

2019 中期報告

INTERIM REPORT

錦州銀行股份有限公司
Bank of Jinzhou Co., Ltd.*

Stock Code: 0416

Stock Code of Preference Shares: 4615

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



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

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DEFINITIONS

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, “Bank of Jinzhou” or “Group”	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on 22 January 1997 with limited liability in accordance with PRC laws and, unless the context requires otherwise, its subsidiaries, branches, sub-branches and special institutions
“Board” or “Board of Directors”	the board of Directors
“Board of Supervisors”	the board of Supervisors
“CBIRC”	China Banking and Insurance Regulatory Commission, which was formed after duty restructuring of China Banking Regulatory Commission (the “CBRC”) and China Insurance Regulatory Commission
“Former CBRC Liaoning Bureau”	the former China Banking Regulatory Commission Liaoning Bureau (中國銀行業監督管理委員會遼寧監管局), now renamed as China Banking and Insurance Regulatory Commission Liaoning Bureau (中國銀行保險監督管理委員會遼寧監管局)
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	the ordinary share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are subscribed for and fully paid up in Renminbi
“H Share(s)”	the ordinary share(s) in the share capital of the Bank, with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Offshore Preference Share(s)”	the offshore preference share(s) in the preference share capital of the Bank, with a nominal value of RMB100 each, which are listed on the Hong Kong Stock Exchange and traded in US dollars (stock code: 4615)
“PBOC”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report only, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan

“Reporting Period”	the six-month period ended 30 June 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	the holder(s) of the share(s) of the Bank
“Share(s)” or “Ordinary Share(s)”	the Domestic Share(s) and the H Share(s), excluding the Offshore Preference Share(s)
“Supervisor(s)”	the supervisor(s) of the Bank
“US\$” or “US dollars”	the lawful currency of the United States of America

CHAPTER 1 COMPANY PROFILE

I. Basic Information about the Company

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

Listing Place of Stock, Stock Name and Stock Code	:	H Shares: Hong Kong Stock Exchange; BANKOFJINZHOU; 0416 Offshore Preference Shares: Hong Kong Stock Exchange; BOJZ 17USDPREF; 4615
Uniform Social Credit Code of Corporation	:	912107002426682145
Finance License No. of Institution	:	B0127H221070001
Website of the Hong Kong Stock Exchange where this interim report is published	:	www.hkexnews.hk
Place where the interim report is maintained	:	Office of the Board

II. Company Profile

Bank of Jinzhou was incorporated, with approval of the People's Bank of China, on 22 January 1997, headquartered in Jinzhou City, Liaoning Province, the PRC. There are 15 branches established in Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and Jinzhou in China and 7 village and township banks were promoted and established, namely Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd. (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd. (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd. (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd. (遼寧黑山錦銀村鎮銀行股份有限公司), Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd. (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Linghai Jinyin Village and Township Bank Co., Ltd. (遼寧凌海錦銀村鎮銀行股份有限公司) and Liaoning Huanren Jinyin Village and Township Bank (遼寧桓仁錦銀村鎮銀行股份有限公司); meanwhile, Bank of Jinzhou promoted and established Bank of Jinzhou Financial Leasing Co., Ltd. (錦銀金融租賃有限責任公司). As at the end of the Reporting Period, the Bank had, in aggregate, 244 organs.

As at the end of the Reporting Period, the Bank had total assets of RMB825.458 billion, total loans and advances released of RMB426.938 billion and total deposits of RMB447.867 billion.

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

III. Awards in the First Half of 2019

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

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

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

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

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

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

CHAPTER 2 FINANCIAL HIGHLIGHTS

I. Financial Data

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June		Interim period of 2019 vs Interim period of 2018	
	2019	2018	For the year ended 31 December 2018	
Operating Results			Rate of change (%)	
Interest income	26,190,636	22,029,076	18.9	46,002,674
Interest expense	(14,347,280)	(13,150,564)	9.1	(26,901,602)
Net interest income	11,843,356	8,878,512	33.4	19,101,072
Net fee and commission income	152,823	365,020	(58.1)	757,528
Net trading gains	1,469,666	1,587,877	(7.4)	1,491,100
Dividend income	1,200	880	36.4	880
Net gains arising from investment securities	77,623	23,416	231.5	100,234
Net foreign exchange losses	(5,266)	(1,191,352)	(99.6)	(183,660)
Other net operating income	7,786	8,033	(3.1)	16,045
Operating income	13,547,188	9,672,386	40.1	21,283,199
Operating expenses	(1,823,905)	(1,571,707)	16.0	(3,586,646)
Operating profit before impairment	11,723,283	8,100,679	44.7	17,696,553
Impairment losses on assets	(12,774,275)	(2,348,651)	443.9	(23,683,718)
(Loss)/profit before tax	(1,050,992)	5,752,028	(118.3)	(5,987,165)
Income tax credit/(expense)	182,619	(1,412,287)	(112.9)	1,449,054
Net (loss)/profit for the period	(868,373)	4,339,741	(120.0)	(4,538,111)
Net (loss)/profit for the period attributable to equity shareholders of the Bank	(998,600)	4,229,574	(123.6)	(4,593,447)
Calculated on a per share basis (RMB)			Change	
Basic and diluted (losses)/earnings per share	(0.13)	0.62	(0.75)	(0.77)

(Expressed in thousands of Renminbi, unless otherwise stated)	As at		30 June 2019 vs	
	30 June 2019	31 December 2018	31 December 2018	As at 30 June 2018
Major Indicators of Assets/Liabilities			Rate of change (%)	
Total assets	825,457,531	845,922,748	(2.4)	748,392,211
Of which: net loans and advances to customers	398,224,318	349,110,123	14.1	240,609,152
Total liabilities	765,749,861	785,159,604	(2.5)	685,660,325
Of which: deposits from customers	447,867,324	445,576,089	0.5	351,626,638
Share capital	7,781,616	7,781,616	0.0	6,781,616
Equity attributable to equity shareholders of the Bank	55,591,711	56,777,412	(2.1)	58,687,546
Total equity	59,707,670	60,763,144	(1.7)	62,731,886

II. Financial Indicators

	For the six-month period ended 30 June		Interim period of 2019 vs	
	2019	2018	Interim period of 2018	For the year ended 31 December 2018
Profitability Indicators (%)			Change	
Return on average total assets ⁽¹⁾	(0.21)*	1.18*	(1.39)	(0.58)
Return on average equity ⁽²⁾	(4.31)*	17.79*	(22.10)	(9.86)
Net interest spread ⁽³⁾	2.76*	2.16*	0.60	1.93
Net interest margin ⁽⁴⁾	2.93*	2.51*	0.42	2.46
Net fee and commission income to operating income ratio	1.13	3.77	(2.64)	3.56
Cost-to-income ratio ⁽⁵⁾	12.40	14.70	(2.30)	15.91

	As at	As at	30 June 2019 vs	As at
	30 June 2019	31 December 2018	31 December 2018	30 June 2018
Assets Quality Indicators (%)			Change	
Non-performing loan ratio ⁽⁶⁾	6.88	4.99	1.89	1.26
Provision coverage ratio ⁽⁷⁾	105.75	123.75	(18.00)	242.10
Provision to loans ratio ⁽⁸⁾	7.27	6.18	1.09	3.06
Capital Adequacy Indicators (%)			Change	
Core tier-one capital adequacy ratio ⁽⁹⁾	5.14	6.07	(0.93)	7.95
Tier-one capital adequacy ratio ⁽¹⁰⁾	6.41	7.43	(1.02)	9.57
Capital adequacy ratio	7.47	9.12	(1.65)	11.61
Total equity to total assets	7.23	7.18	0.05	8.38
Other Indicators (%)			Change	
Loan-to-deposit ratio ⁽¹¹⁾	84.22	72.12	12.10	57.99

Notes: *indicates annualised ratios

- (1) Represents the net profit for the period/year as a percentage of the average balance of total assets at the beginning and the end of that period/year.
- (2) Represents the Bank's net profit attributable to the equity shareholders of the Bank for the period/year as a percentage of the average balance of net assets attributable to equity shareholders of the Bank at the beginning and the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.
- (6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.
- (7) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans.
- (8) Provision to loans ratio = provision for impairment losses on loans/total loans and advances to customers.
- (9) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (10) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (11) Such ratios represent the ratios the Bank submitted to the CBIRC and were calculated in accordance with financial data under PRC Generally Accepted Accounting Principles and the CBIRC requirements.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. Business and Financial Review

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

At the end of the Reporting Period, the total assets of the Bank amounted to RMB825,458 million, representing a decrease of 2.4% as compared to that as at 31 December 2018; the net loans and advances to customers amounted to RMB398,224 million, representing an increase of 14.1% as compared to that as at 31 December 2018; the non-performing loan ratio was 6.88%, representing an increase of 1.89 percentage point as compared to that as at 31 December 2018; the deposits from customers balance of the Bank amounted to RMB447,867 million, representing an increase of 0.5% as compared to that as at 31 December 2018. During the Reporting Period, the operating income of the Bank amounted to RMB13,547 million, representing an increase of 40.1% as compared with that for the six-month period ended 30 June 2018; and the net loss amounted to RMB868 million.

At the end of the Reporting Period, the Bank's capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio amounted to 7.47%, 6.41% and 5.14%, respectively.

(I) Analysis of the income statement

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019	2018	Change in amount	Rate of Change (%)
Interest income	26,190,636	22,029,076	4,161,560	18.9
Interest expense	(14,347,280)	(13,150,564)	(1,196,716)	9.1
Net interest income	11,843,356	8,878,512	2,964,844	33.4
Net fee and commission income	152,823	365,020	(212,197)	(58.1)
Net trading gains	1,469,666	1,587,877	(118,211)	(7.4)
Dividend income	1,200	880	320	36.4
Net gains arising from investment securities	77,623	23,416	54,207	231.5
Net foreign exchange losses	(5,266)	(1,191,352)	1,186,086	(99.6)
Other net operating income	7,786	8,033	(247)	(3.1)
Operating income	13,547,188	9,672,386	3,874,802	40.1
Operating expenses	(1,823,905)	(1,571,707)	(252,198)	16.0
Impairment losses on assets	(12,774,275)	(2,348,651)	(10,425,624)	443.9
(Loss)/profit before tax	(1,050,992)	5,752,028	(6,803,020)	(118.3)
Income tax credit/(expense)	182,619	(1,412,287)	1,594,906	(112.9)
Net (loss)/profit for the period	(868,373)	4,339,741	(5,208,114)	(120.0)

During the Reporting Period, the Bank's loss before tax was RMB1,051 million; the net loss was RMB868 million, net interest income was RMB11,843 million, representing an increase of RMB2,965 million or 33.4% as compared to that for the six-month period ended 30 June 2018.

1. Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 87.4% and 91.8% of operating income in the Reporting Period and for the six-month period ended 30 June 2018, respectively. The following table sets forth, for the periods indicated, the interest income, interest expense and net interest income of the Bank:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019	2018	Change in amount	Rate of Change (%)
Interest income	26,190,636	22,029,076	4,161,560	18.9
Interest expense	(14,347,280)	(13,150,564)	(1,196,716)	9.1
Net interest income	11,843,356	8,878,512	2,964,844	33.4

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2019			For the six-month period ended 30 June 2018		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Interest-earning Assets						
Loans and advances to customers	388,815,968	14,161,531	7.28	235,608,813	7,599,213	6.45
Investment securities and other financial assets	325,352,662	10,858,811	6.68	392,082,947	13,478,494	6.88
Deposits with the central bank	57,062,668	438,050	1.54	58,422,453	448,787	1.54
Deposits with banks and other financial institutions	15,940,725	189,010	2.37	7,752,772	127,021	3.28
Placements with banks and other financial institutions	6,295,280	125,441	3.99	3,612,277	56,890	3.15
Financial assets held under resale agreements	5,896,058	71,865	2.44	3,108,358	45,294	2.91
Finance lease receivables	8,893,397	345,928	7.78	7,252,906	273,377	7.54
Total interest-earning assets	808,256,758	26,190,636	6.48	707,840,526	22,029,076	6.22

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2019			For the six-month period ended 30 June 2018		
	Average balance	Interest income/ expense	Average yield/cost (%)	Average balance	Interest income/ expense	Average yield/cost (%)
Interest-bearing Liabilities						
Deposits from customers	445,119,132	8,100,284	3.64	355,717,320	6,349,451	3.57
Deposits from banks and other financial institutions	151,055,099	3,454,271	4.57	141,880,415	3,596,341	5.07
Placements from banks and other financial institutions	39,807,289	546,445	2.75	19,592,595	263,510	2.69
Financial assets sold under repurchase agreements	41,601,991	566,159	2.72	46,617,617	916,110	3.93
Debt securities issued	89,804,933	1,624,785	3.62	83,729,671	2,022,615	4.83
Borrowing from the central bank	2,937,000	46,734	3.18	232,772	2,537	2.18
Lease liability	397,321	8,602	4.33	–	–	–
Total interest-bearing liabilities	770,722,765	14,347,280	3.72	647,770,390	13,150,564	4.06
Net interest income		11,843,356			8,878,512	
Net interest spread⁽¹⁾			2.76			2.16
Net interest margin⁽²⁾			2.93			2.51

Notes:

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June 2019 vs 2018		
	Volume ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning Assets			
Loans and advances to customers	4,941,470	1,620,848	6,562,318
Investment securities and other financial assets	(2,293,963)	(325,720)	(2,619,683)
Deposits with the central bank	(10,446)	(291)	(10,737)
Deposits with banks and other financial institutions	134,151	(72,162)	61,989
Placements with banks and other financial institutions	42,255	26,296	68,551
Financial assets held under resale agreements	40,621	(14,050)	26,571
Finance lease receivables	61,833	10,718	72,551
Changes in interest income	2,915,921	1,245,639	4,161,560
Interest-bearing Liabilities			
Deposits from customers	1,595,796	155,037	1,750,833
Deposits from banks and other financial institutions	232,557	(374,627)	(142,070)
Placements from banks and other financial institutions	271,877	11,058	282,935
Financial assets sold under repurchase agreements	(98,565)	(251,386)	(349,951)
Debt securities issued	146,757	(544,587)	(397,830)
Borrowing from the central bank	29,474	14,723	44,197
Lease Liability	8,602	—	8,602
Changes in interest expense	2,186,498	(989,782)	1,196,716
Changes in net interest income	729,423	2,235,421	2,964,844

Notes:

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

2. Interest income

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019		2018	
	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans	13,714,872	52.4	7,079,048	32.1
Personal loans	362,429	1.4	310,129	1.4
Discounted bills	84,230	0.3	210,036	1.0
Subtotal	14,161,531	54.1	7,599,213	34.5
Investment securities and other financial assets	10,858,811	41.5	13,478,494	61.2
Deposits with the central bank	438,050	1.7	448,787	2.0
Deposits with banks and other financial institutions	189,010	0.7	127,021	0.6
Financial assets held under resale agreements	71,865	0.3	45,294	0.2
Placements with banks and other financial institutions	125,441	0.5	56,890	0.3
Finance lease receivables	345,928	1.2	273,377	1.2
Total	26,190,636	100.0	22,029,076	100.0

The Bank's interest income increased by 18.9% to RMB26,190,636 thousand in the Reporting Period from RMB22,029,076 thousand for the six-month period ended 30 June 2018, primarily due to the increase in the size of loan business and average yield of the Bank which resulted in the corresponding increase in interest income.

(1) Interest income from loans and advances to customers

Interest income from loans and advances to customers was a large component of the Bank's interest income, representing 54.1% and 34.5% of the Bank's interest income in the Reporting Period and for the six-month period ended 30 June 2018, respectively. The following table sets forth, for the periods indicated, the average balance, interest income and average yield for loans and advances to customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June					
	Average balance	2019 Interest income	Average yield (%)	Average balance	2018 Interest income	Average yield (%)
Corporate loans	373,529,004	13,714,872	7.34	219,708,191	7,079,048	6.44
Personal loans	11,815,021	362,429	6.14	7,986,894	310,129	7.77
Discounted bills	3,471,943	84,230	4.85	7,913,728	210,036	5.31
Total	388,815,968	14,161,531	7.28	235,608,813	7,599,213	6.45

Interest income from loans and advances to customers increased by 86.4% from RMB7,599,213 thousand for the six-month period ended 30 June 2018 to RMB14,161,531 thousand for the Reporting Period, primarily due to the increase in average balance and average yield of loans and advances to customers. The average balance of loans and advances to customers increased by 65.0% from RMB235,608,813 thousand in the six-month period ended 30 June 2018 to RMB388,815,968 thousand during the Reporting Period, the average yield increased from 6.45% for the six-month period ended 30 June 2018 to 7.28% during the Reporting Period.

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

Interest income from investment securities and other financial assets decreased by 19.4% to RMB10,858,811 thousand in the Reporting Period from RMB13,478,494 thousand for the six-month period ended 30 June 2018, primarily due to the decrease in the average balance of investment securities and other financial assets and decline in average yield. The average balance of investment securities and other financial assets decreased by 17.0% from RMB392,082,947 thousand for the six-month period ended 30 June 2018 to RMB325,352,662 thousand during the Reporting Period, mainly due to the decrease of scale of beneficial interest transfer plan measured at amortised cost.

(3) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 2.4% to RMB438,050 thousand in the Reporting Period from RMB448,787 thousand for the six-month period ended 30 June 2018, mainly due to the decrease of average balance of deposits with the central bank.

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

Interest income from deposits with banks and other financial institutions increased by 48.8% to RMB189,010 thousand in the Reporting Period from RMB127,021 thousand for the six-month period ended 30 June 2018, primarily due to the increase of interest income resulted from the increase of average balance of deposits with banks and other financial institutions of the Bank, partially offset by the decrease of interest income resulted from impact of decrease in average yield. The average balance of deposits with banks and other financial institutions increased by 105.6% from RMB7,752,772 thousand for the six-month period ended 30 June 2018 to RMB15,940,725 thousand during the Reporting Period, mainly due to the allocation of assets and balance of risk and return. The average yield decreased from 3.28% for the six-month period ended 30 June 2018 to 2.37% during the Reporting Period, mainly due to the decrease of the interest rate in the interbank capital market.

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

Interest income from placements with banks and other financial institutions increased by 120.5% to RMB125,441 thousand in the Reporting Period from RMB56,890 thousand for the six-month period ended 30 June 2018, primarily due to an increase in the size and average yield rate of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions increased by 74.3% to RMB6,295,280 thousand in the Reporting Period from RMB3,612,277 thousand for the six-month period ended 30 June 2018. The average yield of placements with banks and other financial institutions rose to 3.99% in the Reporting Period from 3.15% for the six-month period ended 30 June 2018, primarily because the Bank newly added the business of placements with banks and other financial institutions business with relatively long term and relatively high yield.

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

Interest income from financial assets held under resale agreements increased by 58.7% to RMB71,865 thousand in the Reporting Period from RMB45,294 thousand for the six-month period ended 30 June 2018, primarily due to the increase in the average balance. The average balance of financial assets held under resale agreements increased by 89.7% to RMB5,896,058 thousand in the Reporting Period from RMB3,108,358 thousand for the six-month period ended 30 June 2018, primarily due to the Bank's increment in scale of investment in financial assets held under resale agreements for balanced gains and liquidity management.

(7) Interest income from finance lease receivables

Interest income from finance lease receivables increased by 26.5% to RMB345,928 thousand for the Reporting Period from RMB273,377 thousand for the six-month period ended 30 June 2018, mainly attributable to the increase in the average balance and average yield of finance lease receivables.

3. Interest expense

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019		2018	
	Amount	% of total	Amount	% of total
Deposits from customers	8,100,284	56.5	6,349,451	48.3
Deposits from banks and other financial institutions	3,454,271	24.1	3,596,341	27.3
Placements from banks and other financial institutions	546,445	3.8	263,510	2.0
Financial assets sold under repurchase agreements	566,159	4.0	916,110	7.0
Debt securities issued	1,624,785	11.3	2,022,615	15.4
Borrowing from the central bank	46,734	0.3	2,537	0.0
Lease liability	8,602	0.0	–	–
Total	14,347,280	100.0	13,150,564	100.0

(1) Interest expense on deposits from customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June					
	2019			2018		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Time	146,927,739	1,807,763	2.46	143,138,027	2,478,643	3.46
Demand	40,678,040	948,000	4.66	54,841,068	428,230	1.56
Subtotal	187,605,779	2,755,763	2.94	197,979,095	2,906,873	2.94
Personal deposits						
Time	234,666,261	5,088,522	4.34	142,221,072	3,361,301	4.73
Demand	22,847,092	255,999	2.24	15,517,153	81,277	1.05
Subtotal	257,513,353	5,344,521	4.15	157,738,225	3,442,578	4.36
Total deposits from customers	445,119,132	8,100,284	3.64	355,717,320	6,349,451	3.57

Interest expense on deposits from customers increased by 27.6% to RMB8,100,284 thousand in the Reporting Period from RMB6,349,451 thousand for the six-month period ended 30 June 2018, primarily due to the increase in the scale of the Bank's deposits from customers and the increase in the cost.

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

Interest expense on deposits from banks and other financial institutions decreased by 4.0% to RMB3,454,271 thousand in the Reporting Period from RMB3,596,341 thousand for the six-month period ended 30 June 2018, primarily due to the decrease of interest expense resulted from the decrease in average cost of deposits from banks and other financial institutions and partially offset by the increase of interest expense resulted from the increase of average balance. Average cost of banks and other financial institutions decreased from 5.07% for the six-month period ended 30 June 2018 to 4.57% in the Reporting Period, primarily due to the decrease of average interest rate of interbank capital market.

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

Interest expense on placements from banks and other financial institutions increased by 107.4% to RMB546,445 thousand in the Reporting Period from RMB263,510 thousand for the six-month period ended 30 June 2018, primarily due to the increase in the average balance and average cost of placements from banks and other financial institutions. The average balance of placements from banks and other financial institutions increased by 103.2% to RMB39,807,289 thousand in the Reporting Period from RMB19,592,595 thousand for the six-month period ended 30 June 2018.

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

Interest expense on financial assets sold under repurchase agreements decreased by 38.2% to RMB566,159 thousand in the Reporting Period from RMB916,110 thousand for the six-month period ended 30 June 2018, primarily due to the decrease in the average balance and average cost. The average balance of financial assets sold under repurchase agreements decreased by 10.8% to RMB41,601,991 thousand in the Reporting Period from RMB46,617,617 thousand for the six-month period ended 30 June 2018, mainly because the Bank moderately decreased the scale of financial assets sold under repurchase agreements due to the need for balancing liquidity and gains management. The average cost of financial assets sold under repurchase agreements decreased from 3.93% for the six-month period ended 30 June 2018 to 2.72% in the Reporting Period, primarily due to the decrease in the average interest rate in the capital market in the Reporting Period.

(5) Interest expense on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued decreased by RMB397,830 thousand or 19.7% to RMB1,624,785 thousand from that for the six-month period ended 30 June 2018, primarily because the decrease in interest expense resulted from the decrease in the Bank's average cost of debt securities issued, partially offset by the increase of interest expense resulted from the increase of average balance. The average balance of debt securities issued increased by 7.3% to RMB89,804,933 thousand in the Reporting Period from RMB83,729,671 thousand for the six-month period ended 30 June 2018, mainly because the Bank increased issuance of interbank certificates of deposit; the average cost decreased to 3.62% in the Reporting Period from 4.83% for the six-month period ended 30 June 2018, mainly attributable to the decrease of average interest rate of interbank deposit certificates market.

(6) Interest expense on borrowing from the central bank

During the Reporting Period, interest expense on borrowing from the central bank of the Bank increased by 1,742.1% from RMB2,537 thousand for the six-month period ended 30 June 2018 to RMB46,734 thousand in the Reporting Period, mainly attributable to the increase in the average balance of borrowing from the central bank of the Bank and the increase in the average cost. The average balance of borrowing from the central bank increased by 1,161.7% to RMB 2,937,000 thousand in the Reporting Period from RMB232,772 thousand for the six-month period ended 30 June 2018, average cost rose to 3.18% in the Reporting Period from 2.18% for the six-month period ended 30 June 2018.

4. Net interest spread and net interest margin

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

The net interest spread increased to 2.76% in the Reporting Period as compared to 2.16% for the six-month period ended 30 June 2018 and the net interest margin increased to 2.93% in the Reporting Period as compared to 2.51% for the six-month period ended 30 June 2018, primarily due to the increase of average yield of the Bank's interest-earning assets and the decrease of average cost of interest-bearing liabilities.

5. Non-interest income**(1) Net fee and commission income**

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019	2018	Change in amount	Rate of change (%)
Fee and commission income				
Agency services fees	42,163	127,666	(85,503)	(67.0)
Settlement and clearing fees	76,120	119,131	(43,011)	(36.1)
Wealth management service fees	86,384	96,948	(10,564)	(10.9)
Underwriting and advisory fees	40,434	28,813	11,621	40.3
Bank card service fees	5,946	6,672	(726)	(10.9)
Others	23,580	19,115	4,465	23.4
Subtotal	274,627	398,345	(123,718)	(31.1)
Fee and commission expense				
Settlement and clearing fees	21,420	15,080	6,340	42.0
Others	100,384	18,245	82,139	450.2
Subtotal	121,804	33,325	88,479	265.5
Net fee and commission income	152,823	365,020	(212,197)	(58.1)

The Bank's fee and commission income decreased by 31.1% to RMB274,627 thousand in the Reporting Period as compared to RMB398,345 thousand for the six-month period ended 30 June 2018, mainly attributable to decrease in agency services fees and settlement and clearing fees of the Bank. Agency services fees decreased by 67.0% to RMB42,163 thousand in the Reporting Period from RMB127,666 thousand for the six-month period ended 30 June 2018, mainly because the Bank shrank the scale of entrusted loan business. Settlement and clearing fees decreased by 36.1% to RMB76,120 thousand in the Reporting Period from RMB119,131 thousand for the six-month period ended 30 June 2018, mainly because the Bank reduced business of letters of credit and letters of guarantees, resulting in decrease of fee income of corporate settlement business.

Fee and commission expense consist primarily of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense increased by 265.5% to RMB121,804 thousand in the Reporting Period as compared to RMB33,325 thousand for the six-month period ended 30 June 2018.

(2) Net trading gains

Net trading gains primarily comprise of net income from financial assets and liabilities at fair value through profit or loss. During the Reporting Period, the Bank incurred a net trading gain of RMB1,469,666 thousand, representing a decrease of 7.4% as compared to RMB1,587,877 thousand for the six-month period ended 30 June 2018, primarily due to changes in fair value related to foreign exchange business being reclassified by the Bank to exchange gains and losses pursuant to the requirements of the Notice on Revising and Issuing the Format of Financial Statements of Financial Enterprises for 2018 (《關於修訂印發2018年度金融企業財務報表格式的通知》) (CaiKuai [2018] No. 36) issued by the Ministry of Finance on 27 December 2018.

(3) Net gains arising from investment securities

The Bank incurred a net gain arising from investment securities of RMB77,623 thousand in the Reporting Period representing an increase of 231.5% from RMB23,416 thousand for the six-month period ended 30 June 2018, mainly attributable to the increase in income from disposing of investment securities by the Bank.

