018 RMB'000	2017 RMB'000
Changbai Mountain Rural Commercial Bank	–	157,206
Liaoyuan Rural Commercial Bank	386,202	386,202
Jilin Dehui Rural Commercial Bank	–	289,729
Jilin Gongzhuling Rural Commercial Bank	–	135,142
Jilin Chuncheng Rural Commercial Bank	–	201,115
Lingshui Dasheng Village and Township Bank	1,010	1,010
Sanya Phoenix Village and Township Bank	3,352	3,352
Qingdao Jimo Huimin Village and Township Bank	10,771	10,771
	401,335	1,184,527

During the year ended 31 December 2018 and 2017, management of the Group determines that there are no impairments of any of its cash-generating units containing goodwill with indefinite useful lives.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Changbai Mountain Rural Commercial Bank

As at 31 December 2017, the recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 5%, and pre-tax discount rate of 6.67%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

31. GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below: (Continued)

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Liaoyuan Rural Commercial Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 5%, and pre-tax discount rate of 13% (2017: 6.73%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Jilin Dehui Rural Commercial Bank

As at 31 December 2017, the he recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 7.5%, and pre-tax discount rate of 6.66%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

31. GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below: (Continued)

Jilin Gongzhuling Rural Commercial Bank

As at 31 December 2017, the recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 7.5%, and pre-tax discount rate of 6.73%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Jilin Chuncheng Rural Commercial Bank

As at 31 December 2017, the recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 7.5%, and pre-tax discount rate of 6.73%. Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

31. GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below: (Continued)

Lingshui Dasheng Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 20%, and pre-tax discount rate of 13% (2017: 6.65%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Sanya Phoenix Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 20%, and pre-tax discount rate of 13% (2017: 6.63%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

31. GOODWILL (Continued)

Impairment testing on Goodwill (Continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below: (Continued)

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

Qingdao Jimo Huimin Village and Township Bank

The recoverable amounts of this unit have been determined on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period with an average growth rate of 20%, and pre-tax discount rate of 13% (2017: 6.40%). Cash flows beyond the five-year period are extrapolated using an estimated annual growth rate. Management determined the budgeted gross margin based on past performance, its expectations on the market development, and a long-term growth rate of 3%, which is based on the industry growth forecasts and does not exceed the long-term average growth rate for the business in the country in which the CGU operates. The discount rates used are the CGU's specific weighted average cost of capital, adjusted for the risks of the specific CGU.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amounts of this CGU to exceed its recoverable amount.

32. DEFERRED TAXATION

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

	2018 RMB'000	2017 RMB'000
Deferred tax assets	582,124	636,205
Deferred tax liabilities	(178,498)	(80,559)
	405,626	555,646

32. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior year:

	Provision for impairment losses on assets RMB'000 Notes (i)	Change in fair value of available-for-sales financial assets RMB'000 Notes (ii)	Change in fair value of financial asset at FVTOCI RMB'000 Notes (ii)	Net losses/(gains) from fair value changes of financial asset at FVTPL RMB'000 Note (ii)	Tax losses RMB'000 Notes (iii)	Others RMB'000	Net balance of deferred tax assets RMB'000
At 1 January 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
Acquisition of subsidiaries	14,461	–	–	–	–	–	14,461
At 31 December 2017 and 1 January 2018	482,252	109,005	–	(80,559)	43,100	1,848	555,646
Adjustment on opening balance as adoption on IFRS 9 (Note 2)	175,101	(109,005)	110,283	(82,428)	–	–	93,951
Credit/(charge) to profit or loss	132,302	–	(849)	(11,204)	13,672	2,662	136,583
Credit to other comprehensive income	–	–	(90,436)	–	–	–	(90,436)
Derecognised on deemed disposals of subsidiaries	(280,650)	–	(7,161)	(2,307)	–	–	(290,118)
At 31 December 2018	509,005	–	11,837	(176,498)	56,772	4,510	405,626

Notes:

(i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.

(ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

(iii) At 31 December 2018, the Group has unused tax losses of approximately RMB227,088,000 (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.

33. OTHER ASSETS

	2018 RMB'000	2017 RMB'000
Other receivables and prepayments (Notes (i))	**283,424**	145,141
Repossessed assets (Notes (ii))	**178,852**	426,437
Long-term deferred expenses (Notes (iii))	**133,673**	127,125
Land use rights (Notes (iv))	**25,783**	70,785
Other	**11,895**	9,084
	633,627	778,572

Notes:

(i) Other receivables and prepayments

	2018 RMB'000	2017 RMB'000
Other receivables and prepayments	**295,692**	152,177
Less: Provision for impairment losses (Note)	**(12,268)**	(7,036)
	283,424	145,141

Note:

As at 31 December 2018, the Group classifies all other receivables in gross amount of approximately RMB50,566,000 in Stage 1, and measures the loss allowance equal to 12-month ECL amounting to approximately RMB12,268,000.

33. OTHER ASSETS (Continued)

Notes: (Continued)

(i) Other receivables and prepayments (Continued)

Movements of allowance for impairment losses

	2018 RMB'000	2017 RMB'000
At 1 January	7,036	8,942
Impairment losses recognised	16,729	—
Impairment losses reversed	—	(1,377)
Amounts written off as uncollectible	(1,041)	(529)
Derecognised on deemed disposals of subsidiaries	(10,456)	—
At 31 December	12,268	7,036

(ii) Repossessed assets

	2018 RMB'000	2017 RMB'000
Gross repossessed assets	193,744	521,615
Less: Provision for impairment losses	(14,892)	(95,178)
	178,852	426,437

Movements of allowance for impairment losses

	2018 RMB'000	2017 RMB'000
At 1 January	95,178	101,820
Impairment losses recognised	1,592	9,782
Amounts written off as uncollectible	—	(16,424)
Derecognised on deemed disposals of subsidiaries	(81,878)	—
At 31 December	14,892	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.

	2018 RMB'000	2017 RMB'000
At 1 January	127,125	119,935
Addition	19,294	15,391
Amortisation	(12,746)	(8,201)
At 31 December	133,673	127,125

33. OTHER ASSETS (Continued)

(iv) Movements of land use rights

	2018 RMB'000	2017 RMB'000
Cost		
At the beginning of the financial year	75,238	53,393
Additions	—	21,844
Derecognised on deemed disposals of subsidiaries	(45,868)	—
At the end of the financial year	29,370	75,237
Accumulated amortisation		
At the beginning of the financial year	4,452	2,324
Amortised for the year	873	2,128
Derecognised on deemed disposals of subsidiaries	(1,738)	—
At the end of the financial year	3,587	4,452
Carrying amounts		
At the end of the financial year	25,783	70,785

These lands are located in PRC with medium term leases (10–50 years).

At 31 December 2018, the net book value of land use rights of which title deeds were not yet finalised by the Group were approximately RMB1,120,000 (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.

34. PLEDGED ASSETS

(a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 31 December 2018 is approximately RMB8,578,500,000 (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.

35. BORROWINGS FROM THE CENTRAL BANK

	2018 RMB'000	2017 RMB'000
Borrowings	2,376,520	1,156,170
Re-discounted bills	—	420,000
	2,376,520	1,576,170

36. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2018 RMB'000	2017 RMB'000
Deposits in Mainland China		
— Banks	4,711,266	4,690,533

37. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	2018 RMB'000	2017 RMB'000
Placements in Mainland China		
— Banks	**1,106,496**	1,652,496

38. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	2018 RMB'000	2017 RMB'000
In Mainland China		
— Banks	**6,715,120**	9,364,507
— Other financial institutions	**1,691,600**	315,193
	8,406,720	9,679,700

(b) Analysed by collateral

	2018 RMB'000	2017 RMB'000
Debt securities	**8,406,720**	9,679,700

39. DEPOSITS FROM CUSTOMERS

	2018 RMB'000	2017 RMB'000
Demand deposits		
— Corporate customers	26,708,188	25,868,261
— Individual customers	19,116,290	21,295,486
	45,824,478	47,163,747
Time deposits		
— Corporate customers	13,758,454	20,835,862
— Individual customers	46,650,767	57,574,478
	60,409,221	78,410,340
Pledged deposits		
— Acceptances	922,891	948,177
— Guarantees and letters of guarantees	1,998,030	1,645,601
	2,920,921	2,593,778
Others	366,541	1,713,728
	109,521,161	129,881,593

40. ACCRUED STAFF COSTS

	2018 RMB'000	2017 RMB'000
Salary and bonus payable	156,180	219,965
Social pension schemes payable	431	411
Other social insurances payable	1,387	674
Other staff welfare payable	5,085	8,279
	163,083	229,329

41. INTERESTS PAYABLE

	2018 RMB'000	2017 RMB'000
Deposits from customers	1,572,979	1,826,581
Deposits from banks and other financial institutions	124,468	73,215
Debts securities issued	43,876	43,876
Others	8,425	21,108
	1,749,748	1,964,780

42. DEBT SECURITIES ISSUED

	2018 RMB'000	2017 RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Note (i))	2,395,187	2,394,377
Interbank deposits (Note (ii))	18,156,995	17,645,188
	20,552,182	20,039,565

42. 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 effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 31 December 2018, the outstanding balance of this fixed rate subordinated debts issued is RMB698,800,000 (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 6.35%. As at 31 December 2018, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB798,493,000 (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 31 December 2018, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB897,894,000 (2017: approximately RMB897,624,000).

(ii) Interbank deposits

(a) For the year ended 31 December 2018, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB20,480,000,000 and duration between 3 months to 1 year. As at 31 December 2018, the outstanding balance of interbank deposits issued is approximately RMB18,156,995,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.50% 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 3 months 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%.

43. OTHER LIABILITIES

	2018 RMB'000	2017 RMB'000
Other payable and accrued expenses	242,441	254,438
Clearance of inter-bank accounts	132,925	182,035
Other taxes payables	83,080	80,793
Agency business liabilities	3,292	26,995
Dividend payable	6	502
Deferred leasing income (Note (a))	31,822	12,343
Provision for credit commitments and financial guarantees (Note (b))	232	—
	493,798	557,106

Notes:

(a) 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.

(b) As at 31 December 2018, the Group classifies all provision for credit commitments and financial guarantees in Stage 1, and measures the loss allowance equal to 12-month ECL.

44. SHARE CAPITAL

Share capital of the Group as at 31 December 2018 and 2017 represented share capital of the Bank, which is fully paid.

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

	2018 RMB'000	2017 RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
— Ordinary shares	3,984,797	3,984,797
At the beginning of the year	3,984,797	3,294,797
Issuance of shares (Note)	—	690,000
At end of the year	3,984,797	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 HK$4.56 per share. Total gross proceeds from the share issuance amounted to approximately RMB2,795,445,000 (equivalent to HK$3,146,400,000) 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.

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

	2018 '000	2017 '000
Domestic shareholders	3,225,797	3,225,797
H shareholders	759,000	759,000
At end of the year	3,984,797	3,984,797

45. CAPITAL RESERVE

	2018 RMB'000	2017 RMB'000
Share premium	**5,051,289**	5,051,289
Changes in ownership in subsidiaries without changes in control	**279,960**	264,514
	5,331,249	5,315,803

46. SURPLUS RESERVE AND GENERAL RESERVE

(a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 31 December 2018 is approximately RMB708,012,000 (2017: approximately RMB614,436,000), while other surplus reserve is approximately RMB16,659,000 as at 31 December 2018 (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.

47. DIVIDENDS

	2018 RMB'000	2017 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 year ended 31 December 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.

Subsequent to the end of the reporting period, a final dividend of RMB0.18 (tax inclusive) for each share in respect of the year ended 31 December 2018 has been proposed by the directors of the Bank and is subject to approval by the shareholders in the forthcoming general meeting on 20 June 2019.

48. STRUCTURED ENTITIES

(a) Consolidated structured entities

The consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at 31 December 2018 and 2017, the amount of assets held by the consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB14,463,474,000 and approximately RMB17,211,194,000 respectively.

(b) Unconsolidated structured entities

(i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust fund plans, asset management plans and wealth management products issued by other financial institutions.

48. STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (Continued)

(i) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 31 December 2018 and 2017:

	31 December 2018			
	Financial assets at FVTOCI RMB'000	Financial assets measured at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	–	9,021,324	9,021,324	9,021,324
Asset management plans	324,651	7,761,214	8,085,865	8,085,865
Investment funds	–	698,111	698,111	698,111
	324,651	17,480,649	17,805,300	17,805,300

	31 December 2017			
	Available-for-sale financial assets RMB'000	Debt securities classified as receivables RMB'000	Carrying amount RMB'000	Maximum exposure 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

48. STRUCTURED ENTITIES (Continued)

(b) Unconsolidated structured entities (continued)

(ii) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in:

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2018 and 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 31 December 2018, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are approximately RMB3,739,160,000 and (2017: approximately RMB2,939,020,000).

(iii) Unconsolidated structured entities sponsored by the Group during the year which the Group does not have an interest in as at 31 December 2018 and 2017:

During the year ended 31 December 2018, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 31 December amounted to approximately RMB4,469,230,000 (2017: approximately RMB4,288,590,000).

49. 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.

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 years ended 31 December 2018 and 2017, the Group has complied with all its externally imposed capital requirements.

49. CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at 31 December 2018 and 2017 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

	2018 RMB'000	2017 RMB'000
Total core tier-one capital		
Share capital	3,984,797	3,984,797
Qualifying portion of capital reserve	5,331,249	5,315,803
Investment revaluation reserve	(30,292)	(299,747)
Surplus reserve	724,671	631,095
General reserve	1,571,192	1,538,170
Retained earnings	1,374,517	1,381,593
Qualifying portions of non-controlling interests	974,182	2,118,601
Core tier-one capital deductions (Notes)	(1,562,427)	(1,266,674)
Net core tier-one capital	12,367,889	13,403,638
Eligible portion of non-controlling interests	128,655	268,268
Net tier-one capital	12,496,544	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	818,352	973,332
Eligible portion of non-controlling interests	258,865	570,736
Net capital base	15,553,761	17,265,974
Total risk weighted assets	131,516,303	141,481,055
Core tier-one capital adequacy ratio	9.40%	9.47%
Tier-one capital adequacy ratio	9.50%	9.66%
Capital adequacy ratio	11.83%	12.20%

Notes:

Core tier-one capital deductions primarily include other intangible assets excluding land use rights, goodwill, deferred tax assets recognised for tax losses and other regulatory deductions.

50. CASH AND CASH EQUIVALENTS

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

	2018 RMB'000	2017 RMB'000
Cash on hand	**733,406**	987,228
Deposits with the central bank	**10,774,110**	6,119,287
Deposits with banks and other financial institutions	**4,141,585**	8,328,151
Placements with banks and other financial institutions	**446,879**	440,000
Financial assets held under resale agreements	**–**	479,923
Total	**16,095,980**	16,354,589

51. 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:

	2018	2017
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%

51. 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 49(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

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

(i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and associates

	2018 RMB'000	2017 RMB'000
Transactions during the year		
Interest income	**65,808**	1,240
Rental income	**6,800**	6,800
Interest expense	**7,797**	2,587

	2018 RMB'000	2017 RMB'000
Balances at end of the year		
Deposits with banks and other financial institutions	**3,076,069**	789,859
Interests receivable	**17,787**	—
Deposits from banks and other financial institutions	**106,892**	—
Interests payable	**174**	—

51. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

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

(iii) Transactions between the Group and major shareholders

	2018 RMB'000	2017 RMB'000
Transactions during the year		
Interest income	**31,341**	38,892
Interest expense	**452**	689
Rental expense	**520**	350

	2018 RMB'000	2017 RMB'000
Balances at end of the 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	**377,500**	380,000
Interests receivable	**187**	314
Interests payable	**73**	11
Deposits from customers	**749,179**	102,019

(iv) Transactions between the Group and other related parties

	2018 RMB'000	2017 RMB'000
Transactions during the year		
Interest income	**32,057**	22,253
Interest expense	**28,876**	9,434
Rental expense	**—**	961

	2018 RMB'000	2017 RMB'000
Balances at end of the year		
Loans and advances to customers	**720,560**	671,780
Interests receivable	**3,895**	2,458
Interests payable	**624**	8,345
Deposits from customers	**517,804**	690,622

51. 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

	2018 RMB'000	2017 RMB'000
Transactions during the year		
Interest income	**201**	503
Interest expense	**195**	91
Rental expense	**2,789**	2,278

	2018 RMB'000	2017 RMB'000
Balances at end of the year		
Interest payable	**95**	1
Interest receivable	**—**	56
Loans and advances to customers	**4,023**	8,731
Deposits from customers	**10,570**	6,569

(ii) Key management personnel compensation

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

	2018 RMB'000	2017 RMB'000
Short-term staff benefits	**16,961**	16,242
Retirement benefits		
— Basic social pension insurance	**1,653**	4,075
	18,614	20,317

51. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

(d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	2018 RMB'000	2017 RMB'000
Loans and advances to directors, supervisors and officers	**4,023**	8,731

52. 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.

52. 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.

52. SEGMENT REPORTING (Continued)

(a) Segment results, assets and liabilities

	Year ended 31 December 2018				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	2,781,473	(547,456)	1,286,032	–	3,520,049
Internal net interest income/(expense)	(412,836)	1,513,428	(1,100,592)	–	–
Net interest income	2,368,637	965,972	185,440	–	3,520,049
Net fee and commission income	136,414	25,183	214,007	–	375,604
Net trading gains	–	–	914,483	–	914,483
Dividend income	–	–	–	82,167	82,167
Losses on deemed disposals of subsidiaries	–	–	–	(6,204)	(6,204)
Net gains arising from investment securities	–	–	11,843	–	11,843
Net exchange gains	–	–	–	14,998	14,998
Other operating income	–	–	–	124,637	124,637
Operating income	2,505,051	991,155	1,325,773	215,598	5,037,577
Operating expenses	(1,691,783)	(676,566)	(391,809)	(91,241)	(2,851,399)
Impairment losses on assets	(440,084)	(73,696)	(358,067)	(18,322)	(890,169)
Operating profit	373,184	240,893	575,897	106,035	1,296,009
Share of profits of associates	–	–	–	143,731	143,731
Profit before tax	373,184	240,893	575,897	249,766	1,439,740
Segment assets	58,221,504	20,766,392	74,652,618	10,207,136	163,847,650
Deferred tax assets	–	–	–	405,626	405,626
Total assets	58,221,504	20,766,392	74,652,618	10,612,762	164,253,276
Segment liabilities	(44,556,674)	(66,920,498)	(37,382,582)	(285,878)	(149,145,632)
Dividend payable	–	–	–	(6)	(6)
Total liabilities	(44,556,674)	(66,920,498)	(37,382,582)	(285,884)	(149,145,638)
Other segment information					
— Depreciation and amortisation	202,573	70,172	28,563	7,635	308,943
— Capital expenditure	294,480	69,763	157,317	46,322	567,882