(4) Net foreign exchange losses

Net foreign exchange losses decreased by 99.6% to RMB5,266 thousand in the Reporting Period from RMB1,191,352 thousand for the six-month period ended 30 June 2018, which was mainly due to the combined impact of fair value changes related to foreign exchange business reclassified into foreign exchange gains or losses by the Bank and foreign exchange fluctuations.

(5) Other net operating income

Other net operating income decreased by 3.1% to RMB7,786 thousand in the Reporting Period from RMB8,033 thousand for the six-month period ended 30 June 2018.

6. Operating expenses

During the Reporting Period, the Bank's operating expenses was RMB1,823,905 thousand, representing an increase of RMB252,198 thousand or 16.0% on a year-on-year basis.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019	2018	Change in amount	Rate of change (%)
Staff costs	977,879	830,797	147,082	17.7
General and administrative expenses	378,357	381,093	(2,736)	(0.7)
Depreciation and amortisation	274,576	210,236	64,340	30.6
Tax and surcharges	144,416	85,381	59,035	69.1
Others	48,677	64,200	(15,523)	(24.2)
Total operating expenses	1,823,905	1,571,707	252,198	16.0

(1) Staff costs

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019	2018	Change in amount	Rate of Change (%)
Salaries and bonuses	730,030	602,676	127,354	21.1
Social insurance	142,776	128,045	14,731	11.5
Housing allowances	51,280	46,239	5,041	10.9
Union funds and education funds	28,711	24,003	4,708	19.6
Staff welfare	22,548	26,818	(4,270)	(15.9)
Supplementary retirement benefit	1,212	980	232	23.7
Other long-term staff welfare	1,322	2,036	(714)	(35.1)
Total staff costs	977,879	830,797	147,082	17.7

During the Reporting Period, the Bank's total staff costs was RMB977,879 thousand, representing an increase of RMB147,082 thousand or 17.7% as compared with that for the six-month period ended 30 June 2018, primarily due to an increase in labor costs as a result of the increase in remuneration of employees and number of staff of the Bank.

(2) General and administrative expenses

General and administrative expenses decreased by 0.7% to RMB378,357 thousand in the Reporting Period as compared to RMB381,093 thousand for the six-month period ended 30 June 2018.

(3) Depreciation and amortisation

Depreciation and amortisation increased by 30.6% to RMB274,576 thousand in the Reporting Period as compared to RMB210,236 thousand for the six-month period ended 30 June 2018, primarily due to the increase in asset depreciation and amortisation expenses as a result of an increase in the Bank's capital expenditure.

(4) Tax and surcharges

The Bank's tax and surcharges increased by 69.1% to RMB144,416 thousand in the Reporting Period as compared to RMB85,381 thousand for the six-month period ended 30 June 2018, primarily attributable to the increase in value-added tax due to the business development of the Bank.

(5) Others

Other operating expense decreased by 24.2% to RMB48,677 thousand in the Reporting Period from RMB64,200 thousand for the six-month period ended 30 June 2018. These expenses during the Reporting Period were mainly loss from discounts in prices generated from repayment assets.

7. Impairment losses on assets

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June	
	2019	2018
Loans and advances to customers		
– expected credit loss (the “ECL”) over the next 12 months	773,081	457,308
– lifetime ECL – not credit-impaired loans	3,327,750	1,024,282
– lifetime ECL – credit-impaired loans	4,465,924	134,880
Subtotal	8,566,755	1,616,470
Deposits and placements with banks and other financial institutions	109,087	–
Financial assets at fair value through other comprehensive income	(6,452)	–
Financial assets measured at amortised cost	4,238,766	450,000
Finance lease receivables	(74,643)	17,052
Credit commitments	(128,586)	265,129
Others	69,348	–
Total	12,774,275	2,348,651

Impairment losses on assets increased by 443.9% to RMB12,774,275 thousand in the Reporting Period from RMB2,348,651 thousand for the six-month period ended 30 June 2018, mainly because (i) the increase of the balance of loans and advances to customers and the increase of the non-performing ratio; and (ii) in response to the decline of assets quality and increase of non-performing assets, after the implementation of IFRS 9, the Bank adopted expected loss model, increased impairment provision of assets to improve risk defense capability, which resulted in the significant increase in impairment losses of assets.

8. Income tax credit/(expense)

During the Reporting Period, the Bank's income tax credit was RMB182,619 thousand, and the income tax expense for the six-month period ended 30 June 2018 was RMB1,412,287 thousand. During the Reporting Period, the Bank's actual tax rate was 17.38%, representing a decrease of 7.18 percentage points as compared with that for the six-month period ended 30 June 2018.

(II) Analysis of the statement of financial position**1. Assets**

As at the end of Reporting Period and as at 31 December 2018, the total assets of the Bank were RMB825,457,531 thousand and RMB845,922,748 thousand, respectively. As at the end of Reporting Period, the principal components of the Bank's assets were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and deposits with the central bank, accounting for 48.2%, 39.8% and 7.0%, respectively, of the Bank's total assets as at the end of the Reporting Period. The table below sets forth balances of the principal components of the Bank's total assets as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Assets				
Total loans and advances to customers	426,937,556	51.7	370,725,731	43.8
Interest receivable on loans and advances to customers	2,330,414	0.3	1,276,467	0.2
Provision of impairment on loans and advances to customers	(31,043,652)	(3.8)	(22,892,075)	(2.7)
Net loans and advances to customers	398,224,318	48.2	349,110,123	41.3
Investment securities and other financial assets, net ⁽¹⁾	328,019,325	39.8	392,056,838	46.3
Cash and deposits with the central bank	57,727,372	7.0	64,618,759	7.6
Deposits with banks and other financial institutions	6,802,123	0.8	16,231,627	1.9
Financial assets held under resale agreements	—	—	100,073	0.0
Placements with banks and other financial institutions	5,800,176	0.7	48,454	0.0
Finance lease receivables	7,830,895	0.9	7,484,842	0.9
Other assets ⁽²⁾	21,053,322	2.6	16,272,032	2.0
Total assets	825,457,531	100.0	845,922,748	100.0

Notes:

- (1) Include the financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.
- (2) Include interest receivables, property and equipment, deferred tax assets, and positive fair value of derivatives and others.

The Bank's total assets decreased by 2.4% from RMB845,922,748 thousand as at 31 December 2018 to RMB825,457,531 thousand as at the end of the Reporting Period.

(1) Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers was RMB426,937,556 thousand, representing an increase of 15.2% as compared to that at 31 December 2018. Total loans and total advances to customers accounted for 51.7% of the Bank's total assets, representing an increase of 7.9 percentage points as compared to that at 31 December 2018.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Corporate loans	412,361,297	96.6	352,315,497	95.0
Personal loans	12,070,516	2.8	12,065,859	3.3
Discounted bills	2,505,743	0.6	6,344,375	1.7
Total loans and advances to customers	426,937,556	100.0	370,725,731	100.0

The Bank's total loans and advances to customers primarily comprise of corporate loans, personal loans and discounted bills. Corporate loans represented the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2018, the Bank's corporate loans amounted to RMB412,361,297 thousand and RMB352,315,497 thousand, respectively, accounting for 96.6% and 95.0% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans increased by 17.0% from RMB352,315,497 thousand as at 31 December 2018 to RMB412,361,297 thousand as at the end of the Reporting Period, primarily because (i) the Bank reclassified the business type of part of beneficiary rights transfer plan measured at amortised cost to the loan; and (ii) the Bank appropriately increased the loan scale according to the development needs of the real economy with the development plan of its own business.

The Bank's personal loans mainly comprise of personal business loans, residential and commercial mortgage loans, personal consumption loans, credit card overdrafts and other personal loans. At the end of the Reporting Period, the balance of personal loans amounted to RMB12,070,516 thousand, representing an increase of RMB4,657 thousand as compared to that at 31 December 2018, accounting for 2.8% of the Bank's total loans and advances to customers.

A. Loans by collateral

As at the end of the Reporting Period and as at 31 December 2018, collateralised loans, pledged loans or guaranteed loans represented, in aggregate, 96.8% and 94.4%, respectively, of the Bank's total loans and advances to customers. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Unsecured loans	13,598,049	3.2	20,654,552	5.6
Guaranteed loans	215,263,455	50.4	165,361,842	44.6
Collateralised loans	127,879,063	30.0	106,011,207	28.6
Pledged loans	70,196,989	16.4	78,698,130	21.2
Total loans and advances to customers	426,937,556	100.0	370,725,731	100.0

As at the end of the Reporting Period, the balance of the Bank's loans secured by mortgages and pledges amounted to RMB198,076,052 thousand, representing an increase of RMB13,366,715 thousand or 7.2% as compared to that at 31 December 2018, accounting for 46.4% of the Bank's total loans and advances to customers. The balance of unsecured and guaranteed loans was RMB228,861,504 thousand, representing an increase of RMB42,845,110 thousand as compared to that as at 31 December 2018, accounting for 53.6% of the Bank's total loans and advances to customers.

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

- (i) Changes of provision for impairment losses on loans and advances to customers measured at amortised cost are as follows:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January 2019	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Transferred:				
– to ECL over the next 12 months	(197,204)	189,968	7,236	–
– to lifetime ECL – not credit-impaired	528,522	(599,274)	70,752	–
– to lifetime ECL – credit-impaired	48,153	626,526	(674,679)	–
Net charge for the period	(773,081)	(3,327,750)	(4,465,924)	(8,566,755)
Unwinding of discount	–	–	415,178	415,178
Write-offs	–	–	–	–
As at 30 June 2019	(6,065,037)	(9,395,334)	(15,583,281)	(31,043,652)

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019			Total
	ECL over the next 12 months	Lifetime ECL – not credit-impaired	Lifetime ECL – credit-impaired	
As at 1 January 2019	(11,586)	–	–	(11,586)
Net release for the period	6,452	–	–	6,452
As at 30 June 2019	(5,134)	–	–	(5,134)

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

Provision for impairment losses on loans increased by 35.6% from RMB22,903,661 thousand as at 31 December 2018 to RMB31,048,786 thousand as at the end of the Reporting Period, primarily due to the increase in the provision of impairment to enhance the risk-resistance capability in response to the decline of asset quality and the increase of balance of non-performing assets and the adoption of expected loss model after the implementation of IFRS 9.

(2) Investment securities and other financial assets

Investment securities and other financial assets consist of debt investments, equity investments, investments using funds of wealth management products and financial assets measured at amortised cost. As at the end of the Reporting Period and as at 31 December 2018, the Bank had net investment securities and other financial assets of RMB328,019,325 thousand and RMB392,056,838 thousand, accounting for 39.8% and 46.3% of the Bank's total assets, respectively.

The following table sets out the composition of investment securities and other financial assets (excluding interests receivable) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Debt investments	101,168,021	31.2	98,056,778	25.1
Financial assets at fair value through profit or loss	57,314,474	17.7	49,476,093	12.7
Financial assets at fair value through other comprehensive income	38,645,947	11.9	41,445,323	10.6
Financial assets at amortised cost	5,218,016	1.6	7,145,530	1.8
Provision for impairment losses on debt investments	(10,416)	0.0	(10,168)	0.0
Equity investments	917,177	0.3	609,330	0.2
Financial assets at fair value through other comprehensive income	917,177	0.3	609,330	0.2
Wealth management products investments	10,501,833	3.2	16,586,787	4.3
Financial assets at amortised cost (other than debt investments)	211,550,184	65.2	274,105,502	70.4
Beneficial interest transfer plans	225,007,552	69.4	283,324,352	72.8
Provision for impairment losses on financial assets at amortised cost (other than debt investments)	(13,457,368)	(4.2)	(9,218,850)	(2.4)
Net investments	324,137,215	100.0	389,358,397	100.0

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (excluding interests receivable) amounted to RMB324,137,215 thousand, representing a decrease of 16.8% from RMB389,358,397 thousand as at 31 December 2018, which was mainly attributable to the decrease in the scale of investment securities and other financial assets as a result of reclassification of the business type of part of beneficial interest transfer plans measured at amortised cost to loans.

2. Liabilities

As at the end of the Reporting Period and as at 31 December 2018, the Bank's total liabilities amounted to RMB765,749,861 thousand and RMB785,159,604 thousand, respectively. The Bank's liabilities mainly comprise of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 58.5%, 18.0% and 10.3%, respectively of the Bank's total liabilities as at the end of the Reporting Period.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Deposits from customers	447,867,324	58.5	445,576,089	56.7
Deposits from banks and other financial institutions	137,847,601	18.0	164,629,085	21.0
Financial assets sold under repurchase agreements	35,422,256	4.6	43,445,203	5.5
Debt securities issued	78,798,814	10.3	89,668,782	11.4
Placements from banks and other financial institutions	30,540,515	4.0	20,760,381	2.6
Financial liabilities at fair value through profit or loss	10,469,040	1.4	16,512,712	2.1
Other liabilities ⁽¹⁾	24,804,311	3.2	4,567,352	0.7
Total	765,749,861	100.0	785,159,604	100.0

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

(1) Deposits from customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Corporate deposits				
Demand deposits	44,642,045	10.2	56,908,802	13.1
Time deposits	117,676,182	27.0	142,277,063	32.8
Subtotal	162,318,227	37.2	199,185,865	45.9
Personal deposits				
Demand deposits	23,038,995	5.3	19,850,460	4.6
Time deposits	251,229,060	57.5	214,731,969	49.5
Subtotal	274,268,055	62.8	234,582,429	54.1
Total	436,586,282	100.0	433,768,294	100.0

As at the end of the Reporting Period, the Bank's total deposits from customers (excluding interests payable) amounted to RMB436,586,282 thousand, representing an increase of RMB2,817,988 thousand or 0.6% as compared to that as at 31 December 2018. Deposits from customers (excluding interests payable) account for 57.0% of the total liabilities, representing an increase of 1.8 percentage points as compared to that as at 31 December 2018.

(2) Deposits from banks and other financial institutions

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Deposits in Mainland China				
– Banks	61,916,992	45.5	69,997,464	43.2
– Other financial institutions	74,231,992	54.5	92,018,528	56.8
Total	136,148,984	100.0	162,015,992	100.0

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions amounted to RMB136,148,984 thousand, decreased by RMB25,867,008 thousand or 16.0% from 31 December 2018.

(3) Debts securities issued

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

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

As at the end of the Reporting Period and as at 31 December 2018, the Bank issued 198 and 212 tranches of RMB negotiable certificates of deposit which were not matured, the balance of which were RMB72,182 million and RMB81,400 million, respectively.

3. Shareholders' equity

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Share capital	7,781,616	13.0	7,781,616	12.8
Other equity instruments				
including: preference shares	9,897,363	16.6	9,897,363	16.3
Capital reserve	20,543,669	34.4	20,730,770	34.1
Surplus reserve	2,994,679	5.0	2,994,679	4.9
General reserve	11,802,132	19.8	11,802,132	19.4
Retained earnings	2,572,252	4.3	3,570,852	5.9
Non-controlling interests	4,115,959	6.9	3,985,732	6.6
Total equity	59,707,670	100.0	60,763,144	100.0

(III) Loan quality analysis**1. Breakdown of loans by the five-category classification**

For the Bank, the non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans recorded by the Bank amounted to RMB29,361,139 thousand. The Bank's total provision for impairment losses on loans to customers measured at amortised cost and at fair value through other comprehensive income was RMB31,048,786 thousand. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Normal	305,494,875	71.6	290,209,315	78.3
Special mention	92,081,542	21.6	62,008,268	16.7
Substandard	20,179,209	4.7	10,072,423	2.7
Doubtful	8,444,888	2.0	7,669,364	2.1
Loss	737,042	0.1	736,361	0.2
Total loans and advances to customers	426,937,556	100.0	370,725,731	100.0
Non-performing loan	29,361,139	6.88	18,508,148	4.99

As at the end of the Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank were 6.88% and 4.99%, respectively. The Bank's non-performing loan ratio as at the end of the Reporting Period was 1.89 percentage points higher as compared to that at 31 December 2018, primarily due to the fact that (i) macro-economy is declining; (ii) the economy is getting worse in the region where the Bank's businesses are located; and (iii) customers in certain industries experienced difficulties in their operation which led to an increase in the non-performing loan rate of the Bank.

2. Concentration of loans

(1) Concentration by industry of corporate loans

Corporate loans consist of loans and advances to customers in various industries. The table below sets forth the breakdown of loans and non-performing status by industry as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019				As at 31 December 2018			
	Loan amount	% of total	Non-performing loan amount	Non-performing loan rate (%)	Loan amount	% of total	Non-performing loan amount	Non-performing loan rate (%)
Corporate loans								
Wholesale and retail trade	192,394,015	45.1	8,544,148	4.44	160,556,340	43.3	3,646,801	2.27
Manufacturing	82,961,078	19.4	13,204,351	15.92	69,766,423	18.8	8,405,265	12.05
Real estate	33,090,714	7.8	937,704	2.83	25,681,503	6.9	637,937	2.48
Leasing and commercial services	32,228,515	7.5	241,812	0.75	28,961,888	7.8	44,830	0.15
Transportation, storage and postal services	9,226,540	2.2	1,518,671	16.46	9,224,015	2.5	1,510,000	16.37
Education	7,308,950	1.7	4,300	0.06	6,539,454	1.8	140	—
Electricity, gas and water production and supply	7,236,383	1.7	1,295,850	17.91	7,412,338	2.0	1,295,850	17.48
Public management and social organisation	5,203,120	1.2	—	—	8,061,209	2.2	—	—
Mining	5,148,274	1.2	1,649,482	32.04	5,002,120	1.3	1,606,682	32.12
Construction	4,057,701	0.9	66,096	1.63	3,555,251	1.0	26,296	0.74
Water, environment and public utility management	3,631,531	0.9	—	—	1,519,360	0.4	—	—
Agriculture, forestry, animal husbandry and fishery	1,200,915	0.3	244,106	20.33	1,253,166	0.3	123,866	9.88
Others	28,673,561	6.7	209,499	0.73	24,782,430	6.7	155,454	0.63
Discounted bills	2,505,743	0.6	—	—	6,344,375	1.7	—	—
Personal loans	12,070,516	2.8	1,445,120	11.97	12,065,859	3.3	1,055,026	8.74
Total	426,937,556	100.0	29,361,139	6.88	370,725,731	100.0	18,508,148	4.99

As at the end of the Reporting Period, corporate loans offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; (iii) real estate; and (iv) leasing and commercial services represented the largest components of the Bank's corporate loans. As at the end of the Reporting Period and as at 31 December 2018, the balance of loans provided to the corporate customers in the aforesaid four industries was RMB340,674,322 thousand and RMB284,966,154 thousand, respectively, accounting for 82.6% and 80.9% of the total corporate loans and advances granted by the Bank, respectively. From the perspective of increment structure, industries including (i) wholesale and retail; (ii) manufacturing, and (iii) real estate are top three industries in terms of increment volume, representing RMB31,837,675 thousand, RMB13,194,655 thousand and RMB7,409,211 thousand, with growth rate of 19.8%, 18.9% and 28.9%, respectively.

(2) Borrower concentration**Loans to the top ten single borrowers**

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

(Expressed in thousands of Renminbi, unless otherwise stated)		As at 30 June 2019	
Customer	Industry involved	Amount	% of total
Customer A	Manufacturing	6,410,373	1.5
Customer B	Manufacturing	3,572,450	0.8
Customer C	Real estate	3,480,000	0.8
Customer D	Others	2,849,000	0.7
Customer E	Wholesale and retail trade	2,690,000	0.6
Customer F	Manufacturing	2,677,000	0.6
Customer G	Wholesale and retail trade	2,398,000	0.6
Customer H	Leasing and commercial services	2,350,000	0.6
Customer I	Wholesale and retail trade	2,347,150	0.6
Customer J	Wholesale and retail trade	2,300,000	0.5

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019			As at 31 December 2018		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans						
Small Enterprises and						
Micro Enterprises	212,924,532	12,195,309	5.73	173,698,257	6,174,428	3.55
Medium Enterprises	136,953,826	7,714,064	5.63	118,193,089	5,196,099	4.40
Others	62,482,939	8,006,646	12.81	60,424,151	6,082,595	10.07
Subtotal	412,361,297	27,916,019	6.77	352,315,497	17,453,122	4.95
Discounted bills	2,505,743	–	–	6,344,375	–	–
Personal loans						
Personal business loans	9,878,500	1,412,611	14.30	9,976,346	1,032,552	10.35
Personal consumption loans	640,932	23,201	3.62	630,907	15,598	2.47
Residential and commercial						
properties mortgage loans	1,377,042	6,491	0.47	1,302,895	4,754	0.36
Credit card overdrafts	173,724	2,499	1.44	155,385	1,796	1.16
Others	318	318	100.00	326	326	100.00
Subtotal	12,070,516	1,445,120	11.97	12,065,859	1,055,026	8.74
Total	426,937,556	29,361,139	6.88	370,725,731	18,508,148	4.99

The non-performing loan ratio, representing non-performing loans divided by the Bank's total loans and advances to customers, was 6.88% as at the end of the Reporting Period, representing an increase of 1.89 percentage points as compared to 4.99% as at 31 December 2018.

As at the end of the Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank's corporate loans were 6.77% and 4.95%, respectively.

As at the end of the Reporting Period and as at 31 December 2018, the non-performing loan ratios of the Bank's personal loans were 11.97% and 8.74%, respectively.

(4) Overdue loans and advances to customers

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Overdue within 3 months (inclusive)	13,822,459	56.0	3,202,541	36.2
Overdue more than 3 months to 6 months (inclusive)	3,838,536	15.6	1,666,442	18.8
Overdue more than 6 months to 1 year (inclusive)	3,676,793	14.9	1,827,223	20.6
Overdue more than 1 year	3,328,340	13.5	2,157,088	24.4
Total overdue loans and advances to customers	24,666,128	100.0	8,853,294	100.0

(IV) Analysis on capital adequacy ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 (effective since 1 January 2015) promulgated by the CBRC. As at the end of the Reporting Period, the Bank's core tier-one capital adequacy ratio was 5.14%, representing a decrease of 0.93 percentage point as compared to that as at 31 December 2018; the tier-one capital adequacy ratio was 6.41%, representing a decrease of 1.02 percentage points as compared to that as at 31 December 2018; the capital adequacy ratio was 7.47%, representing a decrease of 1.65 percentage points as compared to that as at 31 December 2018. The decrease in capital adequacy ratios during the Reporting Period was mainly due to (i) the increase in the provision of impairment to enhance the risk-resistance capability in response to the decline of asset quality and the increase of balance of non-performing asset and the adoption of expected loss model after the implementation of IFRS 9, which led to losses recorded during the Reporting Period, resulting in the decrease of net amount of capital; and (ii) the increase of risk assets of the Bank.

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

	As at 30 June 2019	As at 31 December 2018
(Expressed in thousands of Renminbi, unless otherwise stated)		
Core tier-one capital		
– Share capital	7,781,616	7,781,616
– Qualifying portion of capital reserve	20,538,535	20,719,184
– Surplus reserve	2,994,679	2,994,679
– General reserve	11,802,132	11,802,132
– Retained earnings	2,572,252	3,570,852
– Qualifying portions of non-controlling interests	631,452	602,666
Core tier-one capital deductions		
– Other intangible assets other than land use right	(224,527)	(197,896)
– Other net deferred tax assets that depend on the Bank's future bank earnings	(5,529,576)	(2,746,095)
Net core tier-one capital	40,566,563	44,527,138
Other tier-one capital	9,981,557	9,977,719
Net tier-one capital	50,548,120	54,504,857
Tier-two capital		
– Instruments issued and share premium	6,500,000	8,000,000
– Surplus provision for loan impairment	1,725,259	4,281,808
– Qualifying portions of non-controlling interests	168,386	160,711
Net capital base	58,941,765	66,947,376
Total risk weighted assets	789,059,022	734,050,677
Core tier-one capital adequacy ratio	5.14%	6.07%
Tier-one capital adequacy ratio	6.41%	7.43%
Capital adequacy ratio	7.47%	9.12%

(V) Segment information**1. Summary of geographical segments**

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

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

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

Northern China Region: Beijing branch and Tianjin branch.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019		2018	
	Amount	% of total	Amount	% of total
Operating Income				
Jinzhou Region	10,714,408	79.0	7,172,849	74.2
Other Northeastern China Region	1,539,525	11.4	1,143,779	11.8
Northern China Region	1,293,255	9.6	1,355,758	14.0
Total	13,547,188	100.0	9,672,386	100.0

2. Summary of business segment

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019		2018	
	Amount	% of total	Amount	% of total
Operating income				
Corporate banking business	6,660,432	49.2	3,385,826	35.0
Retail banking business	776,809	5.7	872,514	9.0
Treasury business	6,102,035	45.0	5,406,370	55.9
Others	7,912	0.1	7,676	0.1
Total	13,547,188	100.0	9,672,386	100.0

(VI) Analysis of off-balance sheet items

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019	As at 31 December 2018
Acceptances	203,535,796	219,978,680
Letters of credit	13,674,670	18,172,538
Letters of guarantees	235,813	525,856
Loan commitments	7,873,164	5,169,079
Credit card commitments	1,136,143	1,174,794
Subtotal	226,455,586	245,020,947
Operating lease commitments	N/A	461,670
Capital commitments	356,609	407,225
Subtotal	356,609	868,895
Total	226,812,195	245,889,842

II. Business Overview

(I) Corporate banking business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June		
	2019	2018	Rate of Change (%)
External net interest income	11,043,338	4,382,212	152.0
Internal net interest expense	(4,428,856)	(855,035)	418.0
Net interest income	6,614,482	3,527,177	87.5
Net fee and commission income	43,297	242,026	(82.1)
Net foreign exchange gains/(losses)	2,653	(383,377)	(100.7)
Impairment losses on assets	(9,536,654)	(1,642,466)	480.6
Operating expenses	(896,012)	(470,944)	90.3
(Loss)/profit before tax	(3,772,234)	1,272,416	(396.5)
Depreciation and amortisation	(97,530)	(73,593)	32.5
Capital expenditure	202,128	199,204	1.5

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June	31 December	Rate of Change (%)
	2019	2018	
Segment assets	399,207,053	345,609,993	15.5
Segment liabilities	162,318,227	199,185,865	(18.5)

1. Corporate deposits

As at the end of the Reporting Period, total corporate deposits of the Bank (excluding interests payable) amounted to RMB162,318,227 thousand, in which, corporate demand deposits amounted to RMB44,642,045 thousand, accounting for 27.5%; corporate time deposits amounted to RMB117,676,182 thousand, accounting for 72.5%. Under the influence of financial market environment, the liability structure of the Bank underwent appropriate adjustment, and deposits from corporate customers had fluctuation as compared to that at the beginning of 2019.

2. Corporate loans

As at the end of the Reporting Period, corporate loans of the Bank amounted to RMB412,361,297 thousand, increased by RMB60,045,800 thousand or 17.0% as compared to that as at the end of the previous year. During the Reporting Period, the Bank thoroughly implemented the regulatory requirements, strictly controlled credit risks, accelerated the transformation of growth methods, continued to optimize asset structure, improved the level of financial services management, increased support for the real economy, and adopted effective measures to prevent and resolve credit risks.