52. SEGMENT REPORTING (Continued)

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

	Year ended 31 December 2017				
	Corporate banking RMB'000	Retail banking RMB'000	Treasury operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/(expense)	2,423,908	(421,798)	2,733,783	—	4,735,893
Internal net interest income/(expense)	59,832	2,608,463	(2,668,295)	—	—
Net interest income	2,483,740	2,186,665	65,488	—	4,735,893
Net fee and commission income	275,209	26,953	312,695	—	614,857
Net trading gains	—	—	65,608	—	65,608
Dividend income	—	—	—	105,864	105,864
Net gains arising from investment securities	—	—	65,880	193,240	259,120
Gain on disposal of an associate	—	—	—	2,343	2,343
Net exchange losses	—	—	—	(38,759)	(38,759)
Other operating income	—	—	—	95,377	95,377
Operating income	2,758,949	2,213,618	509,671	358,065	5,840,303
Operating expenses	(1,433,958)	(1,169,582)	(225,116)	(201,416)	(3,030,072)
Impairment losses on assets	(344,620)	(18,594)	(375,904)	(8,931)	(748,049)
Operating profit	980,371	1,025,442	(91,349)	147,718	2,062,182
Share of profits of associates	—	—	—	23,255	23,255
Profit before tax	980,371	1,025,442	(91,349)	170,973	2,085,437
Segment assets	53,091,834	27,778,056	102,460,570	3,122,397	186,452,857
Deferred tax assets	—	—	—	555,646	555,646
Total assets	53,091,834	27,778,056	102,460,570	3,678,043	187,008,503
Segment liabilities	54,869,860	77,403,462	37,813,515	270,512	170,357,349
Dividend payable	—	—	—	502	502
Total liabilities	54,869,860	77,403,462	37,813,515	271,014	170,357,851
Other segment information					
— Depreciation and amortisation	148,569	114,169	24,525	25,000	312,263
— Capital expenditure	648,204	608,887	98,536	121,037	1,476,664

52. 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 14 (2017: 18) 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	
	2018	2017
	RMB'000	RMB'000
Jilin Region	**4,385,065**	5,051,071
Mainland China excluding Jilin Region	**652,512**	789,232
	5,037,577	5,840,303

	Non-current asset	
	2018	2017
	RMB'000	RMB'000
Jilin Region	**3,662,864**	4,157,944
Mainland China excluding Jilin Region	**506,004**	495,880
	4,168,868	4,653,824

53. 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 year ended 31 December 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:

(a) 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 minimise credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

53. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The five category classifications in which the Group classifies its loans and advances to customers and financial assets at amortised cost are set out below:

Category	Description	Basis for recognising ECL
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12-month ECL Lifetime ECL — not credit impaired (Only if more than 30 days pass due) Lifetime ECL — credit impaired (Only if more than 90 days pass due and no reason to doubt their ability to repay principal and interest in full on a timely basis)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	Lifetime ECL — not credit impaired Lifetime ECL — credit impaired (Only if more than 90 days pass due and repayment may be adversely affected by specific factors)
Substandard	Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Lifetime ECL — credit impaired

53. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

Loan and advance to customers and financial asset at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Financial assets at FVTOCI

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of investment securities measured at FVTOCI is at Stage 1 of which the loss allowance is measured at 12 month ECL.

Financial asset measured at amortised cost

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

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.

53. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

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 other receivables is at Stage 1 of which the loss allowance is measured at 12 month ECL.

53. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

As at 31 December 2017, impairment loss was recognised in accordance with IAS 39.

Financial assets analysed by credit quality are summarised as follows:

	At 31 December 2017				
	Loans and advances RMB'000	Deposits/ placements with banks and other financial institution RMB'000	Financial assets held under resale agreements RMB'000	Investments (*) RMB'000	Others (**) RMB'000
Impaired					
Individually assessed gross amount	987,236	–	–	4,611,929	693
Less: provision for impairment losses	(576,584)	–	–	(339,275)	(184)
	410,652	–	–	4,272,654	509
Collectively assessed gross amount	374,363	–	–	–	1,418
Less: provision for impairment losses	(211,275)	–	–	–	(1,199)
	163,088	–	–	–	219
Overdue but not Impaired					
Gross amount					
– Less than three months (inclusive)	463,287	–	–	–	13,872
– Between three months and six months (inclusive)	135,922	–	–	–	3
– Between six months and one year (inclusive)	199,277	–	–	–	476
– More than one year	348,514	–	–	–	229
	1,147,000	–	–	–	14,580
Less: provision for impairment losses	(83,964)	–	–	–	–
	1,063,036	–	–	–	14,580
Neither overdue nor impaired					
Gross amount	76,318,572	14,419,552	479,923	58,241,004	957,004
Less: provision for impairment losses	(1,463,108)	–	–	(48,429)	(5,647)
	74,855,464	14,419,552	479,923	58,192,575	951,357
	76,492,240	14,419,552	479,923	62,465,229	966,665

53. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Financial assets analysed by credit quality are summarised as follows: (Continued)

* Investments comprise financial assets at fair value through profit or loss, available-for-sale debt investments, held-to-maturity investments and debt securities classified as receivables as at 31 December 2017, while financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and amortised costs as at 31 December 2018.

** Others comprise interest receivable, other receivables and prepayments in other assets.

Credit rating

The Group adopts a credit rating approach in managing the credit risk of the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments analysed by the rating agency designations as at the end of each of the reporting period are as follows:

	2018 RMB'000	2017 RMB'000
Not overdue		
Ratings		
— AAA	1,320,315	1,369,838
— AA- to AA	295,657	450,661
— A- to A	82,476	181,529
— unrated (Note)	11,052,674	15,849,379
	12,751,122	17,851,407

The following tables represent an analysis of the carrying value of debt securities by credit or issuer rating and credit risk characteristic:

	As at 31 December 2018			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Ratings				
— AAA	1,320,715	—	—	1,320,715
— AA- to AA	296,002	—	—	296,002
— A- to A	82,582	—	—	82,582
— Unrated (Note)	11,053,582	—	—	11,053,582
	12,752,881	—	—	12,752,881
Provision for impairment loss	(1,759)	—	—	(1,759)
	12,751,122	—	—	12,751,122

Note:

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

53. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

The board of directors is ultimately responsible for monitoring the Group's market risk to ensure that the Group has effectively identified, measured and monitored all types of market risk. The Risk Management Committee monitors the market risk management process within the scope authorised by the board of directors, which include review and approval of market risk management strategies, policies and procedures. The Group is primarily exposed to market risk in its treasury operations. The board assumes ultimate responsibility for management of market risk. The senior management implements market risk management strategies and policies as approved by our board. The Group's business departments implement market risk management measures in their daily operations.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile for each period with reference to the interest rate risks for different maturities.

Scenario analysis is a multi-factor analysis method which assesses the impact of multiple factors interacting simultaneously, taking into consideration of the probabilities of various scenarios.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

Sensitivity gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorizing each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

53. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

The Finance Management Department is responsible for measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

Trading interest rate risk

Trading interest rate risk mainly arises from the treasury's investment portfolios. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the investment portfolios' fair value given a 100 basis points (1%) movement in the interest rates.

53. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2018 and 2017 by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At 31 December 2018					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	22,458,129	733,406	21,724,723	–	–	–
Deposits with banks and other financial institutions	9,884,358	–	6,465,282	3,419,076	–	–
Placements with banks and other financial institutions	1,698,580	–	863,054	835,526	–	–
Loans and advances to customers (Notes (i))	75,354,549	–	17,884,496	36,293,317	19,512,888	1,663,848
Investments (Notes (ii))	46,453,676	1,161,999	11,396,107	16,488,950	9,286,735	8,119,885
Interest receivables	750,735	750,735	–	–	–	
Others	7,653,249	7,653,249	–	–	–	
	164,253,276	10,299,389	58,333,662	57,036,869	28,799,623	9,783,733
Liabilities						
Borrowings from the central bank	2,376,520	–	1,641,000	735,520	–	–
Deposits from banks and other financial institutions	4,711,266	–	2,871,266	1,840,000	–	–
Placements from banks and other financial institutions	1,106,496	–	1,106,496	–	–	–
Provision for credit commitments and financial guarantees	232	232	–	–	–	–
Financial assets sold under repurchase agreements	8,406,720	–	8,406,720	–	–	–
Deposits from customers	109,521,161	–	63,518,441	25,326,500	20,415,253	260,967
Interests payable	1,749,748	1,749,748	–	–	–	–
Debt securities issued	20,552,182	–	4,296,821	13,860,174	698,800	1,696,387
Others	721,313	721,313	–	–	–	–
	149,145,638	2,471,293	81,840,744	41,762,194	21,114,053	1,957,354
Asset-liability gap	15,107,638	7,828,096	(23,507,082)	15,274,675	7,685,570	7,826,379

53. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2018 and 2017 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

	At 31 December 2017					
	Total RMB'000	Non-interest bearing RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Assets						
Cash and deposits with the central bank	24,118,157	987,228	23,130,929	–	–	–
Deposits with banks and other financial institutions	13,219,552	–	9,578,151	3,641,401	–	–
Placement with banks and other financial institutions	1,200,000	–	440,000	760,000	–	–
Loans and advances to customers (Notes (i))	76,492,240	–	17,318,439	32,358,665	25,978,482	836,654
Financial assets held under resale agreements	479,923	–	479,923	–	–	–
Investments (Notes (ii))	63,457,879	992,650	15,197,566	20,361,232	16,871,260	10,035,171
Interest receivables	821,524	821,524	–	–	–	–
Others	7,219,228	7,219,228	–	–	–	–
	187,008,503	10,020,630	66,145,008	57,121,298	42,849,742	10,871,825
Liabilities						
Borrowings from the central bank	1,576,170	–	1,505,000	50,770	18,240	2,160
Deposits from banks and other financial institutions	4,690,533	–	2,956,843	1,733,690	–	–
Placements from banks and other financial institutions	1,652,496	2,496	600,000	1,050,000	–	–
Financial assets sold under repurchase agreements	9,679,700	–	9,436,500	243,200	–	–
Deposits from customers	129,881,593	–	71,008,622	37,289,987	20,749,506	833,478
Interests payable	1,964,780	1,964,780	–	–	–	–
Debt securities issued	20,039,565	–	6,457,606	11,187,582	2,394,377	–
Others	873,014	873,014	–	–	–	–
	170,357,851	2,840,290	91,964,571	51,555,229	23,162,123	835,638
Asset-liability gap	16,650,652	7,180,340	(25,819,563)	5,566,069	19,687,619	10,036,187

53. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(i) The following tables indicate the assets and liabilities at 31 December 2018 and 2017 by the expected next repricing dates or by maturity dates, depending on which is earlier: (Continued)

Notes:

(i) As at 31 December 2018, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of approximately RMB996,024,000 (2017: approximately RMB1,161,321,000).

(ii) Investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets measured at amortised cost, available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables for the year ended 31 December 2018 and 2017.

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. As at 31 December 2018, assuming other variables remain unchanged, an increase in estimated interest rate of 100 basis points will cause the Group's net profit to decrease approximately RMB159,713,000 (2017: decrease approximately RMB218,893,000), and the Group's equity to decrease approximately RMB602,408,000 (2017: decrease approximately RMB813,369,000); a decrease in estimated interest rate of 100 basis points will cause the Group's net profit to increase approximately RMB159,713,000 (2017: increase approximately RMB218,893,000), and the Group's equity to increase approximately RMB602,408,000 (2017: increase approximately RMB813,369,000).

53. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest rate risk profile of the Group's assets and liabilities. This analysis measures only the impact of changes in interest rates, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each of the reporting period apply to non-derivative financial instruments of the Group;

- At the end of each of the reporting period, an interest rate movement of 100 basis points is based on the assumption of interest rates movement;

- There is a parallel shift in the yield curve with the changes in interest rates;

- There are no other changes to the assets and liabilities portfolio;

- Other variables (including exchange rates) remain unchanged; and

- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

Foreign currency risk

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis.

53. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2018 and 2017 are as follows:

	At 31 December 2018			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	22,455,164	2,143	822	22,458,129
Deposits with banks and other financial institutions	9,840,584	42,422	1,352	9,884,358
Placement with banks and other financial institutions	1,677,944	20,636	–	1,698,580
Financial assets at fair value through profit or loss	16,387,635	–	–	16,387,635
Interest receivables	750,734	1	–	750,735
Loans and advances to customers	75,348,820	5,729	–	75,354,549
Financial assets at fair value through other comprehensive income	6,349,689	–	–	6,349,689
Financial assets measured at amortised costs	23,716,352	–	–	23,716,352
Others	7,653,249	–	–	7,653,249
	164,180,171	70,931	2,174	164,253,276
Liabilities				
Borrowings from the central bank	2,376,520	–	–	2,376,520
Deposits from banks and other financial institutions	4,704,374	6,892	–	4,711,266
Placements from banks and other financial institutions	1,106,496	–	–	1,106,496
Financial assets sold under repurchase agreements	8,406,720	–	–	8,406,720
Deposits from customers	109,466,092	54,322	747	109,521,161
Interests payable	1,749,688	54	6	1,749,748
Debt securities issued	20,552,182	–	–	20,552,182
Others	701,881	18,243	1,421	721,545
	149,063,953	79,511	2,174	149,145,638
Net position	15,116,218	(8,580)	–	15,107,638
Off-balance sheet credit commitments	4,782,161	120,842	74,835	4,977,838

53. FINANCIAL RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures at 31 December 2018 and 2017 are as follows: (Continued)

	At 31 December 2017			
	RMB'000	USD (RMB'000 equivalent)	Others (RMB'000 equivalent)	Total (RMB'000 equivalent)
Assets				
Cash and deposits with the central bank	24,115,919	931	1,307	24,118,157
Deposits with banks and other financial institutions	12,513,500	50,231	655,821	13,219,552
Placements with banks and other financial institutions	1,200,000	–	–	1,200,000
Financial assets held under resale agreements	479,923	–	–	479,923
Financial assets at fair value through profit or loss	17,435,090		–	17,435,090
Interest receivables	821,524	–	–	821,524
Loans and advances to customers	76,486,746	5,494	–	76,492,240
Available-for-sale financial assets	8,914,455	–	–	8,914,455
Held-to-maturity assets	10,448,665	–	–	10,448,665
Debt securities classified as receivables	26,659,669	–	–	26,659,669
Others	7,219,228	–	–	7,219,228
	186,294,719	56,656	657,128	187,008,503
Liabilities				
Borrowings from the central bank	1,576,170	–	–	1,576,170
Deposits from banks and other financial institutions	4,677,520	13,013	–	4,690,533
Placements from banks and other financial institutions	1,652,496	–	–	1,652,496
Financial assets sold under repurchase agreements	9,679,700	–	–	9,679,700
Deposits from customers	129,864,111	16,077	1,405	129,881,593
Interests payable	1,964,722	52	6	1,964,780
Debt securities issued	20,039,565	–	–	20,039,565
Others	873,014	–	–	873,014
	170,327,298	29,142	1,411	170,357,851
Net position	15,967,421	27,514	655,717	16,650,652
Off-balance sheet credit commitments	4,022,479	10,406	83,348	4,116,233

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

53. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet repayment obligations. This risk exists even if a bank's solvency remains strong. In accordance with liquidity policies, the Group monitors the future cash flows and maintains an appropriate level of highly liquid assets.

The Asset and Liability Management Committee ("ALMC") is responsible for managing the Group's overall liquidity risk. The ALMC is responsible for the formulation of the liquidity policies in accordance with regulatory requirements and prudential principles. Such policies include:

- Maintaining at a stable and sufficient level; establishing integrated liquidity risk management system; ensuring the meeting on a timely basis of liquidity requirements and the payment of assets, liabilities, and off-balance sheet business, whether under a normal operating environment or a state of stress; balancing the effectiveness and security of funds in an efficient manner; and

- Making timely and reasonable adjustments to capital structure and scale in response to market changes and business developments; pursuing profit maximization and cost minimisation to a modest extent while ensuring appropriate liquidity; achieving the integration of the security, liquidity, and effectiveness of the Group's funds.

53. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The assets and liabilities management department is responsible for the development of liquidity risk management strategies, policies, procedures and limits, and routine supervision and monitoring of liquidity risks. It establishes and implements internal control systems relating to liquidity risk management, such as Liquidity Risk Management Measures (流動性風險管理辦法) and Contingency Plan for Liquidity Risks (流動性風險應急預案). The assets and liabilities management department is also responsible for setting annual liquidity management objectives and liquidity management profile plans. It also monitors and adjusts these plans on a quarterly basis in order to maintain a reasonable assets and liabilities structure.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a stable source of funds.

The Group principally uses liquidity gap analysis to measure liquidity risk. Scenario analysis and stress testing are also adopted to assess the impact of liquidity risk.

53. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2018 and 2017:

	At 31 December 2018						
	Repayable on demand RMB'000	Indefinite (Note) RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Assets							
Cash and deposits with the central bank	11,507,516	10,950,613	–	–	–	–	22,458,129
Deposit with banks and other financial institutions	3,181,584	–	3,283,698	3,419,076	–	–	9,884,358
Placements with banks and other financial institutions	–	–	863,054	835,526	–	–	1,698,580
Financial assets at fair value through profit or loss	–	1,017,382	6,558,590	8,329,888	481,775	–	16,387,635
Financial assets at fair value through other comprehensive income	–	144,617	–	463,934	1,469,078	4,272,060	6,349,689
Interest receivables	109,466	–	365,538	264,356	10,788	587	750,735
Loans and advances to customers	148,394	848,385	13,028,368	36,678,631	18,516,108	6,134,663	75,354,549
Financial assets measured at amortised costs	515,281	–	4,322,236	7,695,128	7,335,882	3,847,825	23,716,352
Others	10,571	7,361,269	–	–	281,409	–	7,653,249
	15,472,812	20,322,266	28,421,484	57,686,539	28,095,040	14,255,135	164,253,276
Liabilities							
Borrowings from the central bank	–	–	1,641,000	735,520	–	–	2,376,520
Deposits from banks and other financial institutions	61,266	–	2,810,000	1,840,000	–	–	4,711,266
Placements from banks and other financial institutions	2,496	–	294,000	810,000	–	–	1,106,496
Provision for credit commitments and financial guarantees	3	–	47	114	40	28	232
Financial assets sold under repurchase agreements	–	–	8,406,720	–	–	–	8,406,720
Deposits from customers	49,516,180	–	14,002,261	25,326,500	20,415,253	260,967	109,521,161
Interest payables	754,076	–	399,646	316,425	279,583	18	1,749,748
Debt securities issued	–	–	4,296,821	13,860,174	698,800	1,696,387	20,552,182
Others	336,595	–	317,038	7	64,171	3,502	721,313
	50,670,616	–	32,167,533	42,888,740	21,457,847	1,960,902	149,145,638
(Short)/Long position	(35,197,804)	20,322,266	(3,746,049)	14,797,799	6,637,193	12,294,233	15,107,638

53. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2018 and 2017: (Continued)

	At 31 December 2017						
	Repayable on demand RMB'000	Indefinite (Note) RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000	Total RMB'000
Assets							
Cash and deposits with the central bank	7,106,515	17,011,642	–	–	–	–	24,118,157
Deposit with banks and other financial institutions	5,133,150	–	4,445,001	3,641,401	–	–	13,219,552
Placement with banks and other financial institutions	–	–	440,000	760,000	–	–	1,200,000
Financial assets held under resale agreements	–	–	479,923	–	–	–	479,923
Financial assets at fair value through profit or loss	–	–	9,458,494	7,774,611	201,985	–	17,435,090
Interest receivables	16,851	2,961	402,515	317,569	81,366	262	821,524
Loans and advances to customers	104,227	1,100,546	11,205,721	33,695,226	24,612,146	5,774,374	76,492,240
Available-for-sale financial assets	1,045	992,650	199,647	1,130,828	1,939,967	4,650,318	8,914,455
Held-to-maturity investments	–	–	440,349	1,528,945	3,094,518	5,384,853	10,448,665
Debt securities classified as receivables	237,665	–	4,860,367	9,926,847	11,634,790	–	26,659,669
Others	9,083	7,065,004	–	–	145,141	–	7,219,228
	12,608,536	26,172,803	31,932,017	58,775,427	41,709,913	15,809,807	187,008,503
Liabilities							
Borrowings from the central bank	–	–	1,505,000	50,770	18,240	2,160	1,576,170
Deposits from banks and other financial institutions	58,883	–	2,897,960	1,733,690	–	–	4,690,533
Placements from banks and other financial institutions	2,496	–	600,000	1,050,000	–	–	1,652,496
Financial assets sold under repurchase agreements	–	–	9,436,500	243,200	–	–	9,679,700
Deposit from customers	50,805,966	–	20,116,581	37,289,987	20,749,506	919,553	129,881,593
Interests payable	1,273,289	–	288,734	228,385	164,016	10,356	1,964,780
Debt securities issued	–	–	6,457,606	11,187,582	2,394,377	–	20,039,565
Others	476,314	–	396,700	–	–	–	873,014
	52,616,948	–	41,699,081	51,783,614	23,326,139	932,069	170,357,851
(Short)/Long position	(40,008,412)	26,172,803	(9,767,064)	6,991,813	18,383,774	14,877,738	16,650,652

53. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at 31 December 2018 and 2017: (Continued)

Note:

Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments are listed in the category of indefinite.

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at 31 December 2018 and 2017:

	At 31 December 2018						
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	2,376,520	2,392,640	–	1,647,117	745,523	–	–
Deposits from bank and other financial institutions	4,711,266	4,913,545	61,266	2,942,370	1,909,909	–	–
Placements from bank and other financial institutions	1,106,496	1,125,978	2,496	304,340	819,142	–	–
Financial assets sold under repurchase agreements	8,406,720	8,415,689	–	8,415,689	–	–	–
Deposits from customers	109,521,161	114,196,709	49,567,448	14,450,047	26,162,263	23,755,966	260,985
Debt securities issued	20,552,182	21,836,387	–	4,320,000	14,407,200	1,198,600	1,910,587
Others	721,313	721,313	336,.595	317,038	7	64,171	3,502
	147,395,658	153,602,261	49,967,805	32,396,601	44,044,044	25,018,737	2,175,074
Off-balance sheet credit commitments	–	4,977,838	216,556	1,026,459	2,303,487	835,336	596,000

53. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity Risk (Continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities and off-balance sheet credit commitments at 31 December 2017 and 2017: (Continued)

	At 31 December 2017						
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Less than three months RMB'000	Between three months and one year RMB'000	Between one year and five years RMB'000	More than five years RMB'000
Non-derivative financial liabilities							
Borrowings from the central bank	1,576,170	1,579,786	–	1,506,578	51,663	19,382	2,163
Deposits from bank and other financial institutions	4,690,533	4,835,128	58,883	2,958,886	1,817,359	–	–
Placements from bank and other financial institutions	1,652,496	1,696,414	2,496	624,410	1,069,508	–	–
Financial assets sold under repurchase agreements	9,679,700	9,710,173	–	9,460,300	249,873	–	–
Deposits from customers	129,881,593	134,729,402	50,805,966	21,003,981	37,991,024	24,101,015	827,416
Debt securities issued	20,039,565	21,147,400	–	6,490,000	11,847,200	2,810,200	–
Others	873,014	873,014	476,314	396,700	–	–	–
	168,393,071	174,571,317	51,343,659	42,440,855	53,026,627	26,930,597	829,579
Off-balance sheet credit commitments	–	4,116,233	45,367	1,432,923	1,826,692	511,251	300,000

This analysis of the non-derivative financial liabilities by contractual undiscounted cash flow might diverge from actual results.

53. FINANCIAL RISK MANAGEMENT (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal processes deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group establishes a framework of policies and procedures to identify, assess, control, manage and report operational risk. The framework covers all business functions ranging from corporate banking, retail banking, settlement, intermediary business and all supporting functions, including human resource management, financial management, legal affairs, anti-money laundering and administration management. The key elements of the framework are listed as below:

- A multi-level operational risk management framework with segregation of duties between front and back offices under the leadership of senior management;

- A series of operational risk management policies covering all businesses on the basis of core operational risk management policy;

- An emergency plan and a business continuity system designed to deal with emergent and adverse circumstances, including public relation issues, natural disasters, IT system errors, bank runs, robberies, etc.;

- An evaluation system on the operational risk management as well as an inquiry and disciplinary system on the non-compliance issues; and

- An independent risk assessment framework based on the internal audit and the compliance review.

54. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the reporting period. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

54. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Available-for-sale debt investments and financial assets at fair value through profit or loss are stated at fair value. The carrying amount and fair value of held-to-maturity investments and debt securities classified as receivables are disclosed in Note 25 and 26 respectively.

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, financial assets sold under repurchase agreements, deposits from customers and debts securities issued.

54. 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 consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

54. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

	At 31 December 2018			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
— debt instruments	—	15,370,253	—	15,370,253
— unlisted equity investments measured at FVTPL	—	—	1,017,382	1,017,382
Financial assets at FVTOCI				
— debt securities	—	5,880,421	—	5,880,421
— asset management plans	—	324,651	—	324,651
— unlisted equity investments measured at FVTOCI	—	—	144,617	144,617
	—	21,575,325	1,161,999	22,737,324

	At 31 December 2017			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Financial assets at FVTPL				
— 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				
— debt securities	—	7,180,760	—	7,180,760
— asset management plans	—	741,045	—	741,045
	—	25,356,895	—	25,356,895

During the year ended 31 December 2018 and 2017, there were no significant transfers among each level.

(i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Bank include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

54. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

(ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at ,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	31 December 2018	31 December 2017				
	RMB'000	RMB'000				
Financial assets at FVTPL						
Debt instruments	15,370,253	–	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., Ltd. determined by using discounted cash flow model	N/A	
Unlisted equity investments measured at FVTPL	1,017,382	–	Level 3	Market approach adopted. The value is based on price-to-book ratio ("PB ratio"), adjusted by discount for lack of marketability ("DLOM")	The PB ratio is 0.86. The DLOM is 10%.	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (i))
Debt securities held for trading	–	221,982	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., Ltd. determined by using discounted cash flow model	N/A	N/A
Financial assets designated at FVTPL	–	17,213,108	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., Ltd. determined by using discounted cash flow model	N/A	N/A
Financial assets at FVTOCI						
Debt securities – listed	5,880,421	–	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., Ltd. determined by using discounted cash flow model	N/A	N/A
Asset management plans	324,651	–	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A
Unlisted equity investments measured at FVTOCI	144,617	–	Level 3	Market approach adopted. The value is based on PB ratio, adjusted by DLOM	The PB ratio is 0.86. The DLOM is 10%.	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (ii))
Available-for-sale financial assets						
Debt securities – listed	–	7,180,760	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., Ltd. determined by using discounted cash flow model	N/A	N/A
Asset management plans	–	741,045	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A

54. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

(ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Notes:

(i) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTPL by RMB50,869,000 (2017: Nil) and vice versa.

A 5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTPL by RMB50,869,000 (2017: Nil) and vice versa.

(ii) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTOCI by RMB7,231,000 (2017: Nil) and vice versa.

A 5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by RMB7,231,000 (2017: Nil) and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets:

	Unlisted equity investment		
	Financial assets at FVTPL RMB'000	Financial assets at FVTOCI RMB'000	Total RMB'000
At 31 December 2017	—	—	—
Effect of adoption of IFRS 9 at 1 January 2018	1,134,940	152,445	1,287,385
Changes in fair value recognised in profit or loss	46,199	—	46,199
Changes in fair value recognised in OCI	—	6,046	6,046
Derecognised on deemed disposals of subsidiaries	(163,757)	(13,874)	(177,631)
At 31 December 2018	1,017,382	144,617	1,161,999

The above total changes in fair value for the year ended 31 December 2018 of approximately RMB46,199,000 and RMB6,046,000 are included in net trading gains and investment revaluation reserve respectively.

54. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

(c) Fair value hierarchy (Continued)

The fair value of equity investment is determined with reference to price-to-book 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.

55. 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.

	2018	2017
	RMB'000	RMB'000
Entrusted loans	**7,723,044**	11,687,857
Entrusted funds	**7,723,044**	11,687,857

56. COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of acceptances, letters of guarantees, letters of credit and unused credit card commitments.