3. Discounted bills

During the Reporting Period, the Bank carried out discounted bills business appropriately after taken asset liquidity into consideration. As at the end of the Reporting Period, discounted bills amounted to RMB2,505,743 thousand, representing a decrease of RMB3,838,632 thousand or 60.5% as compared to that as at the end of previous year.

4. International business

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

During the Reporting Period, the foreign exchange capital products of the Bank became diversified and the trade volume increased continuously, the Bank achieved improved economic benefits. The cumulative trade volume of inter-bank foreign exchange reached US\$19.082 billion, representing an increase of 156.6% on a year-on-year basis, of which the cumulative trade volume of derivative product business (including foreign exchange forward and swap) amounted to US\$15.476 billion, representing an increase of 142.0% on a year-on-year basis. During the Reporting Period, the cumulative trade volume of inter-bank foreign currency borrowing reached US\$107.896 billion, representing an increase of 15.6% on a year-on-year basis.

(II) “Three Basis & Three Small” (三基三小) Business

1. Overview of the “Three Basis & Three Small” business

During the Reporting Period, the Bank continued to develop “Three Basis & Three Small” (三基三小) (“Three Basis” means “basic accounts, basic customer base and basic settlement volume” and “Three Small” means “small enterprises, small shops and small retail stalls”). Based on the objectives of “structure optimisation, risk prevention and control, inclusiveness promotion, team training, and effectiveness improvement”, various tasks of “Three Basis & Three Small” proceeded steadily. As at the end of the Reporting Period, the “Three Small” loan balance of the Bank amounted to RMB10,959,220 thousand. The number of customers of “Three Small” loans amounted to 11,934 accounts, representing 93.63% of the accounts of total loans (excluding subsidiaries). The “Three Basis” business maintained its good development momentum, the number of settlement accounts amounted to 81,333 accounts, increased by 3,113 accounts as compared to that as at the end of the previous year. The basic settlement volume accumulated to 26.62 million. The availability, coverage and satisfaction of integrated financial services for local “Three Small” customers were increasing.

2. Measures for developing the “Three Basis & Three Smalls” business

- (1) Optimise asset structure and strengthen risk control. The Bank will increase the balance proportion of operation loan, consumer loan, personal housing mortgage loan, monthly level-repayment, bulk “Three Smalls” business of single account with credit limit under RMB1 million (inclusive). To adjust the structure of guarantee, the Bank continued to withdraw from high-risk and weak guarantee businesses such as joint guarantee, mutual guarantee and offsite businesses in order to lower the loss given default and increase the risk mitigation. The Bank will carry out classified management on loans according to their lifecycle, diversify financial statement statistical tool, strengthen pre-warning ability and implement concepts of “one bank, one policy” and “one account, one Policy” for key institutions and key businesses. As at the end of the Reporting Period, the balance of “Three Smalls” consumer loans amounted to RMB1,563,410 thousand, representing an increase of 2.7% as compared to that as at the end of last year, and coverage ratio of pledge and mortgage loans was 89.11%, representing an increase of 0.61% as compared to that as at the end of last year.
- (2) Improve inclusiveness promotion measures and enhance internal management mechanism. The Bank will list inclusive credit plan separately, allocate to branches on a monthly basis, and establish data statistics, analysis and notification mechanism. We will implement preferential pricing for internal fund transfer of inclusive finance loans and explore special incentive expense subsidy mechanisms. We will differentiate interest rate pricing for small and micro businesses, and the interest rate of inclusive finance loans will be more favorable than that of small and micro loans of the same level. The Bank will develop an inclusive policy toolkit and create a good internal atmosphere, strengthen guidance and publicity, and share excellent, replicable, easy-to-promote experience.
- (3) Improve team quality and build internal training system. We will give play to the positive effect of internal trainer and promote the team professional skills enhancement. The Bank will organise professional trainer team and build a professional course system, certify unified teaching standard, establish evaluation feedback mechanism, and advance both online and offline interaction. Also, we will organise internal training, give lessons in real scenario and carry through the whole bank, and online mini-lessons will be made for sharing and studying on the online platform. We will continue to promote “Three Smalls” credit technology to realise the efficient transmission of knowledge and skills. A total of 58 internal trainings were conducted during the Reporting Period.
- (4) Promote science and technology finance projects and improve the quality and efficiency of small and micro financial services. We will complete the second-phase optimisation of the customer relationship management system (CRM system), strengthen the internal data accumulation, and implement the whole process of customer relationship management including marketing, risk control, collection and performance. Also, we will contact with a number of third-party platforms to explore the possibility of precision marketing and mass customer acquisition. The Bank will promote “Mobile Loan”(移動辦貸) system, “Instant Loan”(即時貸), “VIP Credit Extension”(VIP授信) and other big data products to shorten the business process. Meanwhile, we will promote “Pre-credit Extension”(預授信) and implement precision marketing. On 28 May 2019, the Bank’s “Mobile Loan” system won the “Top Ten Private Enterprises’ Financial Service Innovation Award”(十佳民營企業金融服務創新獎) in China’s financial innovation awards selection activities.

(III) Retail banking business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June		
	2019	2018	Rate of Change (%)
External net interest expenses	(4,982,092)	(3,132,449)	59.0
Internal net interest income	5,654,124	3,928,285	43.9
Net interest income	672,032	795,836	(15.6)
Net fee and commission income	104,520	97,408	7.3
Net foreign exchange gains/(losses)	257	(20,730)	(101.2)
Impairment losses on assets	(256,790)	(256,185)	0.2
Operating expenses	(104,509)	(26,231)	298.4
Profit before tax	415,510	590,098	(29.6)
Depreciation and amortisation	(51,456)	(18,965)	171.3
Capital expenditure	106,641	51,334	107.7

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June	31 December	Rate of Change (%)
	2019	2018	
Segment assets	10,749,298	11,353,537	(5.3)
Segment liabilities	285,549,096	246,390,224	15.9

1. Retail Deposits

Through various marketing activities, the Bank adopts certain marketing methods and measures to go deep into the market, dug the demands of customers and enhance customer adhesiveness. At the end of the Reporting Period, the balance of retail deposits (excluding interests payable) of the Bank amounted to RMB274,268,055 thousand, increased by RMB39,685,626 thousand or 16.9% compared with that at the end of the previous year.

2. Retail Loans

During the Reporting Period, the Bank focused on loans in the inclusive finance area, implemented preferential pricing for internal fund transfer of inclusive finance loans and explored special incentive expense subsidy mechanisms. The Bank increased the balance proportion of operation loan, consumer loan, personal housing mortgage loan, monthly level-repayment, bulk “Three Smalls” business of single account with credit limit under RMB1 million (inclusive). The Bank carried out classified specific management on credit assets, diversified statistical management tool, and gradually strengthened pre-warning ability. Meanwhile, we promoted research process of “Mobile Loan” system, “Instant Loan”(即時貸), “VIP Credit Extension”(VIP授信) and other big data products to improve the quality and efficiency of small and micro financial services and customer satisfaction. At the end of the Reporting Period, retail loans of the Bank comprising of personal business loans, personal consumption loans, residential and business accommodation mortgage loans, and credit card overdrafts amounted to RMB12,070,516 thousand, of which personal business loans amounted to RMB9,878,500 thousand, personal consumption loans amounted to RMB640,932 thousand, and residential and business accommodation mortgage amounted to RMB1,377,042 thousand.

As at the end of the Reporting Period, the total amount of credit card facilities of the Bank amounted to RMB1,309,756 thousand, decreased by 1.5% as compared to that as at the end of last year.

3. Bank Cards

The Bank continues to improve the bank card product system, further enrich product types, optimise business processes, and enhance customer service capacity. We launched small and micro enterprise card, becoming the first regional bank in China to issue small and micro enterprise card. Four co-branded cards were newly issued, namely Bohai University co-branded card, Liaoning Institute of Science and Engineering co-branded card, Liaoning University of Technology co-branded card and Jinzhou Normal College co-branded card. We newly launched seven special cards including public institution work transfer card (事業單位工轉卡), people’s public security card (人民公安卡), taxi card (出租車卡), medical care card (醫護卡) and military support card (擁軍卡). The Bank vigorously promoted ETC business, optimised ETC credit card issuing project, improved approval efficiency, and provided one-stop service for customers. Our ETC business networks continuously expanded from 13 at the end of previous year to 65 covering Liaoning Province as at the end of the Reporting Period, providing convenience for customers’ business. At the end of the Reporting Period, the Bank issued 6,076.2 thousand debit cards in total, increased by 3.9% as compared to that at the end of last year. A total of 77,372 credit cards were issued, increased by 11.6% as compared to that at the end of last year.

4. Wealth Management

During the Reporting Period, the Bank's retail banking business was oriented to customer financial demands with customers acquisition and sales as the main line, continuously improved customer service value-adding system, opened up and optimised product innovation, comprehensively optimised customer overall experience, consolidated customer base, enhanced business scale and accelerated the improvement of retail business development. The trend of business development was fine. As at the end of the Reporting Period, the number of retail customers amounted to 5,091.1 thousand, representing an increase of 200.5 thousand or 4.1% compared to that as at the end of last year. The number of core customers (assets amount reaching RMB50 thousand or above) was 739.6 thousand, representing an increase of 144.2 thousand or 24.2% compared to that at the end of last year. There were 327.8 thousand VIP customers (assets amount reaching RMB200 thousand or above), with 80.1 thousand or 32.3% increase compared to that at the end of previous year. Among VIP customers, the number of Gold class customers, Violet Gold class customers, Platinum class customers and Black Gold class customers were 208.6 thousand, 100.2 thousand, 17.2 thousand and 1.8 thousand, respectively.

In accordance with regulatory requirements, dedicated corner for wealth management products and recording and filming system were established at all points of sale of the Bank's products. The Bank has 143 registered points of sales for fund sales business and 110 registered points of sales for insurance sales business.

(IV) Capital business

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June		
	2019	2018	Rate of Change (%)
External net interest income	5,782,110	7,628,749	(24.2)
Internal net interest expense	(1,225,268)	(3,073,250)	(60.1)
Net interest income	4,556,842	4,555,499	0.0
Net fee and commission income	5,006	25,586	(80.4)
Net trading gain	1,469,666	1,587,877	(7.4)
Dividend income	1,200	880	36.4
Net gains arising from investment securities	77,623	23,416	231.5
Net foreign exchange losses	(8,302)	(786,888)	(98.9)
Impairment losses on assets	(2,980,831)	(450,000)	562.4
Operating expenses	(822,336)	(1,009,880)	(18.6)
Profit before tax	2,298,868	3,946,490	(41.7)
Depreciation and amortisation	(110,050)	(117,511)	(6.3)
Capital expenditure	228,077	318,082	(28.3)

(Expressed in thousands of Renminbi, unless otherwise stated)	30 June	31 December	Rate of Change (%)
	2019	2018	
Segment assets	399,307,138	473,361,112	(15.6)
Segment liabilities	234,387,633	245,609,700	(4.6)

1. Currency Market Transactions

During the Reporting Period, the terminal interest rate decreased as the currency policy was slightly relaxed. The Bank anticipated market situations, flexibly allocated financing structure, and endeavored to reduce financing cost and increase profitability. As at the end of the Reporting Period, the balance of financial assets sold under repurchase agreements amounted to RMB35.422 billion.

2. Investments in Securities and Other Financial Assets

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

The Bank paid attention to changes in policy environment, facilitated analysis and research on the financial market, and adjusted operation strategies when appropriate were reducing repurchase financial cost by various means, the Bank selected certain bond assets with reasonable duration and yields. The Bank maintained its expected bond portfolio structure and there was no any credit risks.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	67,816,307	20.9	66,062,880	17.0
Financial assets at fair value through other comprehensive income	39,563,124	12.2	42,054,653	10.8
Financial assets measured at amortised cost	216,757,784	66.9	281,240,864	72.2
Total	324,137,215	100.0	389,358,397	100.0

(2) Securities investment distribution breakdown by residual maturity

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019		As at 31 December 2018	
	Amount	% of total	Amount	% of total
Indefinite	12,369,053	3.8	5,121,836	1.3
Repayable on demand	–	–	–	–
Within 3 months	38,242,849	11.7	41,492,004	10.6
3 months to 1 year	106,463,975	32.4	120,628,561	30.8
1 year to 5 years	158,708,554	48.4	219,813,482	56.0
More than 5 years	12,234,894	3.7	5,000,955	1.3
Total	328,019,325	100.0	392,056,838	100.0

(3) Holding of State Bonds

As at the end of the Reporting Period, the balance of nominal value of the state bonds held by the Bank amounted to RMB2.710 billion. The table below showed the eight state bonds held by the Bank as at the end of the Reporting Period:

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

(4) Holding of financial bonds

As at the end of the Reporting Period, the balance of nominal value of the financial bonds (mainly financial bonds issued by policy banks) held by the Bank amounted to RMB38.512 billion. The table below showed the top ten financial bonds with the highest nominal value held by the Bank as at the end of the Reporting Period:

Name of Bonds (Expressed in thousands of Renminbi, unless otherwise stated)	Nominal Value	Interest rate per annum (%)	Maturity Date
18 Nong Fa 11	4,550,000	4.00	12 November 2025
18 Jin Chu 09	4,480,000	4.37	19 June 2023
19 Jin Chu 05	3,680,000	3.28	11 February 2024
18 Nong Fa 13	3,590,000	3.55	21 November 2023
16 Nong Fa 20	2,086,000	2.79	27 July 2019
18 Jin Chu 10	1,900,000	4.89	26 March 2028
19 Nong Fa 04	1,510,000	3.51	3 April 2024
10 Nong Fa 14	1,240,000	4.00	4 November 2020
17 Jin Chu 07	1,200,000	4.37	15 May 2020
18 Nong Fa 08	1,200,000	4.37	25 May 2023

3. Wealth Management Business

As at the end of the Reporting Period, the balance of the Bank's financial products amounted to RMB29.323 billion. During the Reporting Period, all the Bank's financial products have been cashed on time without any customer complaints. During the Reporting Period, the Bank adhered to the new requirements of capital management and wealth management, continuously increased research and development efforts in net-worth products, realised full cycle coverage of net-worth products, increased the propaganda for net-worth products, guided the branches marketing, cultivated customer spending habits, and strived to complete the product transformation and cohesion in the transition period, to ensure smooth development of wealth management business. During the Reporting Period, the Bank's wealth management business investment channels have been increasingly improved, the investment structure has been increasingly reasonable, the product categories have been constantly enriched, the proportion of net-worth products has gradually increased, and the business transformation has been steadily promoted.

4. Interbank Business

The Bank continuously improved interbank business in liabilities, investment and bills transactions layout and expanded asset securitisation and bonds issuance. As at the end of the Reporting Period, the Bank's deposit with banks and other financial institutions amounted to RMB6,802,123 thousand, and the Bank's deposits from banks and other financial institutions amounted to RMB137,847,601 thousand. As at the end of the Reporting Period, the Bank had 198 interbank certificates of deposit issued and not yet due, with book balance of RMB72.182 billion.

5. Investment Banking Business

During the Reporting Period, faced with the complicated and changeable macroeconomic situation, the Bank continued to strengthen the awareness of investment risk, carry out investment business, and grasp the pace of investment. Meanwhile, the Bank continued to optimise the investment business structure and enrich standardised investment products. At the end of the Reporting Period, the original value of the carrying amount of the Bank's beneficial interest transfer plans measured at amortised cost was RMB225,007,552 thousand.

(V) Distribution channels

1. Physical Outlets

Development of the Bank's institution complied with strategic guidance principle, risk control principle, market-oriented principle and characteristic management principle, with the basic premise matching cross-regional development speed and self-management and control abilities. The Bank scientifically mastered cross-regional development speed and pace, adhering to the path of healthy development and achieving coordinated development of "scale, quality, benefit". As at the end of the Reporting Period, the Bank had a total of 219 outlets (excluding those of its subsidiaries). In addition to the headquarters, the Bank had 15 branches, 195 traditional sub-branches, 7 mini/community sub-branches and 1 specialised institution in total, which were distributed mainly over provinces and cities such as Beijing, Tianjin, Harbin and Liaoning.

2. Self-service Banking

As at the end of the Reporting Period, the Bank (excluding its subsidiaries) had 154 self-service banking and self-service zones in total, representing an increase of 9 self-service points compared with that at the end of the previous year. As at the end of the Reporting Period, the Bank (excluding its subsidiaries) possessed 972 self-service machines, of which 583 were automatic teller machines (ATM) (the accumulated number of transactions reached 2.764 million with transaction amount of RMB5.672 billion during the Reporting Period), 106 multi-media enquiry machines (the accumulated number of transactions reached 202.8 thousand during the Reporting Period), 121 self-service card-issuing machines (increased by 7 as compared to the end of the previous year, and the accumulated number of transactions reached 8,131 during the Reporting Period), and 162 smart ATMs (increased by 90 as compared to that at the end of the previous year).

During the Reporting Period, the Bank jointly established the first "Bank-Tax Authority Cooperation Service Station" in Liaoning with Jinzhou Tax Bureau. Through self-service tax terminals established at the "Bank-Tax Authority Cooperation Service Station" of Jiefang Road sub-branch of the Bank, taxpayers could conduct self-service tax payment, invoice application, tax enquiry and other businesses at the outlets of the Bank. "Bank-Tax Authority Cooperation Service Station" is an important initiative to implement the development concept of "innovation, coordination, green, openness and sharing" and provide all-round services for customers, which is a beneficial attempt driven by technological innovation and benefiting the people's life through financial services.

During the Reporting Period, the Bank has launched new business functions at smart ATMs such as withdrawal of wealth management bills, redemption of wealth management products, wealth management enquiries, printing of wealth management certificates, closure of wealth management accounts, credit card related repayment, change of non-confidential status of micro-credit amount, corporate details enquiry and printing, and electronic tax bill printing.

During the Reporting Period, the Bank has launched the personal foreign exchange settlement and sale business at self-service card-issuing machines. With the Bank's bank card and the second-generation identity card, customers can make personal purchase of foreign exchange, personal settlement of foreign exchange and enquiries on personal settlement and sale of foreign exchange through self-service card-issuing machine terminals, provided that the outlets at which the self-service card-issuing machines are located have the acceptance authority for personal settlement and sale of foreign exchange.

During the Reporting Period, the Bank continued to establish convenient mobile payment application scenarios. The Bank actively cooperated with Liaoning Bank (遼寧銀行), China UnionPay Merchant (銀聯商務公司) and other partners to carry out the establishment of convenient mobile payment application scenarios, and fully promoted the construction of scenarios such as "smart transportation", "smart countryside", "smart vegetable farm" and "smart cashier".

During the Reporting Period, the Bank's ATM transaction bill has achieved paperless, which avoids the situation that the Bank is unable to continue to provide external services due to the lack of paper for the equipment and reduces the operating costs of the equipment, and it has been fully implemented across the Bank.

During the Reporting Period, the Bank has launched and promoted significant deposit and withdrawal machines. One significant deposit and withdrawal machine has been set up at the Shifu Road Science and Technology Sub-branch under Jinzhou Branch and two at the Development Zone self-service banks under Fuxin Branch. During the Reporting Period, there were a total of 7,169 transactions with a transaction amount of RMB102.09 million.

3. Electronic Banking

During the Reporting Period, the Bank focused on strengthening the construction of electronic channels and improving the service quality of electronic channels. Taking the deepening of product innovation and the promotion of financial technological achievements as the starting point, the Bank steadily and orderly promoted a series of key tasks, including the enhancement of electronic banking service capability, the optimisation of electronic banking product layout and the standardisation of electronic banking operation and management. Various businesses have been developed in a good manner and the business expansion achieved remarkable results.

(1) Online Banking

During the Reporting Period, in order to further improve the quality and efficiency of electronic banking services and product competitiveness, the Bank continued to optimise its online banking product system. On the one hand, the Bank launched foreign currency services, achieving full coverage of domestic and foreign currency business through online banking business; on the other hand, the Bank launched various business functions such as deposit of principal and withdrawal of interest, partial early withdrawal of certificates of significant deposits, and Youyuebao No. 2 (悠悦寶2號), which further enhanced the advantage of convenient online banking business.

As at the end of the Reporting Period, the Bank had a total of 367,036 online banking customers, representing an increase of 10.3% as compared with that as at the end of the last year, among which, there were a total of 40,726 corporate online banking customers, representing an increase of 9.2% as compared with that as at the end of the last year, with a transaction amount of RMB785.350 billion during the Reporting Period; there were a total of 326,310 personal online banking customers, representing an increase of 10.5% as compared with that as at the end of the last year, with a transaction amount of RMB137.906 billion during the Reporting Period, representing a year-on-year increase of 9.8%.

(2) Mobile Banking

During the Reporting Period, the Bank continued to develop the layout of mobile financial business scenarios, and combined the development trend of fintech enabling business, further improving the service quality of mobile banking, WeChat banking, telephone banking and other channels, and launched innovative products such as new self-service voice services for telephone banking, inter-bank fund collection for mobile banking and structured deposits for WeChat banking, which effectively enhanced the service experience of mobile financial customers.

At the end of the Reporting Period, the Bank had 427,445 mobile banking customers in aggregate, representing an increase of 25.4% as compared with that at the end of the last year, with a transaction amount of RMB30.978 billion during the Reporting Period, representing a year-on-year increase of 33.6%. The Bank had 266,896 WeChat banking customers in aggregate, representing an increase of 35.4% as compared with that at the end of the last year, with a transaction amount of RMB3.221 billion during the Reporting Period, representing a year-on-year increase of 19.7%.

(3) Internet Finance

During the Reporting Period, the Bank continued to focus on the development hotspots in the Internet financial business, adhered to focusing on mobile payment scenario expansion and product optimisation, building an online and offline integrated internet financial service system, and launched the smart parking collection service for QR code passenger stations, the convenient smart cashier services at municipal authorities, the smart campus payment and recharge services and the QR code UnionPay payment and collection services, which effectively expanded the scope and depth of the Bank's internet financial business.

As at the end of the Reporting Period, the Bank had 19,654 Internet collection merchants, representing an increase of 40.0% as compared with that as at the end of the last year, with a transaction amount of RMB1.404 billion during the Reporting Period, representing a year-on-year increase of 111.0%.

(VI) Information on subsidiaries**1. Banks in Villages and Towns**

The village and township banks funded and set up by the Bank adhered to the purpose of “basing on urban and rural areas, supporting small and micro enterprises, serving agriculture, rural area and farmers, benefiting the common people”, upheld the operating principle of coordinated development of “scale, quality, efficiency”, and insisted on orienting at market, centering on customers and taking innovation as a driving force.

As at the end of the Reporting Period, the Bank owned 7 village and township banks, of which 5 were located in Jinzhou City, 1 in Chaoyang City and 1 in Benxi City, Liaoning Province, the PRC. As at the end of the Reporting Period, the total assets of the 7 village and township banks amounted to RMB8,818,759 thousand; the net amount of loans and advances was RMB4,356,294 thousand. The total deposits amounted to RMB8,007,250 thousand. The net loss amounted to RMB64,987 thousand.

2. Bank of Jinzhou Financial Leasing Company Limited

Bank of Jinzhou Financial Leasing Company Limited (“**Jinyin Leasing**”) continuously improved the service layout of the industry and gradually improved its ability to serve the real economy according to the industry, customer and regional orientation of market expansion. At the end of the Reporting Period, a total of RMB16.142 billion was released as leasing funds, and an additional RMB1.696 billion was released as leasing funds during the Reporting Period. At the end of the Reporting Period, the total assets of Jinyin Leasing were RMB8,875,636 thousand, of which the balance of finance lease was RMB7,830,895 thousand, and the net profit during the Reporting Period was RMB236,737 thousand.

(VII) Information technology

The Bank gradually improved the independent innovation level of information technology, strengthened the capability of information technology risk management and control and information security protection, strengthened the construction of infrastructure and information system, and promoted the deep integration of information technology and business development, providing strong information technology support for product innovation, business innovation, procedures innovation and management innovation.

1. Vigorously promote the application of new technologies

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

2. Continuously optimise the infrastructure environment

With the rapid development of the Bank's business, the expanding scale of the Bank's network, the increasingly complicated network structure, and more diversified businesses engaged by the Bank, the requirements for the stability and visualisation of the Bank's network have been increasing. During the Reporting Period, the Bank upgraded the existing traffic capture equipment and optimised the network and business performance indicators. After the upgrade, the Bank can timely grasp the characteristics of business flow born by the data center network and make optimal adjustments to the network configuration, so as to ensure the stable operation of the core business application in respect of the data center, and timely identify and solve the risks and potential troubles of network failure. At the same time, through the connection into the whole network traffic analysis system, the Bank can monitor important links and equipment in real time, and analyse and display full data from the whole network traffic. The Bank has refined network operation and maintenance through conducting an end-to-end performance monitoring based on the business system, transforming the operation and maintenance from passive to active method, so as to ensure the quality of core businesses and user experience.

3. Continuously improve the level of information security protection

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

III. Risk Management

The Bank is exposed to the following major risks in respect of its use of financial instruments: credit risk, operational risk, market risk, liquidity risk, information technology risk and reputational risk.

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

(I) Credit Risk

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

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

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

(II) Operational Risk

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

In terms of management procedures, the Bank has established operational risk management tools and application procedures including three management tools, namely, self-assessment of operational risk and control, key risk indicator supervision and loss event collection. In terms of indicator collection, the risk and compliance department collects key risk indicators and loss data of operational risks on time, and makes summary and analysis. The specific operational risk indicators cover four aspects, namely, employee capacity, system capacity, operation process specification and external environment, with indicator thresholds established.

(III) Market Risk

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

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

1. Interest rate risks

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

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

The Bank classified the transactions as the banking book transactions and trading book transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these books. The trading book transactions consist of the Bank's investments which are acquired or incurred primarily for the purpose of selling in the near term, or for the purpose of profit taking from actual or expected price fluctuations in a short term. The banking book transactions represent non-trading businesses. The Bank mainly analyses the interest rate risks of banking book transactions.