The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	2018 RMB'000	2017 RMB'000
Acceptances	1,976,960	2,056,766
Letters of guarantees	2,665,165	1,871,112
Letters of credit	195,678	94,202
Unused credit card commitments	140,035	94,153
	4,977,838	4,116,233

The Group may be exposed to credit risk in all of 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.

56. COMMITMENTS (Continued)

(b) Operating lease commitments

At 31 December 2018 and 2017, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

The Group as lessee

	2018 RMB'000	2017 RMB'000
Within one year	163,367	158,963
In the second to fifth years inclusive	520,667	557,188
Over five years	146,898	230,770
	830,932	946,921

(c) Capital commitments

At 31 December 2018 and 2017, the Group's authorised capital commitments are as follows:

	2018 RMB'000	2017 RMB'000
Purchase of property and equipment		
— Contracted for but not provided	53,831	46,613

57. CONTINGENT LIABILITIES

The Bank and its subsidiary are involved as defendants in certain lawsuits arising from their normal business operations. At 31 December 2018 and 2017, in light of court decisions or advice from legal counsels, the directors of the Bank considered it not necessary to provide for potential losses from these claims. The directors of the Bank believe, based on legal advices, the final result of the lawsuits will not have any material impact on the financial position or operations of the Group.

58. ACQUISITION OF SUBSIDIARIES

(i) 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

58. ACQUISITION OF SUBSIDIARIES (Continued)

(i) Acquisition of Qingdao Jimo Huimin Village and Township Bank (Continued)

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.

58. ACQUISITION OF SUBSIDIARIES (Continued)

(i) 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.

58. ACQUISITION OF SUBSIDIARIES (Continued)

(i) Acquisition of Qingdao Jimo Huimin Village and Township Bank (Continued)

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 ended 31 December 2017 was approximately RMB26,601,000 attributable to the additional business generated by Qingdao Jimo Huimin Village and Township Bank. Operating income for the year ended 31 December 2017 included approximately RMB20,987,000 generated from Qingdao Jimo Huimin Village and Township Bank.

Had the acquisition been completed on 1 January 2017, operating income of the Group for the period ended 31 December 2017 would have been approximately RMB5,845,582,000, and profit for the year would have been approximately RMB1,652,004,000. 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 31 December 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.

59. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the years ended 31 December 2018 and 2017, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control.

For the year ended 31 December 2018

(i) Dilution of interest in Wenan County Huimin Village and Township Bank Co., Ltd. ("文安縣惠民村鎮銀行股份有限公司", "Wenan County Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2018, Wenan County Huimin Village and Township Bank issued 12,500,000 ordinary shares with par value of RMB1 at RMB2.2 per share to non-controlling interests and the Group's ownership was diluted from 51% to 36%. This resulted in an increase in non-controlling interests of approximately RMB28,240,000 and an decrease in equity attributable to owners of the Bank of approximately RMB740,000.

The Group had signed contracts with four shareholders of Wenan County Huimin Village and Township Bank, which hold total 15.99% equity interests in Wenan County Huimin Village and Township Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Wenan County Huimin Village and Township Bank and therefore, Wenan County Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(28,240)
Consideration received from non-controlling interests	27,500
Loss recognised in capital reserve within equity	(740)

59. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2018 and 2017, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(ii) Dilution of interest in Jilin Fengman Huimin Village and Township Bank Co., Ltd ("吉林豐滿惠民村鎮銀行股份有限公司", "Jilin Fengman Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2018, the Group disposed 5% equity interest out of 51% equity interest in Jilin Fengman Huimin Village and Township Bank at consideration of RMB20,000,000. This resulted in an increase in non-controlling interests of approximately RMB16,963,000 and an increase in equity attributable to owners of the Bank of approximately RMB3,037,000.

The Group had signed contract with one shareholder of Jilin Fengman Huimin Village and Township Bank, which hold total 5 % equity interests in Jilin Fengman Huimin Village and Township Bank. Pursuant to agreement, this shareholder agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Jilin Fengman Huimin Village and Township Bank and therefore, Jilin Fengman Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest deposed of	(16,963)
Consideration received from non-controlling interests	20,000
Gain recognised in capital reserve within equity	3,037

59. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2018 and 2017, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(iii) Dilution of interest in Heyang Huimin Village and Township Bank Co., Ltd. ("合陽惠民村鎮銀行股份有限公司", "Heyang Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2018, Heyang Huimin Village and Township Bank issued 10,000,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group's ownership was diluted from 51% to 38.25%. This resulted in an increase in non-controlling interests of approximately RMB7,296,000 and an increase in equity attributable to owners of the Bank of approximately RMB2,704,000.

The Group had signed contracts with two shareholders of Heyang Huimin Village and Township Bank, which hold total 17.38% equity interests in Heyang Huimin Village and Township Bank. Pursuant to agreement, these two shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Heyang Huimin Village and Township Bank and therefore, Heyang Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(7,296)
Consideration received from non-controlling interests	10,000
Gain recognised in capital reserve within equity	2,704

59. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2018 and 2017, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(iv) Dilution of interest in Anping Humin Village and Township Bank Co., Ltd. ("安平惠民村鎮銀行股份有限公司", "Anping Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2018, Anping Huimin Village and Township Bank issued 10,000,000 ordinary shares with par value of RMB1 at RMB2 per share to non-controlling interests and the Group's ownership was diluted from 36% to 28.17%. This resulted in an increase in non-controlling interests of approximately RMB18,115,000 and an increase in equity attributable to owners of the Bank of approximately RMB1,885,000.

The Group had signed contracts with four shareholders of Anping Huimin Village and Township Bank, which hold total 28.55% equity interests in Anping Huimin Village and Township Bank. Pursuant to agreement, these four shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Anping Huimin Village and Township Bank and therefore, Anping Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(18,115)
Consideration received from non-controlling interests	20,000
Gain recognised in capital reserve within equity	1,885

59. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2018 and 2017, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(v) Dilution of interest in Leizhou Huimin Village Bank Co., Ltd. ("雷州惠民村鎮銀行股份有限公司", "Leizhou Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2018, Leizhou Huimin Village and Township Bank issued 35,000,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group's ownership was diluted from 33.29% to 17.87%. This resulted in an increase in non-controlling interests of approximately RMB30,040,000 and an increase in equity attributable to owners of the Bank of approximately RMB4,960,000.

The Group had signed contracts with eight shareholders of Leizhou Huimin Village and Township Bank, which hold total 35.80% equity interests in Leizhou Huimin Village and Township Bank. Pursuant to agreement, these eight shareholders agreed to act in concert with the Group and the Group had obtained more than half of the voting power in the shareholder meeting of Leizhou Huimin Village and Township Bank and therefore, Leizhou Huimin Village and Township Bank is still regarded as a non-wholly owned subsidiary of the Group.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(30,040)
Consideration received from non-controlling interests	35,000
Gain recognised in capital reserve within equity	4,960

59. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2018 and 2017, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2018 (Continued)

(vi) Dilution of interest in Tongcheng Huimin Village and Township Bank Co., Ltd. ("通城惠民村鎮銀行有限責任公司", "Tongcheng Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2018, Tongcheng Huimin Village and Township Bank issued 9,600,000 ordinary shares with par value of RMB1 at RMB1.06 per share to non-controlling interests and the Group's ownership was diluted from 100% to 75.76%. This resulted in an increase in non-controlling interests of approximately RMB10,414,000 and an increase in equity attributable to owners of the Bank of approximately RMB260,000.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest diluted	(10,414)
Consideration received from non-controlling interests	10,154
Loss recognised in capital reserve within equity	(260)

59. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2018 and 2017, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2017

(i) Dilution of interest in Gaomi Huimin Village and Township Bank Co., Ltd. ("高密惠民村鎮銀行有限責任公司", "Gaomi Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2017, Gaomi Huimin Village and Township Bank issued 27,000,000 ordinary shares with par value of RMB1 at RMB1.8518 per share to non-controlling interests and the Group's ownership was diluted from 71.43% to 56.70%. This resulted in an increase in non-controlling interests of approximately RMB41,670,000 and an increase in equity attributable to owners of the Bank of approximately RMB8,330,000.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(41,670)
Consideration received from non-controlling interests	50,000
Gain recognised in capital reserve within equity	8,330

59. CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES (Continued)

During the years ended 31 December 2018 and 2017, the Group has the following changes in its ownership interest in subsidiaries that do not result in a loss of control. (Continued)

For the year ended 31 December 2017 (Continued)

(ii) Dilution of interest in Leizhou Huimin Village Bank Co., Ltd. ("雷州惠民村鎮銀行股份有限公司", "Leizhou Huimin Village and Township Bank") without loss of control

During the year ended 31 December 2017, Leizhou Huimin Village and Township Bank issued 10,550,000 ordinary shares with par value of RMB1 at RMB1 per share to non-controlling interests and the Group's ownership was diluted from 45% to 33.29%. This resulted in an increase in non-controlling interests of approximately RMB7,818,000 and an increase in equity attributable to owners of the Bank of approximately RMB2,732,000.