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019					
	Total	Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	57,727,372	1,271,679	56,455,693	—	—	—
Deposits with banks and other financial institutions	6,802,123	149,189	3,593,013	3,059,921	—	—
Placements with banks and other financial institutions	5,800,176	10,697	3,241,248	2,548,231	—	—
Financial assets held under resale agreements	—	—	—	—	—	—
Loans and advances to customers ⁽¹⁾	398,224,318	—	34,729,175	90,380,884	264,147,173	8,967,086
Investments ⁽²⁾	328,019,325	4,799,287	38,586,589	113,191,878	159,403,071	12,038,500
Finance lease receivables	7,830,895	—	927,764	2,573,073	4,330,058	—
Others	21,053,322	20,657,058	271,545	118,443	6,276	—
Total assets	825,457,531	26,887,910	137,805,027	211,872,430	427,886,578	21,005,586
Liabilities						
Borrowing from the central bank	20,057,797	17,797	20,000,000	40,000	—	—
Deposits from banks and other financial institutions	137,847,601	1,698,617	23,026,054	41,891,000	68,531,930	2,700,000
Placements from banks and other financial institutions	30,540,515	304,411	13,819,673	16,416,431	—	—
Financial assets sold under repurchase agreements	35,422,256	135,544	35,286,712	—	—	—
Deposits from customers	447,867,324	11,281,041	126,856,159	155,764,903	153,965,209	12
Debt securities issued	78,798,814	123,502	30,760,567	41,421,205	6,493,540	—
Others	15,215,554	4,696,090	4,239,233	5,776,805	503,426	—
Total liabilities	765,749,861	18,257,002	253,988,398	261,310,344	229,494,105	2,700,012
Asset-liability gap	59,707,670	8,630,908	(116,183,371)	(49,437,914)	198,392,473	18,305,574

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

Notes:

- (1) As at the end of the Reporting Period and 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 RMB6,190 million and RMB2,801 million, respectively.
- (2) Investments include debt investments at fair value through profit or loss, debt investments at fair value through other comprehensive income, debt investments measured at amortised cost and other investments. As at 30 June 2019, for investments, the category "Less than three months" includes overdue amounts of RMB468 million (31 December 2018: RMB21.14 million).

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the six-month period ended 30 June			
	2019		2018	
	Changes in net profit	Changes in shareholders' equity	Changes in net profit	Changes in shareholders' equity
100 basis points increase	(1,138,680)	(2,173,018)	(93,912)	(728,169)
100 basis points decrease	1,141,306	2,244,842	98,072	762,034

2. Exchange rate risk

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019			
	RMB	USD	Others	Total
		(RMB equivalent)	(RMB equivalent)	(RMB equivalent)
Assets				
Cash and deposits with the central bank	57,448,737	275,071	3,564	57,727,372
Deposits with banks and other financial institutions	4,110,915	2,477,266	213,942	6,802,123
Placements with banks and other financial institutions	5,710,342	41,373	48,461	5,800,176
Loans and advances to customers	396,515,552	1,617,191	91,575	398,224,318
Other assets	352,811,105	4,092,437	—	356,903,542
Total assets	816,596,651	8,503,338	357,542	825,457,531
Liabilities				
Borrowing from the central bank	20,057,797	—	—	20,057,797
Deposits from banks and other financial institutions	137,847,601	—	—	137,847,601
Placements from banks and other financial institutions	5,012,498	22,086,556	3,441,461	30,540,515
Deposits from customers	444,089,777	3,756,221	21,326	447,867,324
Debt securities issued	78,798,814	—	—	78,798,814
Other liabilities	50,585,952	—	51,818	50,637,810
Total liabilities	736,392,439	25,842,777	3,514,645	765,749,861
Net position	80,204,212	(17,339,439)	(3,157,103)	59,707,670
Credit commitments	224,929,706	1,514,511	11,369	226,455,586

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

(IV) Liquidity Risk

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

1. Liquidity risk management

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

2. Liquidity risk analysis

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 30 June 2019							Total
	Indefinite	Repayable on demand	Within one month	Between			More than five years	
				one month and three months	Between three months and one year	Between one year and five years		
Assets								
Cash and deposits with the central bank	52,102,511	5,624,861	—	—	—	—	—	57,727,372
Deposit with banks and other financial institutions	—	3,004,706	643,676	8,435	3,145,306	—	—	6,802,123
Placements with banks and other financial institutions	—	—	41,324	3,205,913	2,552,939	—	—	5,800,176
Financial assets held under resale agreements	—	—	—	—	—	—	—	—
Loans and advances to customers	15,311,932	3,529,593	11,126,707	13,678,046	85,355,945	259,858,330	9,363,765	398,224,318
Investments	12,369,053	—	9,901,988	28,340,861	106,463,975	158,708,554	12,234,894	328,019,325
Finance lease receivables	187,697	—	—	927,764	2,573,073	4,142,361	—	7,830,895
Others	20,095,181	—	195,620	76,397	123,916	273,652	288,556	21,053,322
Total assets	100,066,374	12,159,160	21,909,315	46,237,416	200,215,154	422,982,897	21,887,215	825,457,531
Liabilities								
Borrowing from the central bank	—	—	—	20,017,762	40,035	—	—	20,057,797
Deposits from banks and other financial institutions	—	428,015	10,155,311	12,911,076	42,796,704	68,844,392	2,712,103	137,847,601
Placements from banks and other financial institutions	—	—	9,349,442	4,612,102	16,578,971	—	—	30,540,515
Financial assets sold under repurchase agreements	—	—	34,122,922	1,299,334	—	—	—	35,422,256
Deposits from customers	—	67,834,701	25,118,373	35,598,722	159,783,147	159,532,369	12	447,867,324
Debt securities issued	—	—	8,069,011	18,948,230	44,632,296	7,149,277	—	78,798,814
Others	—	4,345,839	1,948,624	2,334,425	5,864,086	680,171	42,409	15,215,554
Total liabilities	—	72,608,555	88,763,683	95,721,651	269,695,239	236,206,209	2,754,524	765,749,861
Asset-liability gap	100,066,374	(60,449,395)	(66,854,368)	(49,484,235)	(69,480,085)	186,776,688	19,132,691	59,707,670

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

As at the end of Reporting Period, 31 March 2019 and 31 December 2018, the net stable funding ratio was 104.61%, 107.93% and 109.76%, respectively.

As at the end of Reporting Period, the stable funds available to the Bank were RMB578.041 billion, and the required stable funds were RMB552.570 billion.

(V) Information Technology Risk

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

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

(VI) Reputational Risk

Reputational risk represents risk of stakeholders making negative comments to the Bank due to its operation, management and other actions or external events.

During the Reporting Period, the Bank strengthened reputational risk internal management, improved system construction, continuously enhanced internet public opinions monitoring, carried out self-check and inspection of reputational risk, increased guidance over positive publicity of brand image, and properly responded and handled negative public opinions. Through these diversified measures, the Bank enhanced management procedures in respect of identifying, monitoring, controlling and settling reputational risk, and continuously improved management mechanism over reputational risk.

(VII) Management of Anti-money Laundering

During the Reporting Period, the Bank strictly complied with the PRC anti-money laundering laws and regulations, and earnestly performed the obligations of anti-money laundering. The Bank continued to improve the internal control system for anti-money laundering and continuously optimised the coordination mechanism for anti-money laundering. The Bank actively promoted the identification of anti-money laundering customers, always maintained the timeliness, accuracy and efficiency of significant transactions and suspicious transaction reporting, improving the quality of significant transactions and suspicious transaction reporting of the Bank. The Bank continued to improve anti-money laundering system to establish a blacklist monitoring system for real-time monitoring and retrospective investigation of blacklists, improving the prevention level of money laundering and terrorist financing risks. The Bank continued to promote the construction and improvement of the suspicious transaction model, and establish and improve the suspicious transaction model according to the actual situation of business development with focus on key risk management. The Bank actively cooperated with the regulatory authorities to carry out anti-money laundering review, organised special trainings and themed promotion activities on anti-money laundering, and built a good internal and external environment for anti-money laundering. The Bank continued to strengthen on-site and off-site inspection of anti-money laundering, effectively improving anti-money laundering management capability and work quality.

(VIII) Rights Protection for Consumers

The Bank regards the protection of consumer rights as its long-term development strategy, adheres to the people-oriented principle and assumes social responsibility. Through the establishment of the Consumer Rights Protection Committee under the Board and the Consumer Rights Protection Office, the Bank has improved the organisational system, the rules and regulations, strengthened business guidance and work assessment, and continued to promote the construction of the Bank's consumer rights protection work system, effectively safeguarding the legitimate rights and interests of consumers and improving the satisfaction of financial consumers.

In respect of the popularisation of financial knowledge, the Bank has formed a long-term, systematic, independent, diversified and characteristic mechanism for the promotion and education of financial knowledge which takes outlets as the main responsible body, daily promotion of outlets as the basis, the WeChat Official Account as a platform, centralised key promotion as the method for the whole year, continuous, full-time participation and full-audience coverage. In respect of normalised promotion, the Bank continued to carry out activities such as Jin's Time, Community Culture Day, Financial Morning and Night Market and Film Tent, and focused on the knowledge of consumers' attention on anti-telecommunication fraud, illegal fund-raising, counterfeit currency identification and safe use of bank cards, so as to enhance consumers' awareness of financial knowledge. In respect of centralised promotion, the Bank actively organised and carried out centralised activities such as the "3.15 Financial Consumer Rights Day" and "Popularization of Financial Knowledge, Keeping of Money Bags" organised by the PBOC, the "Popularization of Financial Knowledge" organised by the CBIRC, and the "Popularization of Financial Knowledge to Handle Well" organised by the China Banking Association. Through formulating plans, issuing notices, convening meetings and supervising visits, the Bank focused on policy guidance, strengthened organisation and deployment, followed up the implementation of activities, and highlighted the effectiveness of publicity. The Bank was awarded the "2017-2018 Best Achievement Award for Popularisation of Financial Knowledge of Banking Industry in Liaoning Province" at the 2019 Liaoning Banking Association Consumer Rights Protection Committee Meeting and the Opening Ceremony of Financial Knowledge Walk.

IV. Internal Control and Internal Audit

(I) Internal Control

The Bank has formulated the Internal Control System of the Bank of Jinzhou (錦州銀行內部控制制度) to provide guidance to internal control work of the Bank in accordance with the Commercial Banking Law of the PRC (中華人民共和國商業銀行法) and the Guidelines for Internal Control of Commercial Banks (商業銀行內部控制指引). Internal control is the dynamic process and mechanism to achieve the objective of control through the formulation and implementation of systematic regime, flow process and methods. The internal control of the Bank follows the basic principles of full coverage, balance of power, prudence and matching to realise the following objectives: to ensure the consistent execution of the relevant state laws and regulations, rules and various systems of the Bank, the realisation of the development strategies and operating objectives of the Bank, the effectiveness of risk management of the Bank and the authenticity, accuracy, completeness and timeliness of the business records, accounting information, financial information and other management information of the Bank.

During the Reporting Period, the Bank implemented a series of optimisations and improvements to internal control, which mainly includes:

Firstly, the system building of the internal control system was strengthened. During the Reporting Period, the Bank has further improved its system through revision and improvement, and established a unified standard and norms for the future work. This revision extended to all the systems of 26 departments of the head office, with a total of 4 million words. It covered all the business processes and the key links of each business activity, effectively managed the risk points, and clarified the responsibilities of responsible departments and individuals.

Secondly, the internal control measures were improved. The Bank unified the control standards through the establishment of relevant system to identify and manage risks in various operation activities and management activities. Moreover, the Bank updated and improved the procedure of the systems in a timely manner according to the adjustments in regulatory requirements, clients' needs, business conditions, risk profile, etc.

Thirdly, the duties of internal control were identified. The Bank established a clear job duty system in which all levels, lines and the position of staff have clear job requirements. The Bank required the clear separation between incompatible posts in the system to ensure the effectiveness of mutual control of the internal control system.

Fourthly, in-depth development of internal control culture was launched. The Bank went through a series of activities held during the "risk management year", "compliance establishment year", "system implementation year" and "dual compliance", and the awareness of compliance at all levels of the Bank was enhanced progressively.

(II) Internal Audit

The Bank has established an internal audit management structure. The audit committee under the Board (the "Audit Committee") will review and supervise the internal audit work progress. The Internal Audit Department shall be accountable to the Board and the Audit Committee, which will pave the foundation for the performance of independent and objective internal auditing. The Internal Audit Department of the Bank will conduct internal audit independently according to the authority delegated, and shall not be interfered by other departments and personnel, and it will not participate in operating activities within the scope of duties of other departments. The Bank has established an internal audit system suitable for its own development status, adhered to the risk-oriented audit principle, implemented the concept of "audit cycles", explored management benefit assessment, and carried out audit projects according to the internal audit manual. The audit scope will cover all business lines and branches of the Bank. Advice and proposals will be recommended for internal control deficiencies unveiled by audits conducted according to the auditing process and reporting system, and rectifications will be implemented and monitored to facilitate the transformation of audit result.

During the Reporting Period, the Internal Audit Department of the Bank continued to further construct the internal audit management system. Its major objectives were to strengthen risk management and enhance internal control standard. The audit scope and refinement were enhanced according to regulatory moves and practical development of the Bank, and by combining with the actual development, the Bank continuously standardised the basic audit work procedure, optimised the audit project management mode, and provided a strong guarantee for the launch of audit work. While completing the routine audit projects, the internal audit department of the Bank focused on the implementation of special audit projects, and carried out periodic audit projects in accordance with high-risk business lines and key areas of concern of regulatory departments. The Bank innovated audit measures, optimised audit methods, and made use of the audit system platform to increase off-site analysis for auditors, providing data support for audit work. The internal audit department of the Bank carried out special self-examinations of “risks relating to key areas” and “consolidating the results of disorder management and promoting compliance construction” throughout the Bank in accordance with the supervision requirements and the business situation of the Bank, so as to keep the internal audit work in line with the supervision guidance, deepen the supervision and examination linkage, try the best to standardise business behavior, and earnestly guard against financial risks.

V. Prospects

In the second half of 2019, the Bank will give play to the regional advantages as an urban commercial bank. In accordance with the deployment of financial work by the Central Committee of Communist Party of China and the regulatory authorities, the Bank will adhere to its original source, support supply-side structural reforms to identify operational strategic positioning, adhere to the risk bottom line to determine prudence risk appetite; with returning to the initial positioning of “serving local economy, serving small and micro enterprises and serving urban and rural residents”, the Bank will also deeply develop the regional small and micro enterprise finance, inclusive finance and agriculture related fields, enhance the development capability of serving the real economy, and cultivate its compliance atmosphere, compliance philosophy and compliance culture.

CHAPTER 4 CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. Changes in Ordinary Shares

(I) Share Capital

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

(II) Chart on Changes in the Number of Shares

	31 December 2018		Changes during the Reporting Period			30 June 2019	
	Number of Shares	Percentage (%)	Issues of New Shares	Others	Sub-Total	Number of Shares	Percentage (%)
1. Shareholding of Corporate Shareholders of Domestic Shares	4,186,698,558	53.80	-	-	-	4,186,698,558	53.80
Of which:							
(1) Shareholding of State-owned corporate shareholders	14,245,557	0.18	-	(11,129,461)	(11,129,461)	3,116,096	0.04
(2) Shareholding of Private corporate Shareholders	4,172,453,001	53.62	-	11,129,461	11,129,461	4,183,582,462	53.76
2. Shareholding of Individual Shareholders of Domestic Shares	77,597,126	1.00	-	-	-	77,597,126	1.00
3. H Shares	3,517,320,000	45.20	-	-	-	3,517,320,000	45.20
Total	7,781,615,684	100.00	-	-	-	7,781,615,684	100.00

II. Particulars of Shareholders of Ordinary Shares

(I) Shareholding of Shareholders

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

As at the end of the Reporting Period, the total number of Shareholders of Domestic Shares was 2,240.

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

No.	Name of Shareholders	Nature of Shareholding	Total Number of Shares held	Shareholding Percentage (%)	Pledged Shares
1	China Enterprise Development Investment (Beijing) Co., Ltd. (中企發展投資(北京)有限公司)	Private	324,523,430	4.17	–
2	Rongcheng Huatai Motor Co., Ltd. (榮成華泰汽車有限公司)	Private	317,076,722	4.07	317,076,722
3	Yinchuan Baota Refined Chemical Industry Co., Ltd. (銀川寶塔精細化工有限公司)	Private	250,000,000	3.21	250,000,000
4	Jincheng International Logistics Group Co., Ltd. (錦程國際物流集團股份有限公司)	Private	213,507,565	2.74	150,000,000
5	Liaoning Tenghua Plastic Co., Ltd. (遼寧騰華塑料有限公司)	Private	180,000,000	2.31	–
6	Qingzhou Taihe Mines Co., Ltd. (青州泰和礦業有限公司)	Private	180,000,000	2.31	180,000,000
7	Liaoning Chengwei Plastic Profile Co., Ltd. (遼寧程威塑料型材有限公司)	Private	170,000,000	2.18	–
8	Shanghai Greenland Hongtu Investment Development Co., Ltd. (上海綠地弘途投資發展有限公司)	Private	150,000,000	1.93	–
9	Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司)	Private	130,000,000	1.67	–
10	Jinzhou Daxing Construction Group Co., Ltd. (錦州大興建設集團有限公司)	Private	110,000,000	1.41	40,000,000
Total			2,025,107,717	26.02	937,076,722

Interests and Short Positions of Substantial Shareholders and Other Persons

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

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

Name of Shareholders/Name	Nature of Interests	Class of Shares	Number of Shares ⁽¹⁾	Approximate Percentage of the Total Issued Share Capital ⁽¹⁾ of Ordinary Shares of the Bank (%)	Approximate Percentage of the Issued Class of Share Capital ⁽¹⁾ of Ordinary Shares of the Bank (%)
H Shares					
Wah Li (Hong Kong) Limited ⁽⁵⁾	Beneficial Owner	H Shares	247,042,000 (L)	3.17	7.02
Zhao Yong ⁽⁵⁾	Interests of Controlled Corporation	H Shares	247,042,000 (L)	3.17	7.02
Wu Jing ⁽⁵⁾	Interests of Spouse	H Shares	247,042,000 (L)	3.17	7.02
Grand Fortune Venture Limited ⁽⁶⁾	Beneficial Owner	H Shares	201,700,000 (L)	2.59	5.73
Xuzhou Zhong'an Mining Services Limited ⁽⁶⁾	Interests of Controlled Corporation	H Shares	201,700,000 (L)	2.59	5.73
Zhang Yuan ⁽⁶⁾	Interests of Controlled Corporation	H Shares	201,700,000 (L)	2.59	5.73
Beijing Jingyuan Wanlong Investment Management Company Limited ⁽⁷⁾	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69
Li Feng ⁽⁷⁾	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69
Wang Xiaoliang ⁽⁷⁾	Interests of Controlled Corporation	H Shares	200,000,000 (L)	2.57	5.69

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

(2) Such Shares are held by China Enterprise Development Investment (Beijing) Co., Ltd ("CEDI"), which was then held by Tianjin Quanying Technology Development Co., Ltd. ("TQTD") as to 23.08%, while TQTD was held as to 80% by Zhang Haibo. Under the SFO, both TQTD and Zhang Haibo are deemed to be interested in all the Shares held by CEDI.

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

(4) Such Shares are held by Yinchuan Baota Refined Chemical Industry Co., Ltd. ("Yinchuan Baota"), which is wholly owned by Ningxia Baota Energy Chemical Co., Ltd. ("Baota Energy"), which is in turn held by Baota Petrochemical Group Co., Ltd. ("Baota Petrochemical") as to 90.20%. Baota Petrochemical is controlled by Sun Hengchao as to 43.79%. Under the SFO, Baota Energy, Baota Petrochemical and Sun Hengchao are deemed to be interested in all the Shares held by Yinchuan Baota.

- (5) Such Shares are held by Wah Li (Hong Kong) Limited, which is wholly owned by Zhao Yong, and Wu Jing is the spouse of Zhao Yong. Under the SFO, Zhao Yong and Wu Jing are deemed to be interested in all the Shares held by Wah Li (Hong Kong) Limited.
- (6) Such Shares are held by Grand Fortune Venture Limited, which is wholly-owned by Xuzhou Zhong'an Mining Services Limited ("Xuzhou Zhong'an"), which is in turn held by Zhang Yuan as to 80%. Under the SFO, Xuzhou Zhong'an and Zhang Yuan are deemed to be interested in all the Shares held by Grand Fortune Venture Limited.
- (7) Such Shares are held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited, which is wholly-owned by Beijing Jingyuan Wanlong Investment Management Co., Ltd. ("Jingyuan Wanlong"), which is in turn held by Li Feng and Wang Xiaoliang as to 60% and 40%, respectively. Under the SFO, Jingyuan Wanlong, Li Feng and Wang Xiaoliang are deemed to be interested in all the Shares held by Hong Kong Jingyuan Wanlong Investment Management Co., Limited.

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

(II) Circumstances of Substantial Shareholders Prescribed under Provisional Regulation Governing Equity Interest of Commercial Banks

As at the end of the Reporting Period, the Bank did not have any shareholders holding or controlling more than 5% of the Shares or voting rights of the Bank. Pursuant to the Provisional Regulation Governing Equity Interest of Commercial Banks 《商業銀行股權管理暫行辦法》 issued by the CBRC, the following shareholders who recommended Directors or Supervisors to the Bank, are of great significance to the Bank and are also the substantial shareholders of the Bank.

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

Beijing Urban Construction Investment Development Co., Ltd. (北京城建投資發展股份有限公司), which is listed on the Shanghai Stock Exchange (stock code: 600266), was established on 30 December 1998 with a registered capital of RMB1,880.448 million; the legal representative is Chen Daihua (陳代華); the domicile is the 19/F of Building 2, Daliushu Fuhai Center, Haidian District, Beijing, the PRC; the business scope includes real estate development, sales of commercial property; investment and investment management; sales of metal materials, timber, building materials, machinery and electrical equipment; information consulting (excluding intermediary services); environmental technology development and technical services. The term of operation is from 30 December 1998 to long-term. As at the end of the Reporting Period, Beijing Urban Construction Investment Development Co., Ltd. held 130,000,000 Shares of the Bank, representing 1.67% of the total share capital of the Ordinary Shares, and no Shares of the Bank were pledged. As at the end of the Reporting Period, Tang Fang (唐芳), a non-executive Director of the Bank, was the deputy director of the directors and supervisors affairs department of the company. Pursuant to the information submitted by the shareholders, its controlling shareholder is Beijing Urban Construction Group Co., Ltd. (北京城建集團有限責任公司), the de facto controller is Beijing State-owned Assets Supervision and Administration Commission, and there is no person acting in concert.

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

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

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

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

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

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

As at the end of the Reporting Period, none of the Shareholders of the Bank held more than 5% of the Bank’s total ordinary share capital.

(IV) Particulars of Controlling Shareholders and Actual Controller

The shareholding structure of the Bank is diversified with no controlling Shareholder or actual controller. As at the end of the Reporting Period, CEDI holds an aggregate of approximately 4.17% of issued share capital of Ordinary Shares of the Bank and becomes its single largest Shareholder.

CEDI is one of the Bank's non-state-owned corporate Shareholders, which is held as to 23.08% by TQTD and is the Shareholder with largest shareholding. The business scope of CEDI mainly comprises (but is not limited to) the investment management, investment consultation, economic trade consultation, etc.

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

As at the end of the Reporting Period, the Bank had no undertakings from it or its Shareholder holding more than 5% of Shares.

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

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

As at the end of the Reporting Period, to the knowledge of the Bank, 2,212,052,422 Domestic Shares were pledged, representing 28.43% of the total issued Ordinary Shares; 529,253,896 Domestic Shares were frozen, representing 6.80% of the total issued Ordinary Shares.

CHAPTER 5 PARTICULARS OF OFFSHORE PREFERENCE SHARES

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

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

According to the RMB exchange rate announced by the China Foreign Exchange Trading Center on 27 October 2017, the total amount of gross proceeds raised from the issuance of Offshore Preference Shares was approximately RMB9.944 billion. After deducting relevant commissions and expenses for issuance, the proceeds raised from the issuance of Offshore Preference Shares have been used to supplement additional tier 1 capital of the Bank in accordance with the applicable laws and regulations and the approval of the relevant regulatory authorities such as the Former CBRC Liaoning Bureau and the CSRC.

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

II. Number of Offshore Preference Shareholders and Their Shareholdings

At the end of the Reporting Period and as at the date of this interim report, the number of offshore preference shareholders of the Bank was 1.

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

Name of Shareholder	Nature of Shareholder	Class of Shares	Changes (Increase/Decrease) in		Total Number of Shares Held	Number of Shares held with Restrictive Conditions	Number of Shares Pledged or Frozen
			the Reporting Period	Pro Rata Basis (%)			
The Bank of New York Depository (Nominees) Limited	Offshore Corporation	Offshore Preference	–	100.0	74,800,000	–	Unknown

- Notes:
1. The shareholdings of the Offshore Preference Share are based on the information listed in the register of the Offshore Preference Shares.
 2. Since the issuance of the Offshore Preference Share was an offshore non-public offering, the shareholders listed in the offshore preference shareholders list is the information of the proxy of the allocated investor.
 3. The Bank is not aware of whether there is any related relationship between the above-mentioned offshore preference Shareholders and the top ten ordinary Shareholders, or who are acting in concert.

III. Changes in Offshore Preference Shares

Categories of Preference Shares	31 December 2018 Number of Offshore Preference Shares Issued	Changes in Reporting Period	30 June 2019 Number of Offshore Preference Shares Issued
US Dollar Offshore Preference Shares	74,800,000	–	74,800,000

IV. Profit Distribution of Offshore Preference Shares

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

V. Repurchase or Conversion of Offshore Preference Shares

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

VI. Dilution Impact on the Shares in the Event that all Outstanding Offshore Preference Shares were Converted as at 30 June 2019

As at 30 June 2019, the outstanding principal amount of all 74,800,000 Offshore Preference Shares was US\$1.496 billion. Assuming that the conditions of mandatory conversion were activated and that the conversion price was the initial mandatory conversion price, i.e. HK\$9.09 per H Share, a maximum number of 1,278,084,312 H Shares (as converted into HK dollars at the conversion exchange rate of U.S.\$1.00 to HK\$7.7659) would be issued upon conversion of all outstanding Offshore Preference Shares, representing approximately 16.42% of the then existing issued share capital of the Bank as at 30 June 2019 and approximately 14.11% of the issued share capital of the Bank as enlarged by the issue of the Shares upon the conversion of all the outstanding Offshore Preference Shares. Based on the net loss attributable to equity Shareholders of the parent company for the six-month period ended 30 June 2019 amounting to approximately RMB999 million, the diluted losses per share would be diluted to approximately RMB0.11 assuming occurrence of such conversion.

Conversion price of the Offshore Preference Shares will be subject to adjustment for distributing bonus shares with respect to the H Shares, making capitalisation issues, issuing H Shares below the market price of the H Shares (excluding any increase in the share capital as a result of conversion of certain financial instruments issued by the Bank that are convertible into Ordinary Shares) or making any rights issues, as the case may be, which may have impacts on the rights of the holders of the Offshore Preference Shares. Under the premise of obtaining the approval of the CBIRC and conditions of redemption, the Bank has right to redeem all or some of Offshore Preference Shares in first call date and subsequent any dividend payment date. The first redemption date is set at five years after issuance, i.e. 27 October 2022. Additional information of the main clauses of the Offshore Preference Shares are set out in the note 40 to the financial statements in this interim report.

VII. Resumption of Offshore Preference Shares Voting Rights in Reporting Period

During the Reporting Period, there was no resumption of Offshore Preference Shares voting rights in the Bank.

VIII. Accounting Policies and Reasoning Adopted by Offshore Preference Shares

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

CHAPTER 6 DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, EMPLOYEES AND ORGANISATIONS

I. Information on Directors, Supervisors and Senior Management

As at the date of this interim report, the basic information on the Directors, Supervisors and senior managements of the Bank was as follows:

Name	Gender	Age	Position
ZHANG Wei	Male	61	Chairman, Executive Director
HUO Lingbo	Male	62	Vice-Chairman, Executive Director, Executive Vice President
WANG Jing	Male	50	Executive Director, Vice President
SUN Jing	Male	42	Executive Director, Secretary to the Board
WANG Xiaoyu	Female	50	Executive Director
LIU Hong	Female	56	Non-executive Director
GU Jie	Female	52	Non-executive Director
MENG Xiao	Female	32	Non-executive Director
LI Dongjun	Male	61	Non-executive Director
TANG Fang	Female	41	Non-executive Director
CHOON Yew Khee	Male	49	Independent Non-executive Director
LIN Yanjun	Male	40	Independent Non-executive Director
CHANG Peng'ao	Male	45	Independent Non-executive Director
PENG Taoying	Female	54	Independent Non-executive Director
TAN Ying	Female	54	Independent Non-executive Director
CAI Hongguang	Male	59	Chairman of Board of Supervisors, Employee Representative Supervisor
DAI Shujun	Male	54	Vice Chairman of Board of Supervisors, Employee Representative Supervisor
CAO Wenqing	Female	50	Employee Representative Supervisor
LI Wei	Female	54	Employee Representative Supervisor
LI Xiu	Female	46	Employee Representative Supervisor
HE Baosheng	Male	72	Shareholder Representative Supervisor
CHEN Tanguang	Male	35	Shareholder Representative Supervisor
HE Mingyan	Female	40	Shareholder Representative Supervisor
JIANG Daxing	Male	48	External Supervisor
DENG Xiaoyang	Male	54	External Supervisor
NIE Ying	Female	48	External Supervisor
LI Tongyu	Female	47	External Supervisor
ZHAO Hongxia	Female	40	External Supervisor
GUO Wenfeng	Male	47	President
KANG Jun	Male	50	Vice President
YANG Weihua	Male	51	Vice President
GUO Guang	Male	59	Vice President
LIU Wenzhong	Male	56	Vice President
YU Jun	Male	49	Chief Financial Officer, Head of Finance
WANG Xin (王昕)	Male	43	Vice President
WANG Xin (王鑫)	Male	49	Vice President
SONG Yaping	Female	56	General Accountant
LUO Yan	Female	49	Assistant to President

II. Changes in Directors, Supervisors and Senior Management

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

On 26 February 2019, upon consideration and approval at the 11th meeting of the fifth Board meeting, Ms. Luo Yan was appointed as assistant to president of the Bank. The Bank received the approval of the CBIRC Liaoning Bureau on Ms. Luo Yan's qualification as assistant to president of the Bank on 17 July 2019. The term of office of Ms. Luo Yan commenced from 17 July 2019 until the expiration of the fifth session of the Board.

On 2 August 2019, Ms. Liu Hong tendered her resignation as president of the Bank due to health reasons and offered herself to be a non-executive Director and continued to perform her duties as a Director. On the same day, upon consideration and approval at the 18th meeting of the fifth Board meeting, Mr. Guo Wenfeng was appointed as president of the Bank and Mr. Kang Jun and Mr. Yang Weihua were appointed as vice presidents of the Bank. The Bank received the approval of the CBIRC Liaoning Bureau on their respective qualifications as president and vice presidents of the Bank on 2 August 2019 whose terms of office commenced from 2 August 2019 until the expiration of the fifth session of the Board.

On 2 August 2019, Ms. Wang Xiaoyu resigned as the head of finance of the Bank. Mr. Yu Jun was appointed as chief financial officer and head of finance of the Bank. The Bank received the approval of the CBIRC Liaoning Bureau on Mr. Yu Jun's qualification as chief financial officer of the Bank on 2 August 2019. The term of office of Mr. Yu Jun commenced from 2 August 2019 until the expiration of the fifth session of the Board.

III. Securities Transactions by Directors and Supervisors

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

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

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

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

Notes: (1) As at the end of the Reporting Period, the Bank had a total of 7,781,615,684 Ordinary Shares in issue, including 4,264,295,684 Domestic Shares and 3,517,320,000 H Shares. (L) represents long position.

(2) Pursuant to SFO, Mr. HUO Lingbo is deemed to own the interests of all equity held by his spouse.

(3) Ms. LIU Hong started to act as a non-executive Director of the Bank from 2 August 2019.

(4) Pursuant to SFO, Mr. SUN Jing is deemed to own the interests of all equity held by his spouse.

(5) Ms. WANG Xiaoyu resigned as the head of finance of the Bank from 2 August 2019.

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

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

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

V. Employees, Employee Compensation Policy and Employee Training Program

(I) Employee Composition

As at the end of the Reporting Period, the Bank (excluding subsidiaries) had 4,895 full-time employees, of which 3,516 employees or 71.83% had bachelor degrees or above, with the average age of 33.9.

In addition to full-time employees, as at the end of the Reporting Period, the Bank also had 1,274 contractors from third-party human resources agencies. These contractors are not the Bank’s employees and enter into employment contracts with third party human resources agencies.

(II) Employee Training Program

The Bank attaches importance to the overall improvement of the business capabilities and skills of employees at all levels and positions, and formulates annual training programs based on the current actual work and business development needs, with the aim to promote the achievement of operation and management goals and comprehensively become a learning-oriented bank. The training programs integrate innovative training, management training and business training to achieve the goals of team building, capability enhancement and sustainable development of the Bank. The “Jin Xian Sheng (錦先聲)” training program on internal trainer has laid the foundation for internal knowledge extraction, expanded the promotion channels for employees and opened up the internal knowledge dissemination channel; “Excellent Learning and Leisure Enjoying (優學悠享)” online learning platform has realised a three-dimensional training model combining online and offline dimensions, ensuring the full coverage of trainings; “Qingjin Program (青錦計劃)” employee training program focused on cultivating the comprehensive ability of college students, effectively enhancing the loyalty and stability of high-quality employees.

(III) Employee Incentive Policies

The Bank has always been committed to the research and formulation of employee incentive policies across the Bank. The Bank provided better mechanism and means for the selection, employment, development and retention of talents and ensure the reliable human resources support for the development of the Bank's business. The Bank's incentive policy is a scientific and comprehensive management system based on employee career development, which focuses on professional sequence management and combines the performance management system, employee career development system and new employee training system, covering performance evaluation, capability evaluation, position promotion and training programs. The Bank focused on building a professional sequence management system, breaking the bottleneck of employees' career development, expanding the promotion space for employees, satisfying the diversified career development demands of employees, and fully motivating employees to realise their self-value.

(IV) Remuneration Policies for Employees

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

(V) Retirement and Benefits

According to the stipulation of relevant laws of the PRC, the male employees of the Bank who have reached the age of 60 and the cadre female employees who have reached the age of 55 (non-cadre female employees have reached the age of 50 years) shall be retired and their basic pension shall be paid by the Social Insurance Fund on a monthly basis and the Bank will stop paying the wages of retired employees from the second month after executing retirement arrangements. Concerning the welfare, the headquarters and branches will base on the requirements of the State to take part in basic old-age pension in their respective regions, unemployment insurance, basic medical insurance, injury insurance, reproduction insurance, and housing provident fund.

VI. Branches and Subsidiaries

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

CHAPTER 7 IMPORTANT EVENTS

I. Corporate Governance Code

The Bank continued to improve its corporate governance system, gradually upgraded its corporate governance standards, and established full-time and independent Board, Board of Supervisors, and senior management in accordance with relevant regulations. The members of the Board and the Board of Supervisors, except for employee representative Supervisors, were all elected through the general meeting of Shareholders.

During the Reporting Period, the Bank has fully complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules and adopted the recommended best practices therein, where appropriate.

II. Profits and Dividends

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

The Board did not recommend to declare any interim dividend for the Reporting Period (six-month period ended 30 June 2018: nil).

III. Issuance of Debt Securities

Debt Securities Issued

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with written off provisions on 26 December 2016. The total issue amount was RMB2.5 billion. The maturity was 10 years with a fixed coupon rate of 4.30% per annum. The Bank shall choose to redeem the bonds partially or wholly at the nominal amount on 27 December 2021 upon the approval of relevant regulatory authorities.

Upon the approval of CBRC and PBOC, the Bank issued the tier-two capital bonds with written off provisions on 26 March 2018. The total issue amount was RMB4.0 billion. The maturity was 10 years with a fixed coupon rate of 4.90% per annum. The Bank shall choose to redeem the bonds partially or wholly at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

Interbank Certificates of Deposit Issued

As at the end of the Reporting Period, the Bank issued 198 interbank certificates of deposit (issued in the market which are not matured yet) in total with an aggregate amount of RMB72.182 billion.

Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2015 annual general meeting of the Bank held on 29 June 2016 that, subject to the approvals from regulatory authorities having been obtained, the Bank will issue financial bonds specialised for small and micro enterprises in an aggregate principal amount of up to RMB10 billion (inclusive) to members of the inter-bank bond market in China, for a term of maturity of less than five years (inclusive) at a fixed interest rate to be determined by the Bank and the lead underwriter according to the market environment at the time of issuance. The proceeds from the issuance of such bonds will be used for loans to small and micro enterprises. Upon the consideration and approval by the Bank at the first extraordinary general meeting in 2018 held on 21 September 2018, the proposal was put forward to extend the term of validity of the financial bonds specialised for small and micro enterprises and the relevant authorisation matters by 24 months, i.e. from 29 June 2018 to 28 June 2020. Other than the extension of the term of validity of the financial bonds specialised for small and micro enterprises and the relevant authorisation matters, other details of the financial bonds specialised for small and micro enterprises as disclosed in the circular of the Bank dated 13 May 2016 remain unchanged and will continue to be valid.

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

- (1) The tier-two capital bonds to be issued with the total principal amounting to not more than RMB6 billion (including RMB6 billion) to members of the inter-bank bond market for a term of no longer than 10 years (including 10 years). Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's tier-two capital.
- (2) The capital bonds to be issued with the total principal amounting to not more than RMB4 billion to members of the inter-bank bond market through allotment or to members of the bond issuance system of the People's Bank of China through bidding. Fixed interest rate will be determined by the Bank and lead underwriter depending upon the market situation at the time of the issue. The proceeds shall be used to replenish the Bank's additional tier-one capital.

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

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

V. Related-party Transactions

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

VI. Material Litigation and Arbitration

During the Reporting Period, the Bank was not involved in any material litigation or arbitration in which it is the accused or the third party that would materially affect its business operations.

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

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

VIII. Material Contracts and Their Performance

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

IX. Implementation of New Accounting Standards

The Bank has adopted relevant new accounting standards since 1 January 2019. For details of changes in relevant accounting policies, please refer to note 2 in the interim financial statements of this interim report.

X. Engagement and Dismissal of Auditors

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

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

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

XII. Review of Interim Report

Financial statements disclosed in this interim report are unaudited. The interim financial statements for the six-month period ended 30 June 2019 of the Bank were prepared according to the International Accounting Standards 34 issued by the International Accounting Standards Board and it was reviewed by Crowe according to International Standard on Review Engagements 2410.

This interim report has been passed by the Board and the Audit Committee under it.

XIII. Publication of Interim Report

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

CHAPTER 8 INDEPENDENT AUDITOR'S REPORT ON REVIEW



國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF BANK OF JINZHOU CO., LTD.

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

Introduction

We have reviewed the accompanying interim financial information set out on pages 93 to 201, which comprises the condensed consolidated statement of financial position of Bank of Jinzhou Co., Ltd. (the "Bank") and its subsidiaries (the "Group") at 30 June 2019, the condensed consolidated income statement, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "*Interim Financial Reporting*" ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Crowe (HK) CPA Limited

Certified Public Accountants

Hong Kong, 30 August 2019

Chan Wai Dune, Charles

Practising Certificate Number P00712

CHAPTER 9 UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six-month period ended 30 June 2019

	Note	For the six-month period ended 30 June	
		2019	2018
		Unaudited	Unaudited
Interest income		26,190,636	22,029,076
Interest expense		(14,347,280)	(13,150,564)
Net Interest Income	4	11,843,356	8,878,512
Fee and commission income		274,627	398,345
Fee and commission expense		(121,804)	(33,325)
Net fee and commission income	5	152,823	365,020
Net trading gains	6	1,469,666	1,587,877
Dividend income		1,200	880
Net gains arising from investment securities	7	77,623	23,416
Net foreign exchange losses		(5,266)	(1,191,352)
Other net operating income	8	7,786	8,033
Operating income		13,547,188	9,672,386
Operating expenses	9	(1,823,905)	(1,571,707)
Operating profit before impairment		11,723,283	8,100,679
Impairment losses on assets	10	(12,774,275)	(2,348,651)
(Loss)/profit before tax		(1,050,992)	5,752,028
Income tax credit/(expense)	11	182,619	(1,412,287)
(Loss)/profit for the period		(868,373)	4,339,741
Attributable to:			
Equity shareholders of the Bank		(998,600)	4,229,574
Non-controlling interests		130,227	110,167
(Loss)/profit for the period		(868,373)	4,339,741
Basic and diluted (losses)/earnings per share (in RMB)	12	(0.13)	0.62

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six-month period ended 30 June 2019

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
(Loss)/profit for the period	(868,373)	4,339,741
Other comprehensive (loss)/income for the period:		
Items that will be reclassified subsequently to profit or loss:		
– Debt instruments measured at fair value through other comprehensive income:		
– Change in fair value	(140,167)	530,013
– Change in impairment provision	(6,452)	–
– Reclassified to profit or loss upon disposal	(80,984)	–
– Related income tax effect	56,901	–
Items that will not be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	(6)	(1,354)
– Equity instruments designated at fair value through other comprehensive income:		
– Change in fair value	(21,857)	9,768
– Related income tax effect	5,464	–
Other comprehensive (loss)/income for the period	(187,101)	538,427
Total comprehensive (loss)/income for the period	(1,055,474)	4,878,168
Attributable to:		
Equity shareholders of the Bank	(1,185,701)	4,768,001
Non-controlling interests	130,227	110,167
Total comprehensive (loss)/income for the period	(1,055,474)	4,878,168

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Assets			
Cash and deposits with the central bank	13	57,727,372	64,618,759
Deposits with banks and other financial institutions	14	6,802,123	16,231,627
Placements with banks and other financial institutions	15	5,800,176	48,454
Positive fair value of derivatives	16	396,264	305,361
Financial assets held under resale agreements	18	—	100,073
Loans and advances to customers	19	398,224,318	349,110,123
Financial assets at fair value through profit or loss	20	67,816,307	66,062,880
Financial assets at fair value through other comprehensive income	21	40,158,817	42,857,583
Financial assets measured at amortised cost	22	220,044,201	283,136,375
Finance lease receivables	23	7,830,895	7,484,842
Property and equipment	25	6,849,886	6,601,413
Deferred tax assets	26	10,139,190	7,473,418
Right-of-use assets		561,877	—
Other assets	27	3,106,105	1,891,840
Total assets		825,457,531	845,922,748
Liabilities and equity			
Liabilities			
Borrowing from the central bank	29	20,057,797	108,369
Deposits from banks and other financial institutions	30	137,847,601	164,629,085
Placements from banks and other financial institutions	31	30,540,515	20,760,381
Financial liabilities at fair value through profit or loss		10,469,040	16,512,712
Negative fair value of derivatives	16	50,424	153,950
Financial assets sold under repurchase agreements	32	35,422,256	43,445,203
Deposits from customers	33	447,867,324	445,576,089
Accrued staff costs	34	310,581	302,747
Taxes payable	35	916,695	965,769
Debt securities issued	36	78,798,814	89,668,782
Lease liabilities		350,251	—
Provisions	37	1,599,824	1,728,410
Other liabilities	38	1,518,739	1,308,107
Total liabilities		765,749,861	785,159,604

The accompanying notes form an integral part of these financial statements.

(Expressed in thousands of Renminbi, unless otherwise stated)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2019

	Note	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Equity			
Share capital	39	7,781,616	7,781,616
Other equity instruments including:			
Preference shares	40	9,897,363	9,897,363
Capital reserve	41	20,543,669	20,730,770
Surplus reserve	42	2,994,679	2,994,679
General reserve	43	11,802,132	11,802,132
Retained earnings	44	2,572,252	3,570,852
Total equity attributable to equity shareholders of the Bank		55,591,711	56,777,412
Non-controlling interests		4,115,959	3,985,732
Total equity		59,707,670	60,763,144
Total liabilities and equity		825,457,531	845,922,748

Approved and authorised for issue by the Board of Directors on 30 August 2019.

Zhang Wei
Chairman

Wang Xiaoyu
Executive Director

Yu Jun
Chief Financial Officer

Company Chop

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2019

	Note	Unaudited Attributable to shareholders of the Bank						Sub-total	Non-controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings			
Balance at 1 January 2019		7,781,616	9,897,363	20,730,770	2,994,679	11,802,132	3,570,852	56,777,412	3,985,732	60,763,144
Changes in equity for the period:										
Loss for the period		–	–	–	–	–	(998,600)	(998,600)	130,227	(868,373)
Other comprehensive loss	41	–	–	(187,101)	–	–	–	(187,101)	–	(187,101)
Total comprehensive loss		–	–	(187,101)	–	–	(998,600)	(1,185,701)	130,227	(1,055,474)
Balance at 30 June 2019		7,781,616	9,897,363	20,543,669	2,994,679	11,802,132	2,572,252	55,591,711	4,115,959	59,707,670

	Note	Unaudited Attributable to shareholders of the Bank						Sub-total	Non-controlling interests	Total equity
		Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings			
Balance at 31 December 2017		6,781,616	9,897,363	13,578,809	2,994,679	9,818,070	13,160,018	56,230,555	3,934,173	60,164,728
Add: Changes in accounting policies		–	–	67,677	–	–	(1,293,628)	(1,225,951)	–	(1,225,951)
Balance at 1 January 2018		6,781,616	9,897,363	13,646,486	2,994,679	9,818,070	11,866,390	55,004,604	3,934,173	58,938,777
Changes in equity for the period:										
Profit for the period		–	–	–	–	–	4,229,574	4,229,574	110,167	4,339,741
Other comprehensive income	41	–	–	538,427	–	–	–	538,427	–	538,427
Total comprehensive income		–	–	538,427	–	–	4,229,574	4,768,001	110,167	4,878,168
Appropriation of profits		–	–	–	–	–	(1,085,059)	(1,085,059)	–	(1,085,059)
– Appropriation to shareholders		–	–	–	–	–	(1,085,059)	(1,085,059)	–	(1,085,059)
Balance at 30 June 2018		6,781,616	9,897,363	14,184,913	2,994,679	9,818,070	15,010,905	58,687,546	4,044,340	62,731,886

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2019

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Cash flows from operating activities		
(Loss)/profit for the period	(868,373)	4,339,741
<i>Adjustments for:</i>		
Impairment losses on assets	12,774,275	2,348,651
Depreciation and amortisation	274,576	210,236
Unwinding of discount	(415,178)	(36,910)
Unrealised foreign exchange (gains)/losses	(25,983)	1,200,529
Dividend income	(1,200)	(880)
Net gains arising from investment securities	(77,623)	(23,416)
Net trading gains	(1,469,666)	(1,587,877)
Interest expense on debt securities issued	1,624,785	2,022,615
Net losses on disposal of property and equipment and other long term assets	2,103	153
Income tax (credit)/expense	(182,619)	1,412,287
Subtotal	11,635,097	9,885,129
<i>Changes in operating assets</i>		
Net decrease/(increase) in deposits with the central bank, banks and other financial institutions	4,998,363	(2,798,335)
Net increase in placements with banks and other financial institutions	(2,499,813)	—
Net increase in loans and advances to customers	(56,571,135)	(33,133,507)
Net increase in finance lease receivables	(271,564)	(842,182)
Net increase in other operating assets	(3,409,591)	(4,541,991)
Subtotal	(57,753,740)	(41,316,015)
<i>Changes in operating liabilities</i>		
Net increase/(decrease) in borrowing from central bank	19,931,653	(225,747)
Net (decrease)/increase in deposits from banks and other financial institutions	(25,867,008)	15,262,934
Net decrease in financial assets sold under repurchase agreements	(8,100,023)	(329,071)
Net increase in placements from banks and other financial institutions	9,648,658	2,848,018
Net increase in deposits from customers	1,456,808	9,362,410
Income tax paid	(2,584,357)	(2,062,081)
Net increase in other operating liabilities	16,307	1,238,081
Subtotal	(5,497,962)	26,094,544
Net cash flows used in operating activities	(51,616,605)	(5,336,342)

The accompanying notes form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six-month period ended 30 June 2019

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Cash flows from investing activities		
Proceeds from disposal and redemption of investments	136,758,660	219,308,924
Dividend received	1,200	880
Proceeds from disposal of property and equipment and other assets	1,391	23,897
Payments on acquisition of investments	(79,969,219)	(211,500,578)
Payments on acquisition of property and equipment, intangible assets and other assets	(569,054)	(569,071)
Net cash flows generated from investing activities	56,222,978	7,264,052
Cash flows from financing activities		
Proceeds from issue of debt securities	54,719,957	59,840,040
Repayment of debt securities issued	(66,810,000)	(65,673,443)
Interest paid on debt securities issued	(404,710)	(1,974,888)
Dividend paid	(83,331)	(266)
Repayment of lease liabilities	(42,877)	—
Interests paid on lease liabilities	(4,932)	—
Net cash flows used in financing activities	(12,625,893)	(7,808,557)
Effect of foreign exchange rate changes on cash and cash equivalents	(31,804)	(16,203)
Net decrease in cash and cash equivalents	(8,051,324)	(5,897,050)
Cash and cash equivalents at the beginning of the period	19,886,632	12,469,950
Cash and cash equivalents at the end of the period	11,835,308	6,572,900

The accompanying notes form an integral part of these financial statements.

CHAPTER 10 NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

1. Background information

Bank of Jinzhou Co., Ltd. (the "Bank") was established on 22 January 1997 with approval of the PBOC (Yin Fu 1997 No.29).

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

In December 2015, the Bank's H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 0416). At 30 June 2019, the share capital of the Bank was RMB7,782 million.

The principal activities of the Bank and its subsidiaries (collectively referred to as the "Group") are the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the CBRC. The Group operates in Mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. At 30 June 2019, the Bank had 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

2. Basis of presentation and principal accounting policies

The unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board (the "IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The unaudited condensed interim consolidated financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate. Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the unaudited condensed interim consolidated financial statements for the six-month period ended 30 June 2019 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2018.

No events and transactions that are significant to the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 December 2018 should be included in the Group's unaudited condensed interim consolidated financial information. The unaudited condensed interim consolidated financial information does not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

2. Basis of presentation and principal accounting policies *(continued)*

The Group has adopted the following new and revised IFRSs (which include all International Financial Reporting Standards, IASs and Interpretations) issued by the IASB for the first time for these Financial Statements.

Amendments to IFRS 9	<i>Prepayment Features with Negative Compensation</i>
IFRS 16	<i>Leases</i>
Amendments to IAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015–2017 Cycle	<i>Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23</i>

The Group has not applied any new standard or interpretations that is not yet effective for the current accounting period.

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these unaudited condensed interim consolidated financial statements.

IFRS 16 Leases

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any significant impact on leases where the Group is the lessor.

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

New definition of a lease

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

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

2. Basis of presentation and principal accounting policies (continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

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

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and presented separately in the condensed consolidated statement of financial position at 30 June 2019. The right-of-use assets were measured at the amount of the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the condensed consolidated statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the condensed consolidated statement of financial position.

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

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

2. Basis of presentation and principal accounting policies *(continued)*

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

Impacts on transition (continued)

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

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

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of IFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

(Expressed in thousands of Renminbi, unless otherwise stated)

2. Basis of presentation and principal accounting policies (continued)

Summary of new accounting policies (continued)

Lease liabilities (continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Amounts recognised in the condensed consolidated statement of financial position and condensed consolidated income statement

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the period are as follows:

	Right-of-use assets			Lease liabilities
	Land use right	Buildings	Total	
	Unaudited	Unaudited	Unaudited	Unaudited
At 1 January 2019	79,047	559,410	638,457	389,458
Depreciation	(1,256)	(75,324)	(76,580)	—
Interest expense	—	—	—	8,602
Payments	—	—	—	(47,809)
At 30 June 2019	77,791	484,086	561,877	350,251

The Group recognised rental expense from short-term leases of RMB575,360 for the period.

3. Significant accounting judgements and estimates

The nature and assumptions related to the Group's accounting estimates are consistent with those adopted in the Group's financial statements for the year ended 31 December 2018.