A schedule of the effect of dilution of interest in a subsidiary without loss of control is as follow:

	RMB'000
Carrying amount of the interest disposed of	(7,818)
Consideration received from non-controlling interests	10,550
Gain recognised in capital reserve within equity	2,732

60. 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

60. 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 a subsidiary	(4,101)
Non-controlling interests	671,429
Loss on deemed disposal	(4,101)

Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(939,974)
	(939,974)

60. 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)
Net assets disposed of	732,321

60. 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
Gain on deemed disposal	—

Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(396,701)
	(396,701)

60. 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)
Net assets disposed of	692,535

60. 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
Gain on deemed disposal	—

Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(424,636)
	(424,636)

60. 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

60. 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 a subsidiary	(2,103)
Non-controlling interests	364,621
Loss on deemed disposal	(2,103)

Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(475,032)
	(475,032)

61. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Incorporated date	Place of incorporation/ establishment/ operation	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
			2018	2017	2018	2017	2018	2017	
Qingdao Jimo Huimin Village Bank Co., Ltd. (“青島即墨惠民村鎮銀行股份有限公司”)	14/10/2008	PRC	200,000	200,000	59.00%	59.00%	59.00%	59.00%	Corporate and retail bank
Shuangcheng Huimin Village and Township Bank (“雙城惠民村鎮銀行有限責任公司”)	25/1/2010	PRC	44,000	44,000	75.00%	75.00%	75.00%	75.00%	Corporate and retail bank
Hanshan Huimin Village and Township Bank Co., Ltd. (“含山惠民村鎮銀行有限責任公司”)	30/10/2010	PRC	40,000	40,000	100.00%	100.00%	100.00%	100.00%	Corporate and retail bank
Wuchang Huimin Village and Township Bank (“五常惠民村鎮銀行有限責任公司”)	11/11/2010	PRC	30,000	30,000	66.67%	66.67%	66.67%	66.67%	Corporate and retail bank
Qingdao Pingdu Huimin Village and Township Bank Co., Ltd. (“青島平度惠民村鎮銀行股份有限公司”)	23/12/2010	PRC	102,850	93,500	58.82%	58.82%	58.82%	58.82%	Corporate and retail bank
Qianan Huimin Village and Township Bank Co., Ltd. (“乾安惠民村鎮銀行有限責任公司”)	28/12/2010	PRC	41,745	37,950	50.67%	50.67%	50.67%	50.67%	Corporate and retail bank
Lujiang Huimin Village and Township Bank (“廬江惠民村鎮銀行有限責任公司”)	28/12/2010	PRC	50,000	50,000	60.00%	60.00%	60.00%	60.00%	Corporate and retail bank
Changchun Nanguan Huimin Village and Township Bank (“長春南關惠民村鎮銀行有限責任公司”)	11/1/2011	PRC	109,560	91,300	51.20%	51.20%	51.20%	51.20%	Corporate and retail bank
Songyuan Ningjiang Huimin Village and Township Bank Co., Ltd. (“松原寧江惠民村鎮銀行股份有限公司”) (Notes (1))	19/1/2011	PRC	97,200	81,000	40.80%	40.80%	51.61%	52.32%	Corporate and retail bank
Da'an Huimin Village and Township Bank (“大安惠民村鎮銀行有限責任公司”)	26/1/2011	PRC	46,888	46,888	51.46%	51.46%	51.46%	51.46%	Corporate and retail bank
Lingshui Huimin Village and Township Bank (“陵水惠民村鎮銀行股份有限公司”) (Notes (2))	16/5/2011	PRC	50,000	50,000	20.00%	20.00%	52.60%	63.60%	Corporate and retail bank
Sanya Huimin Village and Township Bank (“三亞惠民村鎮銀行股份有限公司”) (Notes (3))	16/5/2011	PRC	100,000	100,000	20.00%	20.00%	51.10%	51.10%	Corporate and retail bank
Gaomi Huimin Village and Township Bank (“高密惠民村鎮銀行有限責任公司”)	25/5/2011	PRC	101,850	97,000	56.70%	56.70%	56.70%	56.70%	Corporate and retail bank
Langfang City Anci District Huimin Village and Township Bank Co., Ltd. (“廊坊市安次區惠民村鎮銀行股份有限公司”)	6/12/2011	PRC	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank (“長白山農村商業銀行股份有限公司”) (Note (4))	14/12/2011	PRC	250,000	250,000	–	38.80%	–	66.70%	Corporate and retail bank
Jingmen Dongbao Huimin Village and Township Bank Co., Ltd. (“荊門東寶惠民村鎮銀行股份有限公司”)	21/12/2011	PRC	54,610	50,000	51.36%	51.00%	51.36%	51.00%	Corporate and retail bank

61. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/ establishment/ operation	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
			2018	2017	2018	2017	2018	2017	
Wenan County Huimin Village and Township Bank Co., Ltd. ("文安縣惠民村鎮銀行股份有限公司") (Note (5))	23/12/2011	PRC	42,500	30,000	36.00%	51.00%	52.00%	51.00%	Corporate and retail bank
Tongcheng Huimin Village and Township Bank Co., Ltd. ("通城惠民村鎮銀行有限責任公司")	19/9/2012	PRC	39,600	30,000	75.76%	100.00%	75.76%	100.00%	Corporate and retail bank
Liaoyuan Rural Commercial Bank ("遼源農村商業銀行有限責任公司")	15/11/2012	PRC	150,000	150,000	100.00%	100.00%	100.00%	100.00%	Corporate and retail bank
Changchun Gaoxin Huimin Village Bank Co., Ltd ("長春高新惠民村鎮銀行有限責任公司" "Changchun Gaoxin Huimin Village Bank") (Notes 6)	24/9/2013	PRC	100,000	100,000	50.00%	50.00%	51.85%	51.85%	Corporate and retail bank
Huidan Huimin Village and Township Bank Co., Ltd. ("樺甸惠民村鎮銀行股份有限公司")	29/10/2013	PRC	100,000	100,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
Jilin Fengman Huimin Village and Township Bank Co., Ltd. ("吉林豐滿惠民村鎮銀行股份有限公司", "Jilin Fengman Huimin Village and Township Bank") (Note(7))	16/12/2013	PRC	200,000	200,000	46.00%	51.00%	51.00%	51.00%	Corporate and retail bank
*Heyang Huimin Village and Township Bank Co., Ltd. ("合陽惠民村鎮銀行股份有限公司") (Note(8))	16/12/2013	PRC	40,000	30,000	38.25%	51.00%	55.63%	51.00%	Corporate and retail bank
*Anping Huimin Village and Township Bank Co., Ltd. ("安平惠民村鎮銀行股份有限公司", "Anping Huimin Village and Township Bank") (Note(9))	24/12/2013	PRC	46,000	30,000	28.17%	36.00%	56.72%	75.16%	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") (Note(10))	30/12/2013	PRC	500,000	500,000	–	45.00%	–	65.00%	Corporate and retail bank
Wuhua Huimin Village Bank Co., Ltd. ("五華惠民村鎮銀行股份有限公司", "Wuhua Huimin Village Bank")	13/1/2014	PRC	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
*Qingyuan Qingxin Huimin Village Bank Co., Ltd. ("清遠清新惠民村鎮銀行股份有限公司", "Qingyuan Qingxin Huimin Huimin Village Bank")	23/1/2014	PRC	50,000	50,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
*Yunan Huimin Village and Township Bank Co., Ltd. ("雲安惠民村鎮銀行股份有限公司", "Yunan Huimin Village and Township Bank")	27/1/2014	PRC	80,000	80,000	61.00%	61.00%	61.00%	61.00%	Corporate and retail 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", "Guangzhou Huangpu Huimin Village and Township Bank")	7/2/2014	PRC	200,000	200,000	51.00%	51.00%	51.00%	51.00%	Corporate and retail bank
*Tianjin Binhai Huimin Village Bank Co., Ltd. ("天津濱海惠民村鎮銀行股份有限公司", "Tianjin Binhai Huimin Village Bank") (Note(11))	11/6/2014	PRC	300,000	300,000	47.00%	47.00%	52.00%	52.00%	Corporate and retail bank

61. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2018 and 2017 are as follows: (Continued)

Name of subsidiary	Incorporated date	Place of incorporation/ establishment/ operation	Registered and fully paid capital (RMB'000)		Proportion of ownership interest held by the Bank		Proportion of voting power held by the Bank		Principal activity
			2018	2017	2018	2017	2018	2017	
Huidong Huimin Village and Township Bank Co., Ltd. ("惠東惠民村鎮銀行股份有限公司" "Huidong Huimin Village and Township Bank") (Note(12))	21/11/2014	PRC	200,000	200,000	35.00%	35.00%	65.00%	65.00%	Corporate and retail bank
*Leizhou Huimin Village and Township Bank ("雷州惠民村鎮銀行股份有限公司") (Note(13))	25/3/2016	PRC	75,550	40,550	17.87%	33.29%	53.67%	74.10%	Corporate and retail bank
Jilin Gongzhuling Rural Commercial Bank ("吉林公主嶺農村商業銀行股份有限公司") (Note(14))	12/10/2015	PRC	500,000	500,000	–	30.00%	–	60.00%	Corporate and retail bank
Jilin Chuncheng Rural Commercial Bank ("吉林春城農村商業銀行股份有限公司") (Note(15))	12/10/2015	PRC	512,900	512,900	–	30.00%	–	70.00%	Corporate and retail bank
*Baicheng Taobei Huimin Village Bank Co., Ltd. ("白城洮北惠民村鎮銀行股份有限公司", "Baicheng Taobei Huimin Village Bank") (Note(16))	23/11/2015	PRC	50,000	50,000	49.00%	49.00%	67.00%	67.00%	Corporate and retail bank
*Taonan Huimin Village and Township Bank Co., Ltd. ("洮南惠民村鎮銀行股份有限公司", " Taonan Huimin Village and Township Bank") (Note(17))	11/12/2015	PRC	50,000	50,000	49.00%	49.00%	79.00%	79.00%	Corporate and retail bank
*Fuyu Huimin Village Bank Co., Ltd. ("扶余惠民村鎮銀行股份有限公司", "Fuyu Huimin Village and Township Bank") (Note(18))	14/12/2015	PRC	50,000	50,000	49.00%	49.00%	52.00%	52.00%	Corporate and retail bank
*Jilin Chuanying Huimin Village Bank Co., Ltd. ("吉林船營惠民村鎮銀行股份有限公司", "Jilin Chuanying Huimin Village and Township Bank") (Note(19))	21/1/2016	PRC	100,000	100,000	46.00%	46.00%	51.00%	51.00%	Corporate and retail bank
Jilin Jiuyin Financial Leasing Co., Ltd. ("吉林九銀金融租賃股份有限公司")	20/2/2017	PRC	500,000	500,000	60.00%	60.00%	60.00%	60.00%	Provision of finance lease service

61. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2018 and 2017 are as follows: (Continued)

No subsidiary has non-controlling interest material to the Group.