4. Net interest income

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
Interest income arising from		
Deposits with the central bank	438,050	448,787
Deposits with banks and other financial institutions	189,010	127,021
Placements with banks and other financial institutions	125,441	56,890
Financial assets at fair value through profit or loss	—	34,904
Loans and advances to customers		
– Corporate loans	13,714,872	7,079,048
– Personal loans	362,429	310,129
– Discounted bills	84,230	210,036
Financial assets held under resale agreements	71,865	45,294
Financial assets at fair value through other comprehensive income	846,508	745,250
Financial assets measured at amortised cost	10,012,303	12,698,340
Finance lease receivables	345,928	273,377
Subtotal	26,190,636	22,029,076
Interest expense arising from		
Borrowing from the central bank	46,734	2,537
Deposits from banks and other financial institutions	3,454,271	3,596,341
Placements from banks and other financial institutions	546,445	263,510
Deposits from customers		
– Corporate customers	2,755,763	2,906,873
– Individual customers	5,344,521	3,442,578
Financial assets sold under repurchase agreements	566,159	916,110
Debt securities issued	1,624,785	2,022,615
Interest on lease liabilities	8,602	—
Subtotal	14,347,280	13,150,564
Net interest income	11,843,356	8,878,512
Of which: interest income arising from impaired financial assets identified	415,178	36,910

(Expressed in thousands of Renminbi, unless otherwise stated)

5. Net fee and commission income

	For the	
	six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Fee and commission income		
Agency services fees	42,163	127,666
Settlement and clearing fees	76,120	119,131
Wealth management service fees	86,384	96,948
Underwriting and advisory fees	40,434	28,813
Bank card service fees	5,946	6,672
Others	23,580	19,115
Subtotal	274,627	398,345
Fee and commission expense		
Settlement and clearing fees	21,420	15,080
Others	100,384	18,245
Subtotal	121,804	33,325
Net fee and commission income	152,823	365,020

6. Net trading gains

	For the	
	six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Trading financial instruments		
– Debt securities	1,344,687	471,602
– Derivative financial instruments	(655)	1,036,416
– Precious metals	1	–
Subtotal	1,344,033	1,508,018
Financial instruments designated at fair value through profit or loss	125,633	79,859
Total	1,469,666	1,587,877

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

7. Net gains arising from investment securities

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Net revaluation losses reclassified from other comprehensive income on disposal	(3,356)	—
Net revaluation gains from financial assets at fair value through other comprehensive income on disposal	80,984	27,278
Net losses on disposal from financial assets measured at amortised cost	(5)	(3,862)
Total	77,623	23,416

8. Other net operating income

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Government grants	3,333	3,819
Rental income	5,313	3,478
Others	(860)	736
Total	7,786	8,033

(Expressed in thousands of Renminbi, unless otherwise stated)

9. Operating expenses

	For the	
	six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Staff costs		
– Salaries and bonuses	730,030	602,676
– Social insurance	142,776	128,045
– Housing allowances	51,280	46,239
– Union funds and education funds	28,711	24,003
– Staff welfare	22,548	26,818
– Supplementary retirement benefits	1,212	980
– Other long-term staff welfare	1,322	2,036
Subtotal	977,879	830,797
Premises and equipment expenses		
– Depreciation and amortisation	274,576	210,236
– Rental and property management expenses	9,216	46,102
Subtotal	283,792	256,338
Tax and surcharges	144,416	85,381
Other general and administrative expenses	417,818	399,191
Total	1,823,905	1,571,707

10. Impairment losses on assets

	For the	
	six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Loans and advances to customers		
– 12-month ECL	773,081	457,308
– Lifetime ECL – not credit-impaired loans	3,327,750	1,024,282
– Lifetime ECL – credit-impaired loans	4,465,924	134,880
Subtotal	8,566,755	1,616,470
Deposits and placements with banks and other financial institutions	109,087	–
Financial assets at fair value through other comprehensive income	(6,452)	–
Financial assets measured at amortised cost	4,238,766	450,000
Finance lease receivables	(74,643)	17,052
Credit commitments	(128,586)	265,129
Others	69,348	–
Total	12,774,275	2,348,651

11. Income tax credit/(expense)

(a) Income tax (credit)/expense:

	Note	For the six-month period ended 30 June	
		2019 Unaudited	2018 Unaudited
Current tax expense		2,420,788	1,609,390
Deferred tax expense	26	(2,603,407)	(197,103)
Total		(182,619)	1,412,287

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

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
(Loss)/profit before tax	(1,050,992)	5,752,028
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	(262,748)	1,438,007
Non-deductible expenses		
– Staff costs	–	325
– Others	114,916	539
Subtotal	114,916	864
Non-taxable income		
– Interest income from the PRC government bonds	(17,412)	(17,053)
– Others	(18,171)	(9,531)
Impact of deductible temporary differences and deductible losses on unrecognised deferred tax assets during the period	796	–
Total	(182,619)	1,412,287

(Expressed in thousands of Renminbi, unless otherwise stated)

12. Basic and diluted (losses)/earnings per share

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
Net (loss)/profit attributable to equity shareholders of the Bank	(998,600)	4,229,574
Weighted average number of ordinary shares (in thousands)	7,781,616	6,781,616
Basic and diluted (losses)/earnings per share attributable to equity shareholders of the Bank (in RMB)	(0.13)	0.62

The Bank issued non-cumulative preference shares on 27 October 2017 under the terms and conditions as detailed in Note 40. At 30 June 2019, conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the six-month period ended 30 June 2019 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted losses per share.

There is no difference between basic and diluted (losses)/earnings per share as there were no potentially dilutive shares outstanding during the relevant years.

13. Cash and deposits with the central bank

	Note	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Cash on hand		1,248,417	708,592
Deposits with the central bank			
– Statutory deposit reserves	(a)	51,229,133	54,947,473
– Surplus deposit reserves	(b)	4,381,353	8,763,764
– Fiscal deposits		845,207	171,044
Subtotal		56,455,693	63,882,281
Interests receivable		23,262	27,886
Total		57,727,372	64,618,759

Notes:

- (a) The Group places statutory deposit reserve with the PBOC in accordance with relevant regulations. The statutory deposit reserves are not available for the Group's daily business. At 30 June 2019 and 31 December 2018, the statutory deposit reserve ratios of the branches and subsidiaries of the Bank in respect of customer deposits denominated in RMB and foreign currencies were consistent with the requirement of the PBOC.
- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

14. Deposits with banks and other financial institutions

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Deposits in Mainland China		
– Banks	5,430,468	7,985,254
– Other financial institutions	7,813	3,124
Subtotal	5,438,281	7,988,378
Deposits outside Mainland China		
– Banks	1,364,747	8,118,749
Interests receivable	149,189	165,506
Impairment provision	(150,094)	(41,006)
Total	6,802,123	16,231,627

At 30 June 2019, all the deposits with banks and other financial institutions were in Stage 1.

15. Placements with banks and other financial institutions

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Placements in Mainland China		
– Banks	89,479	48,418
– Other financial institutions	5,700,000	–
Subtotal	5,789,479	48,418
Interests receivable	10,697	36
Total	5,800,176	48,454

At 30 June 2019, all the placements with banks and other financial institutions were in Stage 1.

(Expressed in thousands of Renminbi, unless otherwise stated)

16. Derivatives

Derivative financial instruments include forward contracts, foreign exchange swap, currency swap and interest rate swap contracts undertaken by the Group. The Group uses derivative financial instruments in the management of its own asset and liability portfolios and structural positions.

The following tables provide an analysis of the notional amounts of derivative financial instruments of the Group and the corresponding fair values at the end of each of the relevant periods. The notional amounts of the derivatives indicate the volume of transactions outstanding at the end of each of the relevant periods, they do not represent amounts at risk.

	At 30 June 2019			At 31 December 2018		
	Notional amount	Fair value		Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
Derivatives						
– Foreign exchange forward	41,248	74	(43)	3,704,737	23,239	(24,302)
– Foreign exchange swap	41,415,641	395,335	(49,405)	21,814,680	281,512	(129,646)
– Currency swap	137,494	–	(976)	137,264	271	–
– Interest rate swap	100,000	855	–	100,000	339	(2)
Total	41,694,383	396,264	(50,424)	25,756,681	305,361	(153,950)

17. Dividends

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Declared final dividends	–	1,085,059

An ordinary share dividend of RMB0.16 per share in respect of the profit for the year ended 31 December 2017 was approved by the equity holders of the Group at the Annual General Meeting held in May 2018.

18. Financial assets held under resale agreements

(a) Analysed by type and location of counterparty

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
In Mainland China		
– Other financial institutions	–	100,000
Interests receivable	–	73
Total	–	100,073

(b) Analysed by type of security held

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Debt securities		
– Financial bonds	–	100,000
Interests receivable	–	73
Total	–	100,073

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers**(a) Analysed by nature**

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Measured at amortised cost:		
Corporate loans and advances	412,361,297	352,315,497
Personal loans and advances		
– Personal business loans	9,878,500	9,976,346
– Residential and commercial properties mortgage loans	1,377,042	1,302,895
– Personal consumption loans	640,932	630,907
– Credit card overdrafts	173,724	155,385
– Others	318	326
Subtotal	12,070,516	12,065,859
Gross loans and advances to customers measured at amortised cost	424,431,813	364,381,356
Measured at fair value through other comprehensive income:		
– Discounted bills	2,505,743	6,344,375
Gross loans and advances to customers	426,937,556	370,725,731
Add: Interests receivable	2,330,414	1,276,467
Less: Provision for impairment losses		
– Loans and advances to customers measured at amortised cost	(31,043,652)	(22,892,075)
Net loans and advances to customers	398,224,318	349,110,123
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(5,134)	(11,586)

At 31 December 2018, part of Discounted bills of the Loans and advances to customers was pledged for repurchase agreements (Note 28(a)).

19. Loans and advances to customers (continued)**(b) Analysed by industry sector**

	At 30 June 2019		Loans and advances secured by collaterals Unaudited
	Amount Unaudited	Percentage Unaudited	
Wholesale and retail trade	192,394,015	45.06%	67,373,570
Manufacturing	82,961,078	19.43%	42,353,439
Real estate	33,090,714	7.75%	31,049,154
Leasing and commercial services	32,228,515	7.55%	17,334,699
Transportation, storage and postal services	9,226,540	2.16%	3,829,740
Education	7,308,950	1.71%	1,219,170
Electricity, gas and water production and supply	7,236,383	1.69%	3,256,443
Public management and social organisation	5,203,120	1.22%	35,000
Mining	5,148,274	1.21%	2,158,512
Construction	4,057,701	0.95%	2,156,932
Water, environment and public utility management	3,631,531	0.85%	1,866,531
Agriculture, forestry, animal husbandry and fishery	1,200,915	0.28%	998,545
Others	28,673,561	6.72%	14,763,852
Subtotal of corporate loans and advances	412,361,297	96.58%	188,395,587
Personal loans and advances	12,070,516	2.83%	9,680,465
Discounted bills	2,505,743	0.59%	—
Gross loans and advances to customers	426,937,556	100.00%	198,076,052
Add: Interests receivable	2,330,414		
Less: Provision for impairment losses			
– Provision for impairment losses on loans and advances to customers measured at amortised cost	(31,043,652)		
Net loans and advances to customers	398,224,318		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(5,134)		

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers (continued)**(b) Analysed by industry sector (continued)**

	At 31 December 2018		
	Amount	Percentage	Loans and advances secured by
	Audited	Audited	collaterals Audited
Wholesale and retail trade	160,556,340	43.32%	69,243,448
Manufacturing	69,766,423	18.82%	37,284,240
Leasing and commercial services	28,961,888	7.81%	17,860,033
Real estate	25,681,503	6.93%	23,381,653
Transportation, storage and postal services	9,224,015	2.49%	3,597,605
Public management and social organisation	8,061,209	2.17%	62,650
Electricity, gas and water production and supply	7,412,338	2.00%	3,415,598
Education	6,539,454	1.76%	1,179,280
Mining	5,002,120	1.35%	1,930,113
Construction	3,555,251	0.96%	1,849,856
Water, environment and public utility management	1,519,360	0.41%	1,474,360
Agriculture, forestry, animal husbandry and fishery	1,253,166	0.34%	1,067,446
Others	24,782,430	6.68%	12,675,542
Subtotal of corporate loans and advances	352,315,497	95.04%	175,021,824
Personal loans and advances	12,065,859	3.25%	9,687,513
Discounted bills	6,344,375	1.71%	—
Gross loans and advances to customers	370,725,731	100.00%	184,709,337
Add: Interests receivable	1,276,467		
Less: Provision for impairment losses			
– Provision for impairment losses on loans and advances to customers measured at amortised cost	(22,892,075)		
Net loans and advances to customers	349,110,123		
Provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income	(11,586)		

19. Loans and advances to customers (continued)

(c) Loans and advances and provision for impairment losses

At 30 June 2019, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 30 June 2019			
	ECL over the next 12 months Unaudited	Lifetime ECL- not credit- impaired Unaudited	Lifetime ECL- credit-impaired Unaudited	Total Unaudited
Gross loans and advances to customers	304,463,543	93,112,874	29,361,139	426,937,556
Add: Interests receivable	2,330,414	—	—	2,330,414
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortised cost	(6,065,037)	(9,395,334)	(15,583,281)	(31,043,652)
Net loans and advances to customers	300,728,920	83,717,540	13,777,858	398,224,318

At 31 December 2018, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	At 31 December 2018			
	ECL over the next 12 months Audited	Lifetime ECL- not credit- impaired Audited	Lifetime ECL- credit-impaired Audited	Total Audited
Gross loans and advances to customers	289,789,209	62,428,374	18,508,148	370,725,731
Add: Interests receivable	1,276,467	—	—	1,276,467
Less: Provision for impairment losses				
– Loans and advances to customers measured at amortised cost	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Net loans and advances to customers	285,394,249	56,143,570	7,572,304	349,110,123

(Expressed in thousands of Renminbi, unless otherwise stated)

19. Loans and advances to customers (continued)**(d) Movements of provision for impairment losses**

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

	For the six-month period ended 30 June 2019			
	ECL over the next 12 months Unaudited	Lifetime ECL- not credit- impaired Unaudited	Lifetime ECL- credit-impaired Unaudited	Total Unaudited
Balance at 1 January	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Transferred:				
– to ECL over the next 12 months	(197,204)	189,968	7,236	–
– to lifetime ECL – not credit-impaired	528,522	(599,274)	70,752	–
– to lifetime ECL – credit-impaired	48,153	626,526	(674,679)	–
Net charge for the period	(773,081)	(3,327,750)	(4,465,924)	(8,566,755)
Unwinding of discount	–	–	415,178	415,178
Balance at 30 June 2019	(6,065,037)	(9,395,334)	(15,583,281)	(31,043,652)

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

Notes:

- (a) During the six-month period ended of 2019, the Group adjusted the five-tier classification and customer rating of loans and advance to customers, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired were transferred to ECL over the next 12 months of RMB2,067 million, and the corresponding impairment provision was decreased by RMB168 million. The loan principal from ECL over 12 months and lifetime ECL-credit-impaired to lifetime ECL-not credit-impaired were RMB24,879 million, with a corresponding increase in impairment provision of RMB276 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired were RMB8,188 million, and the corresponding impairment provision should be increased by RMB2,943 million.

In the year of 2018, the Group adjusted the five-tier classification and customer rating of loans and advance to customers, and the loan principal of lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired were transferred to ECL over the next 12 months of RMB348 million, and the corresponding impairment provision was decreased by RMB29 million. The loan principal from ECL over 12 months and lifetime ECL-credit-impaired to lifetime ECL-not credit-impaired were RMB19,488 million, with a corresponding increase in impairment provision of RMB1,732 million. The principal of the loan transferred from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired were RMB4,098 million, and the corresponding impairment provision was increased by RMB2,058 million.

19. Loans and advances to customers (continued)

(d) Movements of provision for impairment losses (continued)

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

Notes: (continued)

- (b) The ECL movement was caused by origination or purchase as well as changes in probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") and stages as a result of regular update of parameters.

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	For the six-month period ended 30 June 2019			
	ECL over the next 12 months Unaudited	Lifetime ECL-not credit-impaired Unaudited	Lifetime ECL-credit-impaired Unaudited	Total Unaudited
Balance at 1 January	(11,586)	—	—	(11,586)
Net release for the period	6,452	—	—	6,452
Balance at 30 June	(5,134)	—	—	(5,134)

	For the year ended 31 December 2018			
	ECL over the next 12 months Audited	Lifetime ECL-not credit-impaired Audited	Lifetime ECL-credit-impaired Audited	Total Audited
Balance at 1 January	(36,811)	—	—	(36,811)
Net release for the year	25,225	—	—	25,225
Balance at 31 December	(11,586)	—	—	(11,586)

(Expressed in thousands of Renminbi, unless otherwise stated)

20. Financial assets at fair value through profit or loss

	Note	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Debt instruments held for trading	(a)	5,617,829	5,713,274
Certificates of deposit		2,103,077	2,974,136
Beneficial interest transfer plans	(b)	45,524,287	32,778,216
Debt funds		3,632,463	7,558,886
Balance with a bank		202,670	200,581
Wealth management products		234,148	251,000
Subtotal		57,314,474	49,476,093
Financial assets designated at fair value through profit or loss	(c)	10,501,833	16,586,787
Total		67,816,307	66,062,880

Notes:

(a) Debt instruments held for trading

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Issued by institutions in Mainland China		
– Banks and other financial institutions	3,324,371	3,423,652
Issued by institutions outside Mainland China		
– Banks and other financial institutions	2,293,458	2,289,622
Total	5,617,829	5,713,274
Listed	3,324,370	3,415,253
Unlisted	2,293,459	2,298,021
Total	5,617,829	5,713,274

At the end of the period/year, some of the debt instruments held for trading and certificates of deposit are used for the pledge of the repurchase agreements (Note 28(a)).

(b) Beneficial interest transfer plans

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

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

Financial assets designated at fair value through profit or loss represented investments in debt securities with proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under financial liabilities designated at fair value through profit or loss. The fair value losses on these investments was RMB242 million for the six-month period ended 30 June 2019.

21. Financial assets at fair value through other comprehensive income

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Debt instruments issuers in Mainland China		
– Government	3,645,955	2,208,490
– Banks and other financial institutions	34,532,993	38,524,754
– Corporations	466,999	712,079
Subtotal	38,645,947	41,445,323
Equity investments		
– Unlisted	917,177	609,330
Add: Interests receivable	595,693	802,930
Total	40,158,817	42,857,583

At the end of the period/year, some of the debt investments in Mainland China are used for the pledge of repurchase agreements (Note 28(a)).

Notes:

- (a) Provision for impairment of financial assets at fair value through other comprehensive income is recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the consolidated statement of financial position is not reduced.
- (b) At 30 June 2019, all the debt securities at fair value through other comprehensive income of the Group are in Stage 1.
- (c) The Group chose to designate non-trading equity investments as at financial assets at fair value through other comprehensive income on the transition date. At 30 June 2019, the amount for these non-trading equity investments was RMB917.18 million (31 December 2018: RMB609.33 million). The dividend income from these non-trading equity investments amounted to RMB1.2 million (31 December 2018: RMB0.88 million) and was included in profit or loss. During the six-month period ended 30 June 2019, non-trading equity investments of the Group were not disposed and no accumulated gain or loss was transferred from other comprehensive income to retained earnings. The fair value losses on these investments was RMB21.86 million for the six-month period ended 30 June 2019.

(Expressed in thousands of Renminbi, unless otherwise stated)

22. Financial assets measured at amortised cost

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Debt securities issued by the following institutions in Mainland China		
– Government	2,239,416	4,069,833
– Banks and other financial institutions	1,240,000	1,340,000
– Corporations	19,925	19,897
Subtotal	3,499,341	5,429,730
Issuers outside Mainland China		
– Corporate	1,718,675	1,715,800
Beneficial interest transfer plans	225,007,552	283,324,352
Add: Interests receivable	3,286,417	1,895,511
Less: Provision for impairment losses	(13,467,784)	(9,229,018)
Total	220,044,201	283,136,375

At the end of the period/year, certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of repurchase agreements (Note 28(a)).

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

	For the six-month period ended 30 June 2019			Total Unaudited
	ECL over the next 12 months Unaudited	Lifetime ECL- not credit- impaired Unaudited	Lifetime ECL- credit- impaired Unaudited	
Balance at 1 January	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)
Transferred				
– to ECL over the next 12 months	(92,067)	92,067	–	–
– to lifetime ECL – not credit-impaired	236,405	(236,405)	–	–
– to lifetime ECL – credit-impaired	–	235,805	(235,805)	–
Net (charge)/release for the period	966,337	217,442	(5,422,545)	(4,238,766)
Balance at 30 June	(2,503,697)	(1,455,293)	(9,508,794)	(13,467,784)

22. Financial assets measured at amortised cost (continued)

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

Notes:

- (a) During the six-month period ended of 2019, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost principal of lifetime ECL-not credit-impaired was transferred to ECL over the next 12 months of RMB4,884 million, and the corresponding impairment provision was decreased by RMB7 million. The financial assets measured at amortised cost principal from ECL over the next 12 months was transferred to lifetime ECL-not credit-impaired of RMB11,434 million, and the corresponding impairment provision was increased by RMB25 million. The financial assets measured at amortised cost principal from lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB12,779 million, with a corresponding increase in impairment provision of RMB5,565 million. There were no financial assets measured at amortised cost transferred between lifetime ECL-credit-impaired and ECL over the next 12 months during the six-month period ended of 2019.

In the year of 2018, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost principal of ECL over the next 12 months was transferred to lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired of RMB44,344 million, and the corresponding impairment provision was increased by RMB441 million. The financial assets measured at amortised cost principal from lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB7,565 million, with a corresponding increase in impairment provision of RMB3,462 million. There were no financial assets measured at amortised cost transferred from lifetime ECL-not credit-impaired and lifetime ECL-credit-impaired to ECL over the next 12 months in 2018.

- (b) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

(Expressed in thousands of Renminbi, unless otherwise stated)

23. Finance lease receivables

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Minimum finance lease receivables	8,983,587	8,712,023
Less: Unearned finance lease income	(844,819)	(844,665)
Present value of finance lease receivables	8,138,768	7,867,358
Less: Provision for impairment losses	(307,873)	(382,516)
Net balance	7,830,895	7,484,842

At 30 June 2019, the finance lease receivables and impairment details are as follows:

	At 30 June 2019			
	12-month ECL Unaudited	Lifetime ECL- not credit- impaired Unaudited	Lifetime ECL- credit-impaired Unaudited	Total Unaudited
Total finance lease receivables	6,922,528	992,328	223,912	8,138,768
Less: Provision for impairment losses	(67,445)	(141,481)	(98,947)	(307,873)
Finance lease receivables, net	6,855,083	850,847	124,965	7,830,895

At 31 December 2018, the finance lease receivables and impairment details are as follows:

	At 31 December 2018			
	12-month ECL Audited	Lifetime ECL- not credit- impaired Audited	Lifetime ECL- credit-impaired Audited	Total Audited
Total finance lease receivables	6,544,710	852,648	470,000	7,867,358
Less: Provision for impairment losses	(53,031)	(121,791)	(207,694)	(382,516)
Finance lease receivables, net	6,491,679	730,857	262,306	7,484,842

23. Finance lease receivables (continued)

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

	At 30 June 2019			At 31 December 2018		
	Minimum	Unearned	Present	Minimum	Unearned	Present
	finance lease	finance lease	value of	finance lease	finance lease	value of
	receivables	income	finance lease	receivables	income	finance lease
	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
Less than 1 year	4,253,002	(452,909)	3,800,093	3,316,391	(389,915)	2,926,476
1 year to 2 years	2,641,398	(267,943)	2,373,455	2,843,943	(280,776)	2,563,167
2 years to 3 years	1,842,732	(107,587)	1,735,145	1,801,141	(129,955)	1,671,186
3 years to 5 years	246,455	(16,380)	230,075	750,548	(44,019)	706,529
Total	8,983,587	(844,819)	8,138,768	8,712,023	(844,665)	7,867,358

24. Investments in subsidiaries

	Note	At 30 June	At 31 December
		2019	2018
		Unaudited	Audited
Jinzhou Taihe Jinyin Village Bank Co., Ltd. ("錦州太和錦銀村鎮銀行股份有限公司")	(a)	60,450	60,450
Liaoning Yixian Jinyin Village Bank Co., Ltd. ("遼寧義縣錦銀村鎮銀行股份有限公司")	(b)	63,240	63,240
Liaoning Beizhen Jinyin Village Bank Co., Ltd. ("遼寧北鎮錦銀村鎮銀行股份有限公司")	(c)	49,290	49,290
Liaoning Heishan Jinyin Village Bank Co., Ltd. ("遼寧黑山錦銀村鎮銀行股份有限公司")	(d)	57,750	57,750
Liaoning Kazuo Jinyin Village Bank Co., Ltd. ("遼寧喀左錦銀村鎮銀行股份有限公司")	(e)	49,900	49,900
Liaoning Linghai Jinyin Village Bank Co., Ltd. ("遼寧凌海錦銀村鎮銀行股份有限公司")	(f)	49,900	49,900
Liaoning Huanren Jinyin Village Bank Co., Ltd. ("遼寧桓仁錦銀村鎮銀行股份有限公司")	(g)	49,000	49,000
Bank of Jinzhou Financial Leasing Co., Ltd. ("錦銀金融租賃有限責任公司")	(h)	1,500,000	1,500,000
Total		1,879,530	1,879,530

(Expressed in thousands of Renminbi, unless otherwise stated)

24. Investments in subsidiaries (continued)

Notes:

- (a) Jinzhou Taihe Jinyin Village Bank Co., Ltd. ("Taihe Jinyin") was incorporated on 27 January 2010 at Jinzhou, Liaoning Province, with registered capital of RMB103.21 million. The principal activities of Taihe Jinyin are the provision of corporate and retail banking services. The Bank holds 58.57% of equity interest and voting rights of Taihe Jinyin.
- (b) Liaoning Yixian Jinyin Village Bank Co., Ltd. ("Yixian Jinyin") was incorporated on 8 November 2010 at Jinzhou, Liaoning Province, with registered capital of RMB128.49 million. The principal activities of Yixian Jinyin are the provision of corporate and retail banking services. The Bank holds 49.22% of equity interest and 61.67% of voting rights of Yixian Jinyin.
- (c) Liaoning Beizhen Jinyin Village Bank Co., Ltd. ("Beizhen Jinyin") was incorporated on 2 March 2011 at Jinzhou, Liaoning Province, with registered capital of RMB103.25 million. The principal activities of Beizhen Jinyin are the provision of corporate and retail banking services. The Bank holds 47.74% of equity interest and 93.55% voting rights of Beizhen Jinyin.
- (d) Liaoning Heishan Jinyin Village Bank Co., Ltd. ("Heishan Jinyin") was incorporated on 28 January 2014 at Jinzhou, Liaoning Province, with registered capital of RMB119.00 million. The principal activities of Heishan Jinyin are the provision of corporate and retail banking services. The Bank holds 48.53% of equity interest and 100.00% of voting rights of Heishan Jinyin.
- (e) Liaoning Kazuo Jinyin Village Bank Co., Ltd. ("Kazuo Jinyin") was incorporated on 27 November 2015 at Chaoyang, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Kazuo Jinyin are the provision of corporate and retail banking services. The Bank holds 49.90% of equity interest and 64.90% of voting rights of Kazuo Jinyin.
- (f) Liaoning Linghai Jinyin Village Bank Co., Ltd. ("Linghai Jinyin") was incorporated on 16 December 2016 at Jinzhou, Liaoning Province, with registered capital of RMB100.47 million. The principal activities of Linghai Jinyin are the provision of corporate and retail banking services. The Bank holds 49.67% of equity interest and 59.62% of voting rights of Linghai Jinyin.
- (g) Liaoning Huanren Jinyin Village Bank Co., Ltd. ("Huanren Jinyin") was incorporated on 20 December 2016 at Benxi, Liaoning Province, with registered capital of RMB100.00 million. The principal activities of Huanren Jinyin are the provision of corporate and retail banking services. The Bank holds 49.00% of equity interest and 100.00% of voting rights of Huanren Jinyin.
- (h) Bank of Jinzhou Financial Leasing Co., Ltd. ("Jinyin Leasing") was incorporated on 1 December 2015 at Shenyang, Liaoning Province, with the original registered capital of RMB1.00 billion. The principal activities of Jinyin Leasing are the provision of financial leasing services. In March 2016, the registered capital increased from RMB1.00 billion to RMB4.90 billion and the Bank subscribed RMB0.90 billion. At 30 June 2019, the Bank holds 30.61% of equity interest and 100.00% voting rights of Jinyin Leasing.

25. Property and equipment

	Premises	Construction in progress	Motor vehicles	Leasehold improvements	Others	Total
Cost						
At 1 January 2018 (Audited)	6,817,308	478,273	74,691	187,214	730,728	8,288,214
Additions	16,206	386,304	4,130	3,094	113,371	523,105
Transfers in/(out) of construction in progress	648,487	(668,262)	–	19,775	–	–
Transfers out to other assets	–	(25,764)	–	–	–	(25,764)
Disposals	(30,160)	–	(275)	–	(32,182)	(62,617)
At 31 December 2018 (Audited)	7,451,841	170,551	78,546	210,083	811,917	8,722,938
At 1 January 2019 (Audited)	7,451,841	170,551	78,546	210,083	811,917	8,722,938
Additions	188,510	405,311	2,406	3,137	20,923	620,287
Transfers in/(out) of construction in progress	309,543	(330,434)	–	20,891	–	–
Transfers out to other assets	–	(191,979)	–	–	–	(191,979)
Disposals	(4,090)	–	–	–	–	(4,090)
At 30 June 2019 (Unaudited)	7,945,804	53,449	80,952	234,111	832,840	9,147,156
Accumulated Depreciation						
At 1 January 2018 (Audited)	(1,172,643)	–	(60,516)	(91,657)	(511,074)	(1,835,890)
Charge for the year	(231,985)	–	(4,321)	(19,512)	(68,298)	(324,116)
Disposals	7,578	–	262	–	30,641	38,481
At 31 December 2018 (Audited)	(1,397,050)	–	(64,575)	(111,169)	(548,731)	(2,121,525)
At 1 January 2019 (Audited)	(1,397,050)	–	(64,575)	(111,169)	(548,731)	(2,121,525)
Charge for the period	(125,318)	–	(2,035)	(11,149)	(37,243)	(175,745)
At 30 June 2019 (Unaudited)	(1,522,368)	–	(66,610)	(122,318)	(585,974)	(2,297,270)
Net book value						
At 31 December 2018 (Audited)	6,054,791	170,551	13,971	98,914	263,186	6,601,413
At 30 June 2019 (Unaudited)	6,423,436	53,449	14,342	111,793	246,866	6,849,886

At 30 June 2019, title deeds were not yet finalised for the premises with a carrying amount of RMB1,317 million (31 December 2018: RMB1,343 million). Among them, the carrying amount of premises that the Group has obtained housing property title certificates issued by the authorities but no land use certificates was RMB1,036 million (31 December 2018: RMB1,002 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

25. Property and equipment (continued)

The net book values of premises at the end of each of the relevant periods are analysed by the remaining terms of the leases as follows:

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Held in Mainland China		
– Long-term leases (over 50 years)	71,824	120,597
– Medium-term leases (10 - 50 years)	6,338,902	5,913,879
– Short-term leases (less than 10 years)	12,710	20,315
Total	6,423,436	6,054,791

26. Deferred tax assets

	Provision for impairment losses Note (i)	Staff cost payable	Net gains from fair value changes of financial instruments Note (ii)	Others	Net balance of deferred tax assets
1 January 2018 (Audited)	2,439,437	46,274	267,534	35,250	2,788,495
Recognised in profit or loss	5,190,137	26,151	(234,090)	(11,120)	4,971,078
Recognised in other comprehensive income/(loss)	6,380	–	(292,535)	–	(286,155)
31 December 2018 (Audited)	7,635,954	72,425	(259,091)	24,130	7,473,418
Recognised in profit or loss	2,934,017	1,562	(272,539)	(59,633)	2,603,407
Recognised in other comprehensive income	1,613	–	60,752	–	62,365
30 June 2019 (Unaudited)	10,571,584	73,987	(470,878)	(35,503)	10,139,190

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected credit loss model at the end of the Reporting Period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the Reporting Period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At 30 June 2019, the Group did not have significant unrecognised deferred tax assets and liabilities (31 December 2018: Nil).

27. Other assets

	Note	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Interests receivable		846,200	209,762
Repossessed assets	(a)	1,093,277	737,461
Intangible assets		224,527	197,896
Long-term deferred expense		7,744	279,134
Deferred expense		96,725	88,976
Value-added tax		115,142	131,451
Land use right		—	79,047
Other receivables		410,682	100,500
Payment and collection clearance accounts		156,881	—
Other assets		154,927	67,613
Total		3,106,105	1,891,840

Note:

(a) Repossessed assets

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Commercial properties	1,025,469	676,078
Residential properties	10,507	7,804
Others	57,301	53,579
Net repossessed assets	1,093,277	737,461

The total book value of repossessed assets disposed of during the six-month period ended 30 June 2019 amounted to RMB3.49 million (31 December 2018: RMB6.92 million). The Group plans to dispose of the repossessed assets held at 30 June 2019 by auction, bidding or transfer.

(Expressed in thousands of Renminbi, unless otherwise stated)

28. Pledged assets

(a) Assets pledged as collateral

	Note	At 30 June 2019 Unaudited	At 31 December 2018 Audited
For repurchase agreements:			
– Discounted bills	19(a)	–	3,749,261
– Financial assets at fair value through profit or loss	20	1,963,000	5,067,200
– Financial assets at fair value through other comprehensive income	21	32,450,600	32,015,000
– Financial assets measured at amortised cost	22	2,391,500	3,711,500
Total		36,805,100	44,542,961

(b) Received pledged assets

The Group conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions. At the end of the period/year, the Group did not hold any resale agreement under which collaterals were permitted to be sold or repledged in the absence of the counterparty's default.

29. Borrowing from the central bank

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Borrowing from the central bank	20,040,000	108,347
Interests payable	17,797	22
Total	20,057,797	108,369

30. Deposits from banks and other financial institutions

Analysed by type and location of counterparty

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Deposits in Mainland China		
– Banks	61,916,992	69,997,464
– Other financial institutions	74,231,992	92,018,528
Interests payable	1,698,617	2,613,093
Total	137,847,601	164,629,085

31. Placements from banks and other financial institutions

Analysed by type and location of counterparty

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Placements in Mainland China		
– Banks	28,699,769	19,214,805
Placements outside Mainland China		
– Banks	1,536,335	1,372,640
Interests payable	304,411	172,936
Total	30,540,515	20,760,381

(Expressed in thousands of Renminbi, unless otherwise stated)

32. Financial assets sold under repurchase agreements**(a) Analysed by type and location of counterparty**

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
In Mainland China		
– Banks	31,688,852	29,099,045
– Other financial institutions	3,597,860	14,287,690
Interests payable	135,544	58,468
Total	35,422,256	43,445,203

(b) Analysed by collateral

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Debt securities	34,321,492	37,168,664
Discounted bills	–	3,749,261
Interbank certificates of deposit	965,220	2,468,810
Interests payable	135,544	58,468
Total	35,422,256	43,445,203

33. Deposits from customers

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Demand deposits		
– Corporate customers	34,156,668	52,878,368
– Individual customers	23,038,995	19,850,460
Subtotal	57,195,663	72,728,828
Time deposits		
– Corporate customers	61,186,154	83,880,675
– Individual customers	217,777,750	192,669,516
Subtotal	278,963,904	276,550,191
Pledged deposits		
– Acceptances	56,731,379	48,801,542
– Letters of guarantees	180,018	3,159,174
– Letters of credit	4,105,333	4,383,370
– Others	50,268	25,724
Subtotal	61,066,998	56,369,810
Inward and outward remittances	147,137	195,992
Structured deposits		
– Corporate customers	5,761,270	5,861,020
– Individual customers	33,451,310	22,062,453
Subtotal	39,212,580	27,923,473
Interests payable	11,281,042	11,807,795
Total	447,867,324	445,576,089

(Expressed in thousands of Renminbi, unless otherwise stated)

34. Accrued staff costs

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Salary and welfare payable	153,888	136,090
Pension payable	29,807	30,001
Supplementary retirement benefits payable	37,347	36,129
Other long-term staff welfare payable	89,539	100,527
Total	310,581	302,747

35. Taxes payable

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Income tax payable	421,729	587,080
Value-added tax and surcharge payable	438,929	329,469
Others	56,037	49,220
Total	916,695	965,769

36. Debt securities issued

	Note	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Tier two capital bonds issued	(a)	6,493,539	7,992,978
Negotiable certificates of deposit issued	(b)	72,181,773	81,399,808
Interests payable		123,502	275,996
Total		78,798,814	89,668,782

36. Debt securities issued (Continued)

As approved by the PBOC and the CBIRC, the Group issued the tier two capital bonds through the open market in recent years. These bonds were traded in the interbank bond market. The bonds could be redeemed by the Bank at the nominal amount at the end of the fifth year. The Group has not had any defaults of principal or interest or other financial bonds issued during the six-month period ended 30 June 2019 (31 December 2018: Nil). The relevant information on these financial bonds is set out below:

(a) Tier two capital bonds issued

	Note	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Fixed rate tier two capital bonds maturing in January 2024	(i)	—	1,500,000
Fixed rate tier two capital bonds maturing in December 2026	(ii)	2,497,174	2,496,613
Fixed rate tier two capital bonds maturing in March 2028	(iii)	3,996,365	3,996,365
Total		6,493,539	7,992,978

Notes:

- (i) Fixed rate tier two capital bonds of RMB1,500 million with a term of ten years was issued on 24 January 2014. The coupon rate is 7.00%. The Group redeemed the bonds on 28 January 2019 at the nominal amount.
- (ii) Fixed rate tier two capital bonds of RMB2,500 million with a term of ten years was issued on 26 December 2016. The coupon rate is 4.30%. The Group has an option to redeem the bonds on 27 December 2021 at the nominal amount.
- (iii) Fixed rate tier two capital bonds of RMB4,000 million with a term of ten years was issued on 26 March 2018. The coupon rate is 4.90%. The Group has an option to redeem the bonds on 28 March 2023 at the nominal amount.

At 30 June 2019, the fair value of the total tier two capital bonds issued amounts to RMB6,466 million (2018: RMB7,983 million)

(b) Negotiable certificates of deposit issued

At 30 June 2019, 198 (31 December 2018: 212) negotiable certificates of deposit were issued by the Group at a total cost of RMB72,182 million (31 December 2018: RMB81,400 million). The fair value of the negotiable certificates of deposit mentioned above approximates to RMB71,194 million (31 December 2018: RMB80,571 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

37. Provisions

	Note	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Expected credit loss of credit commitments	(a)	1,599,824	1,728,410

Note:

(a) Expected credit loss of credit commitments

	For the six-month period ended 2019			Total Unaudited
	ECL over the next 12 months Unaudited	Lifetime ECL- not credit- impaired Unaudited	Lifetime ECL- credit- impaired Unaudited	
Balance at 1 January	1,150,031	456,939	121,440	1,728,410
Transferred:				
– to ECL over the next 12 months	646,311	(646,311)	–	–
– to lifetime ECL – not credit-impaired	(2,000)	2,000	–	–
– to lifetime ECL – credit-impaired	–	(8,593)	8,593	–
Net (release)/charge for the period	(524,261)	283,548	112,127	(128,586)
Balance at 30 June	1,270,081	87,583	242,160	1,599,824

	For the year ended 2018			Total Audited
	ECL over the next 12 months Audited	Lifetime ECL- not credit- impaired Audited	Lifetime ECL- credit- impaired Audited	
Balance at 1 January	542,774	–	–	542,774
Net charge for the year	607,257	456,939	121,440	1,185,636
Balance at 31 December	1,150,031	456,939	121,440	1,728,410

38. Other liabilities

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Asset backed security payable	437,406	186,710
Payment and collection clearance accounts	82,868	21,531
Dividend payable	349,222	432,553
Deferred income	7,122	7,310
China Value-added tax payable	70,810	71,112
Other payable	571,311	588,891
Total	1,518,739	1,308,107

39. Share capital

Share capital of the Group at 30 June 2019 and 31 December 2018 represented share capital of the Bank, which is fully paid. Share capital at 30 June 2019 and 31 December 2018 are as follows:

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Number of shares authorised, issued and fully paid at par value (in thousands)	7,781,616	7,781,616

40. Preference shares

(a) Preference shares outstanding at the end of the period

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount (thousand shares)	In original currency (thousand)	In RMB (thousand)	Maturity	Conversion condition	Conversion
Overseas preference shares										
USD	27/10/2017	Equity	5.50%	USD20/Share	74,800	1,496,000	9,944,360	None	Mandatory	No
Total							9,944,360			
Less: Issue fees							(46,997)			
Book value							9,897,363			

40. Preference shares *(continued)*

(b) Main clauses

(i) Dividend

Fixed dividend rate for a certain period (5 years) after issuance. Dividend rate reset every 5 years thereafter to the sum of the benchmark rate and a fixed spread of 3.486% per annum. The fixed spread will remain unchanged throughout the term of the preference shares. The dividend rate shall not at any time exceed 27.44% per annum. Dividend will be paid annually.

(ii) Conditions to distribution of dividend

The Group could pay dividend while the Group still has distributable after-tax profit (which is the undistributed profit as shown in the financial statements of the parent company prepared in accordance with the PRC GAAP or IFRS, whichever amount is lower), after making up previous years' losses, contributing to the statutory reserve and making general reserves, and the Group's capital adequacy ratio meets regulatory requirements, and the Board having passed a resolution to declare such dividend in accordance with the Articles of Association. Preference shareholders of the Group are senior to the ordinary shareholders on the right to dividend. The Group may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(iii) Dividend stopper

If the resolution for the Group to cancel all or part of the dividend to the Preference Shareholders is passed at a Shareholders' general meeting, the Group undertakes that any resolution passed at a Shareholders' general meeting that cancels a dividend (in whole or in part) on the Offshore Preference Shares will be a Parity Obligation Dividend Cancellation Resolution, and shall not make any dividend distribution to ordinary shareholders before the Group pays the dividend for the current dividend period to the Preference Shareholders in full.

(iv) Order of distribution and liquidation method

The USD Preference Shareholders will rank equally for payment. The Preference Shareholders will be subordinated to holders of all liabilities of the Bank including subordinated liabilities and obligations issued or guaranteed by the Bank that rank, or are expressed to rank, but will be senior to the ordinary shareholders.

40. Preference shares *(continued)*

(b) Main clauses *(continued)*

(v) Mandatory conversion trigger events

Upon the occurrence of an additional tier-one capital trigger event (namely, the core tier-one capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, obtained the approval of the CBRC but without the need for the consent of the preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier-one capital adequacy ratio of the Bank to above 5.125%. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

Upon the occurrence of a tier two capital trigger event, the Bank shall have the right to convert, without the consent of the preference shareholders, all of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances. A tier two capital trigger event means the earlier of the following events: (1) the CBRC having concluded that without a conversion or write-off of the Bank's capital, the Bank would become non-viable, and (2) the relevant authorities having concluded that without a public sector injection of capital or equivalent support, the Bank would become non-viable.

(vi) Redemption

Under the premise of obtaining the approval of the CBRC and conditions of redemption, the Group has right to redeem all or some of overseas preference shares in first call date and subsequent any dividend payment date. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its Liquidation Preference plus any declared but unpaid Dividend in respect of the period from (and including) the immediately preceding Dividend Payment Date to (but excluding) the date scheduled for redemption. USD Preference Shares: the First Redemption Date is five years after issuance, 27 October 2022.

(vii) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Group will not participate the distribution of residual profits with ordinary shareholders.

(Expressed in thousands of Renminbi, unless otherwise stated)

41. Capital reserve

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Share premium	20,484,617	20,484,617
Other comprehensive income:		
– Fair value changes on financial assets at fair value through other comprehensive income	55,562	237,819
– Impairment of financial assets at fair value through other comprehensive income	4,191	9,030
– Changes on remeasurement of defined benefit liabilities	(8,850)	(8,845)
Others	8,149	8,149
Total	20,543,669	20,730,770

Accumulated amount of other comprehensive income attributable to the equity shareholders of the Bank in the condensed consolidated statement of financial position:

	Net gains on financial assets at fair value through other comprehensive income	Fair value changes on available-for- sale financial assets	Changes on remeasurement of defined benefit liabilities	Total
31 December 2017 (Audited)	–	(679,293)	(2,124)	(681,417)
Impact for adopting IFRS 9	(611,616)	679,293	–	67,677
1 January 2018 (Audited)	(611,616)	–	(2,124)	(613,740)
Changes in amount for the period	858,464	–	(6,720)	851,744
31 December 2018 and 1 January 2019 (Audited)	246,848	–	(8,844)	238,004
Changes in amount for the period	(187,095)	–	(6)	(187,101)
30 June 2019 (Unaudited)	59,753	–	(8,850)	50,903

41. Capital reserve (continued)

Transactions of other comprehensive income attributable to equity shareholders of the Bank:

	For the six-month period ended	
	30 June 2019 Unaudited	30 June 2018 Unaudited
Items that will be reclassified subsequently to profit or loss:		
– Debt instruments measured at fair value through other comprehensive income		
– Change in fair value	(140,167)	530,013
– Change in impairment provision	(6,452)	–
– Reclassified to the profit or loss upon disposal	(80,984)	–
– Related income tax effect	56,901	–
Subtotal	(170,702)	530,013
Items that will not be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	(6)	(1,354)
– Equity instruments designated at fair value through other comprehensive income		
– Change in fair value	(21,857)	9,768
– Related income tax effect	5,464	–
Subtotal	(16,399)	8,414
Total	(187,101)	538,427

(Expressed in thousands of Renminbi, unless otherwise stated)

42. Surplus reserve

	Statutory surplus reserve	Discretionary surplus reserve	Total
At 1 January 2018 (Audited)	2,982,653	12,026	2,994,679
Appropriation during the year	—	—	—
At 31 December 2018 and 1 January 2019 (Audited)	2,982,653	12,026	2,994,679
Appropriation during the period	—	—	—
At 30 June 2019 (Unaudited)	2,982,653	12,026	2,994,679

The Bank is required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve until the reserve fund balance reaches 50% of its registered capital. Subject to the approval of the shareholders, the statutory surplus reserve may be used to offset accumulated losses of the Bank, if any, and may also be converted into capital of the Bank, provided that the balance of the statutory surplus reserve after this capitalisation is not less than 25% of the registered capital immediately before capitalisation.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the year determined under PRC GAAP to the discretionary surplus reserve upon approval by the shareholders in general meetings. Subject to the approval by the shareholders, the discretionary surplus reserve may be used to offset accumulated losses of the Bank, if any, and may be converted into capital.

43. General reserve

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Balance at the beginning of the period/year	11,802,132	9,818,070
Increase during the period/year	—	1,984,062
Balance at the end of the period/year	11,802,132	11,802,132

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.

44. Retained earnings

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Balance at the end of the period/year	3,570,852	13,160,018
Impact of adopting IFRS 9	—	(1,293,628)
Balance at the beginning of the period/year	3,570,852	11,866,390
Profit for the period/year attributable to equity shareholders of the Bank	(998,600)	(4,593,447)
Net of:		
– Appropriation to general reserve	—	(1,984,062)
– Dividends	—	(1,718,029)
Balance at the end of the period/year	2,572,252	3,570,852

(Expressed in thousands of Renminbi, unless otherwise stated)

45. Interests in unconsolidated structured entities**(a) Structured entities sponsored by third party institutions in which the Group holds an interest**

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include entities set up for wealth management products and beneficial interest transfer plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third-party investors. These vehicles are financed through the issue of units to investors.

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised at 30 June 2019 and 31 December 2018:

	At 30 June 2019		
	Financial assets at fair value through profit or loss Unaudited	Financial assets measured at amortised cost Unaudited	Maximum exposure Unaudited
Investment management products managed by securities companies	33,720,920	59,399,069	93,119,989
Investment management products under trust scheme	15,435,830	155,299,093	170,734,923
Wealth management products issued by financial institutions	234,148	—	234,148
Total	49,390,898	214,698,162	264,089,060

	At 31 December 2018		
	Financial assets at fair value through profit or loss Audited	Financial assets measured at amortised cost Audited	Maximum exposure Audited
Investment management products managed by securities companies	23,503,390	91,682,129	115,185,519
Investment management products under trust scheme	15,129,327	184,219,823	199,349,150
Wealth management products issued by financial institutions	251,000	—	251,000
Total	38,883,717	275,901,952	314,785,669

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the Reporting Period in accordance with the line items of these assets recognised in the statement of financial position.

45. Interests in unconsolidated structured entities *(continued)*

(b) Structured entities sponsored by the Group which the Group does not consolidate but holds an interest in

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services.

At 30 June 2019, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB27,962.08 million (31 December 2018: RMB24,235.51 million).

In addition, unconsolidated structured entities sponsored by the Group also include asset-backed securities. In March 2015, the Group transferred a portfolio of customer loans with book value of RMB3,122.50 million to an unconsolidated securitisation vehicle managed by an independent trust company, which issued asset-backed securities to investors. At 30 June 2019, the balances of these asset-backed securities held by the Group is Nil (31 December 2018: RMB8.40 million).

In June 2017, the Group transferred a credit asset pool consisting of customer loans with a book value of RMB9,973.00 million to a debt instrument, which is managed by the independent trust company and not included in the consolidated financial statements. The independent trust company issues the related asset-backed securities. The amount of such asset-backed securities held by the Group on 30 June 2019 was RMB500.00 million (31 December 2018: RMB500.00 million).

Under the servicing arrangements with the independent trust company, the Group collects the cash flows of the transferred assets on behalf of the unconsolidated securitisation vehicle. In return, the Group receives a fee that is expected to compensate the Group for servicing the related assets.

46. Capital management

The Group's objectives on capital management are:

- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to support the Group's stability and growth;
- to allocate capital using an efficient and risk-based approach to optimise the risk adjusted return to the shareholders; and
- to maintain an adequate capital base to support the development of its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust its profit distribution policy, issue or redeem own shares, long-term subordinated bonds, etc.

Capital adequacy ratios and the use of regulatory capital are monitored regularly by the Group's management based on regulations issued by the CBIRC. The required information is filed with the CBIRC by the Group periodically.

The capital adequacy ratios and related components of the Group are computed in accordance with the statutory financial statements of the Group prepared under PRC GAAP. The requirements pursuant to these regulations may have significant differences comparing to those applicable in Hong Kong and other countries.

46. Capital management (continued)

Since 1 January 2013, the Group has begun to disclose the capital adequacy ratio in accordance with the “Capital Rules for Commercial Banks (Provisional)” and will continue to promote the content of this disclosure. The regulatory requirements request a commercial bank to maintain its core tier-one capital adequacy ratio above 7.5%, the tier-one capital adequacy ratio above 8.5% and the capital adequacy ratio above 10.5%.

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Total core tier-one capital		
– Share capital	7,781,616	7,781,616
– Qualifying portion of capital reserve	20,538,535	20,719,184
– Surplus reserve	2,994,679	2,994,679
– General reserve	11,802,132	11,802,132
– Retained earnings	2,572,252	3,570,852
– Qualifying portions of non-controlling interests	631,452	602,666
Core tier-one capital deductions		
– Other intangible assets other than land use right	(224,527)	(197,896)
– Other net deferred tax assets that depend on the Bank’s future earnings should be deducted	(5,529,576)	(2,746,095)
Net core tier-one capital	40,566,563	44,527,138
Other tier-one capital	9,981,557	9,977,719
Net tier-one capital	50,548,120	54,504,857
Tier two capital		
– Instruments issued and share premium	6,500,000	8,000,000
– Surplus provision for loan impairment	1,725,259	4,281,808
– Qualifying portions of non-controlling interests	168,386	160,711
Net capital base	58,941,765	66,947,376
Total risk weighted assets	789,059,022	734,050,677
Core tier-one capital adequacy ratio	5.14%	6.07%
Tier-one capital adequacy ratio	6.41%	7.43%
Capital adequacy ratio	7.47%	9.12%

During the six-month period ended 30 June 2019, the capital adequacy ratios of the Group have fallen below the regulatory requirement. The CBIRC shall have the right of exercising regulations according to the Capitals Rules for Commercial Banks (Provisional).

(Expressed in thousands of Renminbi, unless otherwise stated)

47. Notes to consolidated cash flow statements

On the condensed consolidated statement of cash flows, cash and cash equivalents with an original maturity of less than three months are as follows:

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Cash on hand	1,248,417	708,592
Deposits with the central bank	4,381,354	8,763,764
Deposits with banks and other financial institutions	2,964,289	10,314,203
Placements with banks and other financial institutions	3,241,248	—
Financial assets held under resale agreements	—	100,073
Total	11,835,308	19,886,632

48. Related party disclosures

(a) Related parties of the Group

There is neither immediate nor ultimate controlling party of the Bank nor Shareholders of the Bank with ownership of 5% or above during the Reporting Period. Related parties of the Group during the Reporting Period which have transactions are disclosed as follows:

(i) Enterprises under the control or significant influence of major shareholders

Advanced Technology & Materials Co., Ltd. (“安泰科技股份有限公司”)

Beijing Chengao Properties Co., Ltd. (“北京城奧置業有限公司”)

Beijing Chengcheng Property Management Co., Ltd. (“北京城承物業管理有限責任公司”)

Beijing Chenghe Real Estate Development Co., Ltd. (“北京城和房地產開發有限責任公司”)

Beijing Urban Construction (Hainan) Real Estate Co., Ltd. (“北京城建(海南)地產有限公司”)

Beijing Urban Construction (Wuhu) Equity Investment Management Co., Ltd. (“北京城建(蕪湖)股權投資管理有限公司”)

Beijing Urban Construction Installation Group Co., Ltd. (“北京城建安裝集團有限公司”)

BUCG The Eighth Construction Development Co., Ltd (“北京城建八建設發展有限責任公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(i) Enterprises under the control or significant influence of major shareholders *(continued)*

Beijing Urban Construction Baoding Real Estate Development Co., Ltd. (“北京城建保定房地產開發有限公司”)

Beijing Urban Construction North Group Co., Ltd. (“北京城建北方集團有限公司”)

Beijing Urban Construction North Group Co., Ltd. (“北京城建北方建設有限責任公司”)

Beijing Urban Construction Beiyuan Hotel Co., Ltd. (“北京城建北苑大酒店有限公司”)

Beijing Urban Construction Chengdu Real Estate Development Co., Ltd. (“北京城建成都地產有限公司”)

Beijing Urban Construction Chengdu Properties Co., Ltd. (“北京城建成都置業有限公司”)

Beijing Urban Construction Road & Bridge Group Co., Ltd. (“北京城建道橋建設集團有限公司”)

Beijing Chenjianer Construction Engineering Co., Ltd (“北京城建二建設工程有限公司”)

Beijing Urban Construction Real Estate Development Co., Ltd. (“北京城建房地產開發有限公司”)

Beijing Urban Construction Boiler Pipe Installation Co., Ltd. (“北京城建鍋爐管道安裝有限公司”)

Beijing Urban Construction Huatai Civil Engineering Co., Ltd. (“北京城建華泰土木工程有限公司”)

Beijing Urban Construction Engineering Co., Ltd (“北京城建華宇建設工程有限公司”)

Beijing Urban Construction Huangshan Investment Development Co., Ltd. (“北京城建黃山投資發展有限公司”)

Beijing Urban Construction Group Investment Co., Ltd. (“北京城建集團投資有限公司”)

Beijing Urban Construction Group Co., Ltd. (“北京城建集團有限責任公司”)

Beijing New City Jiaye Real Estate Development Co., Ltd. (“北京城建嘉業房地產開發有限公司”)

Beijing Urban Construction Engineering Co., Ltd. (“北京城建建設工程有限公司”)

Beijing Urban and Rural Construction Elaboration Steel Structure Engineering Co., Ltd. (“北京城建精工鋼結構工程有限公司”)

48. Related party disclosures *(continued)***(a) Related parties of the Group** *(continued)***(i) Enterprises under the control or significant influence of major shareholders** *(continued)*

Beijing Urban Construction Ninth Construction Engineering Co., Ltd. (“北京城建九建設工程有限公司”)

Beijing Urban Construction Exploration & Surveying Design Research Institute Co., Ltd. (“北京城建勘測設計研究院有限責任公司”)

Beijing Urban Construction Sixth Group Co., Ltd. (“北京城建六建設集團有限公司”)

Beijing Urban Construction Liuzhong City Construction Engineering Co., Ltd. (“北京城建六眾城建設工程有限公司”)

Beijing Urban Construction Longda Properties Co., Ltd. (“北京城建隆達置業有限公司”)

Beijing Urban Construction No.7 Engineering Co., Ltd. (“北京城建七建設工程有限公司”)

Beijing Urban Construction Qingdao Xinghua Real Estate Co., Ltd. (“北京城建青島興華地產有限公司”)

Beijing Urban Construction Phase III Development and Construction Partnership (Limited Partnership) (“北京城建三期開發建設合夥企業(有限合夥)”)

Beijing Urban Construction Design & Development Group Co., Ltd. (“北京城建設計發展集團股份有限公司”)

Beijing Urban Construction Shengang Decoration Engineering Co., Ltd. (“北京城建深港建築裝飾工程有限公司”)

Beijing Urban Construction Tenth Construction Engineering Co., Ltd. (“北京城建十建設工程有限公司”)

Beijing Chengjian Shiliu Construction Co., Ltd. (“北京城建十六建築工程有限責任公司”)

Beijing Urban Construction Eleventh Construction Engineering Co., Ltd. (“北京城建十一建設工程有限公司”)

Beijing Urban Construction Fourth Construction Engineering Co., Ltd. (“北京城建四建設工程有限責任公司”)

Beijing Urban Construction Investment Fund Management Co., Ltd. (“北京城建投資基金管理有限公司”)

Beijing Urban Construction Wanke Tianyun Properties Co., Ltd. (“北京城建萬科天運置業有限公司”)

Beijing Urban Construction Fifth Group Co., Ltd. (“北京城建五建設集團有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(i) Enterprises under the control or significant influence of major shareholders *(continued)*

Beijing Urban Construction New City Investment & Development Co., Ltd. (“北京城建新城投資開發有限公司”)

Beijing Urban Construction Xinghe Real Estate Development Co., Ltd. (“北京城建興合房地產開發有限公司”)

Beijing Urban Construction Xinghua Real Estate Co., Ltd. (“北京城建興華地產有限公司”)

Beijing Urban Construction Xinghua Kangqing Real Estate Co., Ltd. (“北京城建興華康慶房地產開發有限公司”)

Beijing Urban Construction Xinghuai Real Estate Development Co., Ltd. (“北京城建興懷房地產開發有限公司”)

Beijing Urban Construction Xingrui Real Estate Development Co., Ltd. (“北京城建興瑞置業開發有限公司”)

Beijing Urban Construction Real Estate Development Co., Ltd. (“北京城建興潤置業開發有限公司”)

Beijing Urban Construction Xingsheng Real Estate Development Co., Ltd. (“北京城建興勝房地產開發有限公司”)

Beijing Urban Construction Xingshun Real Estate Development Co., Ltd. (“北京城建興順房地產開發有限公司”)

Beijing Urban Construction Xingtai Real Estate Development Co., Ltd. (“北京城建興泰房地產開發有限公司”)

Beijing Urban Construction Xingye Land Co., Ltd. (“北京城建興業置地有限公司”)

Beijing Urban Construction Xingyue Land Estate Co., Ltd. (“北京城建興悅置地有限公司”)

Beijing Urban Construction Xingyun Real Estate Co., Ltd. (“北京城建興雲房地產有限公司”)

Beijing Urban Construction Yatai Hongyu Building Decoration Engineering Co., Ltd. (“北京城建亞泰宏禹建築裝飾工程有限公司”)

Beijing Urban Construction Yatai Group Co., Ltd. (“北京城建亞泰建設集團有限公司”)

Beijing Urban Construction Yatai Group Co., Ltd. (“北京城建亞泰建築裝飾工程設計有限公司”)

NO.1 Construction & Development Co., Ltd (“北京城建一建設發展有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(i) Enterprises under the control or significant influence of major shareholders *(continued)*

Beijing Yuandong Construction Investment Group Co., Ltd. (“北京城建遠東建設投資集團有限公司”)

Beijing Urban Construction Properties Co., Ltd. (“北京城建置業有限公司”)

Beijing Urban Construction Zhongdi Investment Co., Ltd. (“北京城建中地投資有限公司”)

Beijing Urban Construction Chongqing Real Estate Co., Ltd. (“北京城建重慶地產有限公司”)

Beijing Urban Construction Chongqing Property Management Co., Ltd. (“北京城建重慶物業管理有限公司”)

Beijing Chengmao Future Real Estate Development Co., Ltd. (“北京城茂未來房地產開發有限公司”)

Beijing Chengzhi Properties Co., Ltd. (“北京城志置業有限公司”)

Beijing Dadong Real Estate Development Co., Ltd. (“北京大東房地產開發有限公司”)

Beijing Metro Jingtong Company (“北京地鐵京通公司”)

Beijing Guoji Construction Information Consulting Co., Ltd. (“北京國礎建築工程信息諮詢有限公司”)

Beijing Jindu Landscaping & Afforesting Co., Ltd. (“北京金都園林綠化有限責任公司”)

Beijing Jinguorui Equity Investment Fund Management Co., Ltd. (“北京京國瑞股權投資基金管理有限公司”)

Beijing Jinguorui State-owned Enterprise Reform and Development Fund (Limited Partnership) (“北京京國瑞國企改革發展基金(有限合夥)”)

Beijing Juntai Properties Co., Ltd. (“北京駿泰置業有限公司”)

Beijing Ctrowell Technology Co., Limited (“北京康拓紅外技術股份有限公司”)

Beijing Science Park Development (Group) Co., Ltd. (“北京科技園建設(集團)股份有限公司”)

Beijing Pingzhu Real Estate Development Co., Ltd. (“北京平築房地產開發有限公司”)

Beijing Century Hongcheng Land Co., Ltd. (“北京世紀鴻城置業有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(i) Enterprises under the control or significant influence of major shareholders *(continued)*

Beijing City Tianyin Geothermal Development Co., Ltd. (“北京市天銀地熱開發有限責任公司”)

Beijing Landscape and Forestry Group Co., Ltd (“北京市園林綠化集團有限公司”)

Beijing Shoucheng Land Co., Ltd. (“北京首城置業有限公司”)

Beijing Tengyu Demolition Engineering Co., Ltd. (“北京騰宇拆遷工程有限責任公司”)

Beijing Xincheng Times Real Estate Development Co., Ltd. (“北京新城時代房地產開發有限公司”)

Beijing New City Xingye Real Estate Development Co., Ltd. (“北京新城興業房地產開發有限公司”)

Beijing Yancheng Real Estate Management Co., Ltd. (“北京燕城物業管理有限公司”)

Beijing Yunmengshan Tourism Scenic Area Management Co., Ltd. (“北京雲蒙山旅遊景區管理有限公司”)

Beijing Yunmengshan Investment Development Co., Ltd. (“北京雲蒙山投資發展有限公司”)

Changzhou Fangyuan Pharmaceutical Co., Ltd. (“常州方圓製藥有限公司”)

Dalian Xincheng Logistics Service Co., Ltd. (“大連鑫橙後勤服務有限公司”)

Big Data Fintech Network Technology Co., Ltd. (“大數金科網絡技術有限公司”)

Twenty First Century Aerospace Technology Co., Ltd (“二十一世紀空間技術應用股份有限公司”)

Fujian Gangxin New Material Co., Ltd. (“福建鋼信新型材料有限公司”)

Fujian Longgang New Materials Co., Ltd. (“福建龍鋼新型材料有限公司”)

Fujian Longgang Recycling Resources Development Co., Ltd. (“福建龍鋼再生資源開發有限公司”)

Fujian Zhonglian Steel Telecom Electronic Commerce Co., Ltd. (“福建中聯鋼信電子商務有限公司”)

Fuzhou Gangxin Building Materials Co., Ltd. (“福州鋼信建材貿易有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(i) Enterprises under the control or significant influence of major shareholders *(continued)*

Guoao Investment Development Co., Ltd. (“國奧投資發展股份有限公司”)

National Stadium Co., Ltd. (“國家體育場有限責任公司”)

Guosen Securities Co., Ltd. (“國信證券股份有限公司”)

Hebei Gangxin Logistics Co., Ltd. (“河北鋼信物流有限公司”)

Hebei Xinghua Iron & Steel Co., Ltd. (“河北興華鋼鐵有限公司”)

Hebei Zhonglian Steel Telecom Electronic Commerce Co., Ltd. (“河北中聯鋼信電子商務有限公司”)

Huaneng Capital Services Co., Ltd. (“華能資本服務有限公司”)

Jinzhou Honglida Constant Temperature Warehousing Co., Ltd. (“錦州鴻利達恒溫倉儲有限公司”)

Jinzhou Honglida Trading Co., Ltd. (“錦州鴻利達商貿有限公司”)

Jinzhou Lingnan Grain and Oil Trade Co., Ltd. (“錦州嶺南糧油貿易有限責任公司”)

Jinzhou Lingnan Pollution-free Fruit and Vegetable Development Co., Ltd. (“錦州嶺南無公害果蔬開發有限公司”)

Jinzhou Shenghe Hotel Management Co., Ltd. (“錦州晟和酒店管理有限公司”)

Jinzhou Vegetable Purchasing Wholesale Station (“錦州市蔬菜採購批發站”)

Jinzhou Tainong Byproduct Trading Market Co., Ltd. (“錦州太和農副產品交易市場有限責任公司”)

Jinzhou Yafei Automobile Trading Co., Ltd. (“錦州亞飛汽車貿易有限責任公司”)

Jinzhou Zhicheng Pawnshop Co., Ltd. (“錦州至誠典當行有限責任公司”)

Kangchi (Beijing) International Competition Base Co., Ltd. (“康馳(北京)國際賽事基地有限責任公司”)

China Mingshang Mercantile Exchange Center Co., Ltd. (“民商大宗商品交易中心有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(i) Enterprises under the control or significant influence of major shareholders *(continued)*

Nanjing Century Hongcheng Real Estate Co., Ltd. (“南京世紀鴻城地產有限公司”)

Micro-Tech (Nanjing) Co., Ltd. (“南京微創醫學科技股份有限公司”)

Qingdao Jingcheng Real Estate Development Co., Ltd. (“青島京城房地產開發有限公司”)

Qingdao Shuangcheng Real Estate Co., Ltd. (“青島雙城房地產有限公司”)

Sanya Chengsheng City Shengwenhua Investment Management Co., Ltd. (“三亞城聖文化投資管理有限公司”)

Shandong Zhonglian Steel Telecom Electronic Commerce Co., Ltd. (“山東中聯鋼信電子商務有限公司”)

Shanxi Zhangze Power Co., Ltd. (“山西漳澤電力股份有限公司”)

Shanghai Ganglian E-Commerce Holdings Co., Ltd. (“上海鋼聯電子商務股份有限公司”)

Shenzhen China Science Far East Venture Capital Co., Ltd. (“深圳市中科遠東創業投資有限公司”)

Shenzhen China Science & Merchants Investment Management Co., Ltd. (“深圳市中科招商創業投資有限公司”)

Shenyang Hanlun Trading Co., Ltd. (“瀋陽瀚倫商貿有限公司”)

Shoucheng (Tianjin) Investment Development Co., Ltd. (“首城(天津)投資發展有限公司”)

Tianjin Zhonglian Steel Telecom Electronic Commerce Co., Ltd. (“天津中聯鋼信電子商務有限公司”)

Visionox Technology Inc. (“維信諾科技股份有限公司”)

Wu'an Xing Deli Trading Co., Ltd. (“武安市興得利貿易有限公司”)

Sundiro Holding Co., Ltd. (“新大洲控股股份有限公司”)

Neoglory Prosperity Inc. (“新光圓成股份有限公司”)

Xinghua Fortune Group Fujian Venture Capital Co., Ltd. (“興華財富集團福建創業投資有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(i) Enterprises under the control or significant influence of major shareholders *(continued)*

Xinghua Fortune Group Wuan Fortune International Hotel Co., Ltd. (“興華財富集團武安財富國際酒店有限公司”)

Xinghua Fortune Group Wuan Xinghua Property Service Co., Ltd. (“興華財富集團武安市興華物業服務有限公司”)

Xinghua Fortune Group Xinghua Real Estate Development Co., Ltd. (“興華財富集團興華房地產開發有限公司”)

Xinghua Fortune Group Xinghua Environmental Material Co., Ltd. (“興華財富集團興華環保材料有限公司”)

Zhejiang Juhua Co., Ltd (“浙江巨化股份有限公司”)

Zhonglian Steel Telecom Electronic Commerce Co., Ltd. (“中聯鋼信電子商務有限公司”)

Zhonglian Steel Credit Commercial Factoring (Tianjin) Co., Ltd. (“中聯鋼信商業保理(天津)有限公司”)

Zhonglian Xinghua Real Estate Development Co., Ltd. (“中聯興華房地產開發有限公司”)

Zhongnong Xinghua Fortune Investment Co., Ltd. (“中農興華財富投資有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(ii) Enterprises under the control or significant influence of directors

L Investment Holding Limited

Beijing Jincheng International Air Freight Forwarding Co., Ltd. (“北京錦程國際航空貨運代理有限公司”)

Beijing Jincheng International Logistics Service Co., Ltd. (“北京錦程國際物流服務有限公司”)

Beijing Jincheng Hope Network Technology Co., Ltd. (“北京錦程希望網絡技術有限公司”)

Beijing Jinlian Sequoia Investment Fund Management Co., Ltd. (“北京錦聯紅杉投資基金管理有限公司”)

Beijing Jinlian Sequoia Asset Management Co., Ltd. (“北京錦聯紅杉資產管理有限公司”)

Beijing Zhongxing Foundation Engineering Project Management Co., Ltd. (“北京中興基業工程項目管理有限公司”)

Dalian Donggao New Pipe Material Co.,Ltd. (“大連東高新型管材有限公司”)

Dalian Jincheng International Trading Co., Ltd. (“大連錦程國際貿易有限公司”)

Dalian Jincheng Logistics Network Technology Co., Ltd. (“大連錦程物流網絡技術有限公司”)

Dalian Jincheng Online Customs Service Co., Ltd. (“大連錦程線上報關服務有限公司”)

Dalian Jinlian Building Co., Ltd. (“大連錦聯大廈有限公司”)

Dalian Jinlian Classic Life Property Management Co., Ltd. (“大連錦聯經典生活物業管理有限公司”)

Dalian Jinlian Property Management Co.,Ltd. (“大連錦聯物業管理有限公司”)

Dalian Ruizhan Construction Engineering Co., Ltd. (“大連銳展建築工程有限公司”)

Dalian Changxing Island Green-city Development Co., Ltd. (“大連長興島綠城發展有限公司”)

Dalian Zhongshan Jinlian Microcredit Co., Ltd. (“大連中山錦聯小額貸款股份有限公司”)

Dandong Jinlian Microcredit Co., Ltd. (“丹東元寶區錦聯小額貸款有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(ii) Enterprises under the control or significant influence of directors *(continued)*

Dongguan Jincheng International Logistics Service Co., Ltd. (“東莞錦程國際物流服務有限公司”)

Guangzhou Jincheng International Logistics Service Co., Ltd. (“廣州錦程國際物流服務有限公司”)

Harbin Jincheng International Logistics Service Co., Ltd. (“哈爾濱錦程國際物流服務有限公司”)

Connerbridge Capital Ltd. (“漢東資本公司”)

Hangzhou Jincheng Int'l Freight Agency Co.,Ltd. (“杭州錦程國際貨運代理有限公司”)

Hefei Jincheng International Logistics Service Co., Ltd. (“合肥錦程國際物流服務有限公司”)

Jincheng (Ningbo) International Logistics Online Service Co., Ltd. (“錦程(寧波)國際物流線上服務有限公司”)

Jincheng Supply Chain Management Service Co., Ltd. (“錦程供應鏈管理服務有限公司”)

Jincheng International Air Freight Service Co., Ltd. (“錦程國際航空貨運服務有限公司”)

Jincheng Logistics Industry Development Co., Ltd. (“錦程國際物流服務有限公司”)

Jincheng International Logistics Service Co., Ltd. Shenzhen Branch (“錦程國際物流服務有限公司深圳分公司”)

Jincheng International Logistics Group Shanghai Supply Chain Co., Ltd. (“錦程國際物流集團上海供應鏈有限公司”)

Jincheng International Logistics Group Shanghai Aviation Transport Agency Co.,Ltd. (“錦程國際物流集團上海航空運輸代理有限公司”)

Jincheng International Logistics Online Service Co., Ltd. (“錦程國際物流線上服務有限公司”)

Jincheng International Logistics Online Service Co., Ltd. Shenzhen Branch (“錦程國際物流線上服務有限公司深圳分公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(ii) Enterprises under the control or significant influence of directors *(continued)*

Jinlian Industrial Investment Co., Ltd. (“錦聯產業投資有限公司”)

Jinlian Real Estate Group Co., Ltd. (“錦聯地產集團有限公司”)

Jinlian Financial Service (Tianjin) Co., Ltd. (“錦聯金融服務集團(天津)股份有限公司”)

Jinlian Holding Group Co., Ltd. (“錦聯控股集團有限公司”)

Jinlian Asset Management Co., Ltd. (“錦聯資產管理有限公司”)

9F Inc. (“玖富數科集團”)

9F Primasia Securities Co., Ltd. (“玖富證券有限公司”)

BDO China Shu Lun Pan CPAs (“立信會計師事務所”)

Lixin Ronghui Investment Management (Beijing) Co., Ltd. (“立信融惠投資管理(北京)有限公司”)

Nanjing Jincheng International Logistics Service Co., Ltd. (“南京錦程國際物流服務有限公司”)

Ningbo Jesse Logistics Network Technology Co., Ltd. (“寧波傑西物流網絡技術有限公司”)

Ningbo Jincheng Supply Chain Service Co., Ltd. (“寧波錦程供應鏈服務有限公司”)

Panjin Jialun Real Estate Co., Ltd. (“盤錦加倫置業有限公司”)

Qingdao Jincheng International Logistics Co., Ltd. (“青島錦程國際物流有限公司”)

Shanghai Jinlian Investment Co., Ltd. (“上海錦聯投資有限公司”)

Shenzhen Jincheng International Logistics E-commerce Co., Ltd. (“深圳錦程國際物流電子商務有限公司”)

Shenzhen Jincheng International Logistics Service Co., Ltd. (“深圳錦程國際物流服務有限公司”)

Shenzhen Jinlian Industrial Investment Co., Ltd. (“深圳市錦聯產業投資有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(ii) Enterprises under the control or significant influence of directors *(continued)*

Shenzhen Zhenmei Biological Technology Co., Ltd. (“深圳市臻美生物科技有限公司”)

Shenyang Jincheng Logistics Co., Ltd. (“瀋陽錦程物流有限公司”)

Shenyang Jinlian Real Estate Co., Ltd. (“瀋陽錦聯地產有限公司”)

Shenyang Jinlian Supply Chain Management Co., Ltd. (“瀋陽錦聯供應鏈管理有限公司”)

Shenyang Jinlian Classic Living Property Management Co., Ltd. (“瀋陽錦聯經典生活物業管理有限公司”)

Shenyang Jinlian Environmental Development Co., Ltd. (“瀋陽錦聯生態科技園發展有限公司”)

Shenyang Jinlian Wenchuang Industry Development Co., Ltd. (“瀋陽錦聯文創產業發展有限公司”)

Shenyang Jinlian Property Management Co., Ltd. (“瀋陽錦聯物業管理有限公司”)

Shenyang New Economic Industrial Park Development Co., Ltd. (“瀋陽錦聯新經濟工業園開發有限公司”)

Shenyang Jinlian Real Estate Co., Ltd. (“瀋陽錦聯置業有限公司”)

Shenyang Jinlian Left Bank Property Management Co., Ltd. (“瀋陽錦聯左岸物業管理有限公司”)

Shenyang Longxi Real Estate Development Co., Ltd. (“瀋陽龍璽房地產開發有限公司”)

Shenyang Jinlian Microcredit Co., Ltd. (“瀋陽市渾南新區錦聯小額貸款有限公司”)

Shenyang Wenchuang Innovation Advertising Industrial Park Operation Management Co., Ltd. (“瀋陽文創創新廣告產業園運營管理有限公司”)

Shenyang Development of New Economic Industrial Region Co., Ltd. (“瀋陽新經濟產業園開發有限公司”)

Shenyang Jinlian Development of New Economic Industrial Region Co., Ltd. (“瀋陽新經濟產業園運營管理有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(ii) Enterprises under the control or significant influence of directors *(continued)*

Tianjin Jincheng International Logistics Co., Ltd. (“天津錦程國際物流有限公司”)

Tianjin Jinlian Supply Chain Service Co., Ltd. (“天津錦聯供應鏈服務有限公司”)

Tianjin Jinlian Enterprise Incubator Co., Ltd. (“天津錦聯企業孵化器有限公司”)

Tianjin Jinlian Financial Leasing Co., Ltd. (“天津錦聯融資租賃有限公司”)

Tianjin Jinlian Development of New Economic Industrial Region Co., Ltd. (“天津錦聯新經濟產業園開發有限公司”)

Xi'an Jincheng International Logistics Service Co., Ltd. (“西安錦程國際物流服務有限公司”)

Xinjiang Jincheng Online Logistics Co., Ltd. (“新疆錦程線上物流有限公司”)

Yingkou Jialun Real Estate Co., Ltd. (“營口加倫置業有限公司”)

Yingkou Jincheng International Logistics Service Co., Ltd. (“營口錦程國際物流服務有限公司”)

China United Insurance Holding Co., Ltd. (“中華聯合保險集團股份有限公司”)

Chongqing Jincheng Fuhui Tong Network Technology Co., Ltd. (“重慶錦程付匯通網絡技術有限公司”)

Chongqing Jincheng International Logistics Service Co., Ltd. (“重慶錦程國際物流服務有限公司”)

Chongqing Jinlian Supply Chain Service Co., Ltd. (“重慶錦聯供應鏈服務有限公司”)

48. Related party disclosures *(continued)*

(a) Related parties of the Group *(continued)*

(iii) Enterprises under the control or significant influence of supervisors

Beijing Automotive Group Co., Ltd (“北京汽車集團有限公司”)

Beijing Yiqing Holding Co., Ltd. (“北京一輕控股有限責任公司”)

Beijing Yuanliu Hongyuan Electronic Technology Co., Ltd. (“北京元六鴻遠電子科技股份有限公司”)

Longyi Family Farm Yanzui Township Hanshou County (individual sole proprietorship) (“漢壽縣岩嘴鄉龍義家庭農場(個人獨資企業)”)

Hubei Radio & Television Information Network Co., Ltd. (“湖北省廣播電視信息網絡股份有限公司”)

Shanghai Baolong Automotive Corporation (“上海保隆汽車科技股份有限公司”)

Shenzhen Laibao Hi-Tech Co., Ltd. (“深圳萊寶高科技股份有限公司”)

Tieling Yiyuan Technology Co., Ltd (“鐵嶺益遠科技股份有限公司”)

Note: The official names of these related parties are in Chinese. The English translation is for reference only.

48. Related party disclosures (continued)

(b) Transactions with related parties other than key management personnel

(i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

(ii) Transactions between the Group and other related parties:

	For the six-month period ended 30 June	
	2019 Unaudited	2018 Unaudited
Interest income	184,644	75,384
Interest expense	1,720	9

	At 30 June	At 31 December
	2019 Unaudited	2018 Audited
Balance at end of the period:		
Loans and advances to customers	5,912,853	2,828,373
Interests receivable	21,473	6,266
Deposits from customers	62,534	7,388
Interests payable	29	2
Acceptances	775,000	—

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

(Expressed in thousands of Renminbi, unless otherwise stated)

48. Related party disclosures (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, including members of the board of directors, the supervisory board and executive officers.

(i) Transactions between the Group and key management personnel

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Interest income	—	18
Interest expense	24,162	364
<hr/>		
	At 30 June	At 31 December
	2019	2018
	Unaudited	Audited
Balances at the end of the period:		
Loans and advances to customers	129	363
Deposits from customers	329,743	333,319
Principal guaranteed wealth management products	—	1,750
Non-principal-guaranteed wealth management products	5,935	6,950
Interests payable	24,034	19,220

The balances are unsecured and on terms similar to those offered to the major customers of the Group.

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Short-term staff benefits	17,563	15,130
Retirement benefits		
– Basic social pension insurance	2,672	2,595

In the view of the management of the Group, the transactions with the above related parties were conducted based on general business terms and conditions, general transaction prices for the pricing and according to the normal business procedures.

49. Segment reporting

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

Consistent with the way in which information is reported internally to the Group’s most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reportable segments based on the following operating segments:

Corporate banking business

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

Retail banking business

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

Treasury business

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

Other business

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

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

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

(Expressed in thousands of Renminbi, unless otherwise stated)

49. Segment reporting (continued)**(a) Segment results, assets and liabilities**

	Corporate banking business Unaudited	Retail banking business Unaudited	Treasury business Unaudited	Other business and undistributed project Unaudited	Total Unaudited
For the six-month period ended 30 June 2019					
Operating income					
External net interest income/(expense)	11,043,338	(4,982,092)	5,782,110	—	11,843,356
Internal net interest income/(expense)	(4,428,856)	5,654,124	(1,225,268)	—	—
Net interest income	6,614,482	672,032	4,556,842	—	11,843,356
Net fee and commission income	43,297	104,520	5,006	—	152,823
Net trading gains	—	—	1,469,666	—	1,469,666
Dividend income	—	—	1,200	—	1,200
Net gains arising from investment securities	—	—	77,623	—	77,623
Net foreign exchange (losses)/gains	2,653	257	(8,302)	126	(5,266)
Other net operating income	—	—	—	7,786	7,786
Total operating income	6,660,432	776,809	6,102,035	7,912	13,547,188
Operating expenses	(896,012)	(104,509)	(822,336)	(1,048)	(1,823,905)
Operating profit before impairment	5,764,420	672,300	5,279,699	6,864	11,723,283
Impairment losses on assets	(9,536,654)	(256,790)	(2,980,831)	—	(12,774,275)
(Loss)/profit before tax	(3,772,234)	415,510	2,298,868	6,864	(1,050,992)
Other segment information:					
– Depreciation and amortisation	(97,530)	(51,456)	(110,050)	(15,540)	(274,576)
– Capital expenditure	202,128	106,641	228,077	32,208	569,054
At 30 June 2019					
Segment assets	399,207,053	10,749,298	399,307,138	6,054,852	815,318,341
Deferred tax assets	—	—	—	10,139,190	10,139,190
Total assets	399,207,053	10,749,298	399,307,138	16,194,042	825,457,531
Segment liabilities	162,318,227	285,549,096	234,387,633	83,143,699