All subsidiaries are directly held by the Bank.

Notes:

(1) During the year ended 31 December 2018, the Bank signed contracts with two shareholders who hold in total 10.81% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with two shareholders who hold in total 11.52% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(2) During the year ended 31 December 2018 the Bank signed contracts with six shareholders who hold in total 32.6% of ownership and voting power of this bank. These six shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with nine shareholders who hold in total 43.6% of ownership and voting power of this bank. These nine shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(3) During the year ended 31 December 2018, the Bank signed contracts with eleven shareholders who hold in total 31.1% of ownership and voting power of this bank. These eleven shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with eleven shareholders who hold in total 31.1% of ownership and voting power of this bank. These eleven shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(4) During the year ended 31 December 2017, the Bank signed contracts with three shareholders who hold in total 27.9% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(5) During the year ended 31 December 2018, the Bank signed contracts with four shareholders who hold in total 16% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(6) During the year ended 31 December 2018, the Bank signed contracts with a shareholder who holds in total 1.85% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with a shareholder who holds in total 1.85% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(7) During the year ended 31 December 2018, the Bank signed contracts with a shareholder who holds in total 5% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

61. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2018 and 2017 are as follows: (Continued)

Notes: (Continued)

(8) During the year ended 31 December 2018, the Bank signed contracts with two shareholders who hold in total 17.38% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(9) During the year ended 31 December 2018, the Bank signed contracts with four shareholders who hold in total 28.55% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with five shareholders who hold in total 39.16% of ownership and voting power of this bank. These five shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(10) During the year ended 31 December 2017, the Bank signed contracts with two shareholders who hold in total 20% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(11) During the year ended 31 December 2018, the Bank signed contracts with a shareholder who holds in total 5% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with a shareholder who holds in total 5% of ownership and voting power of this bank. This shareholder vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(12) During the year ended 31 December 2018, the Bank signed contracts with three shareholders who hold in total 30% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with three shareholders who hold in total 30% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(13) During the year ended 31 December 2018, the Bank signed contracts with eight shareholders who hold in total 35.8% of ownership and voting power of this bank. These eight shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with five shareholders who hold in total 40.81% of ownership and voting power of this bank. These five shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(14) During the year ended 31 December 2017, the Bank signed contracts with three shareholders who hold in total 30% of ownership and voting power of this bank. These three shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(15) During the year ended 31 December 2017, the Bank signed contracts with four shareholders who hold in total 40% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

61. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries as at 31 December 2018 and 2017 are as follows: (Continued)

Notes: (Continued)

(16) During the year ended 31 December 2018, the Bank signed contracts with six shareholders who hold in total 18% of ownership and voting power of this bank. These six shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with six shareholders who hold in total 18% of ownership and voting power of this bank. These six shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(17) During the year ended 31 December 2018, the Bank signed contracts with four shareholders who hold in total 30% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with four shareholders who hold in total 30% of ownership and voting power of this bank. These four shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(18) During the year ended 31 December 2018, the Bank signed contracts with two shareholders who hold in total 3% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with two shareholders who hold in total 3% of ownership and voting power of this bank. These two shareholders vote consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

(19) During the year ended 31 December 2018, the Bank signed contracts with a shareholder who holds in total 5% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

During the year ended 31 December 2017, the Bank signed contracts with a shareholder who holds in total 5% of ownership and voting power of this bank. This shareholder votes consistently with the Bank in deciding the financial and operating policies. Hence, this bank was deemed to be controlled by the Bank and was a subsidiary of the Bank.

* The English translation is for identification only.

62. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flows from financing activities.

			Non-cash change		
	1 January 2018 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	Dividend declared RMB'000	31 December 2018 RMB'000
Liabilities					
Debt securities issued (Note 42)	20,039,565	(421,051)	933,668	—	20,552,182
Interest payable arising from debt securities issued (Note 41)	43,876	(137,200)	137,200	—	43,876
Dividend payable (Note 43)	502	(717,760)	—	717,264	6
	20,083,943	(1,276,011)	1,070,868	717,264	20,596,064

			Non-cash change		
	1 January 2017 RMB'000	Financing cash flows RMB'000	Finance cost incurred RMB'000	Dividend declared RMB'000	31 December 2017 RMB'000
Liabilities					
Debt securities issued (Note 42)	23,395,879	(4,269,447)	913,133	—	20,039,565
Interest payable arising from debt securities issued (Note 41)	43,876	(137,200)	137,200	—	43,876
Dividend payable (Note 43)	7	(1,194,945)	—	1,195,440	502
	23,439,762	(5,601,592)	1,050,333	1,195,440	20,083,943

63. STATEMENTS OF FINANCIAL POSITION OF THE BANK

	2018 RMB'000	2017 RMB'000
Assets		
Cash and deposits with the central bank	14,546,763	12,727,111
Deposits with banks and other financial institutions	2,940,531	5,105,052
Placements with banks and other financial institutions	1,698,580	1,200,000
Financial assets held under resale agreements	—	568,123
Financial assets at fair value through profit or loss	16,387,635	17,164,280
Interest receivable	505,981	536,809
Loans and advances to customers	47,939,061	35,766,433
Financial assets at fair value through other comprehensive income	4,977,518	—
Financial assets measured at amortised costs	21,573,616	—
Available-for-sale financial assets	—	5,890,408
Held-to-maturity investments	—	8,721,955
Debt securities classified as receivables	—	18,050,367
Interests in associates	1,781,194	208,200
Investments in subsidiaries	2,271,826	3,854,820
Property and equipment	2,711,043	2,437,373
Deferred tax assets	172,180	192,751
Tax recoverable	7,507	43,547
Other assets	282,192	265,752
Total assets	117,795,627	112,732,981

63. STATEMENTS OF FINANCIAL POSITION OF THE BANK (Continued)

	2018 RMB'000	2017 RMB'000
Liabilities and equity		
Liabilities		
Borrowings from the central bank	2,000,000	900,000
Deposits from banks and other financial institutions	3,639,030	2,112,174
Placements from banks and other financial institutions	812,496	602,496
Financial assets sold under repurchase agreements	7,878,900	7,931,090
Deposits from customers	69,667,959	68,359,405
Accrued staff costs	41,966	27,567
Interests payable	950,318	896,098
Debts securities issued	20,552,182	20,039,565
Other liabilities	322,701	315,298
Total liabilities	105,865,552	101,183,693
Equity		
Share capital	3,984,797	3,984,797
Capital reserve	5,051,288	5,051,288
Investment revaluation reserve	(27,180)	(256,670)
Surplus reserve	724,671	631,095
General reserve	1,229,327	1,136,360
Retained earnings	967,172	1,002,418
Total equity	11,930,075	11,549,288
Total Liabilities and equity	117,795,627	112,732,981

Approved and authorised for issue by the board of directors of the Bank on 28 March 2019 and are signed on its behalf by:

Mr. GAO Bing
Director

Mr. YUAN Chunyu
Director

Chapter 13 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1. Leverage ratio (%)

Leverage Ratio

	At December 31, 2018	At December 31, 2017
Leverage Ratio	7.47%	7.23%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBIRC and effective since April 1, 2015, a minimum leverage ratio of 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

(Amounts in thousands of Renminbi, unless otherwise stated)

2. Currency concentrations

	At December 31, 2018		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	**70,931**	**2,174**	**73,105**
Spot liabilities	**79,511**	**2,174**	**81,685**
Net position	**(8,580)**	**–**	**(8,580)**

	At December 31, 2017		
	USD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	56,656	657,128	713,784
Spot liabilities	(29,142)	(1,411)	(30,553)
Net position	27,514	655,717	683,231

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at the end of each reporting period.

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.

(Expressed in thousands of RMB, unless otherwise stated)

	At December 31,	
	2018	2017
Deposit with banks		
Asia Pacific excluding Mainland China	**811**	2,184
Europe	**–**	–
	811	2,184

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	At December 31, 2018	At December 31, 2017
Jilin Region	**1,331,045**	1,849,708
Mainland China excluding Jilin Region	**297,671**	177,802
Total	**1,628,716**	2,027,510

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

	At December 31, 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)	**127,324**	209,951
— Between six months and one year (inclusive)	**437,923**	327,661
— Between one year and three years	**632,475**	985,961
— Over three years	**436,994**	503,937
Total	**1,628,716**	2,027,510
As a percentage of total gross loans and advances		
— Between three months and six months (inclusive)	**0.16%**	0.26%
— Between six months and one year (inclusive)	**0.56%**	0.42%
— Between one year and three years	**0.82%**	1.25%
— Over three years	**0.56%**	0.64%
Total	**2.10%**	2.57%

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 December 31, 2018 and 2017, substantial amounts of the Bank's exposures arose from business with mainland China entities or individuals.

九台农商银行
JIUTAI RURAL COMMERCIAL BANK

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JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED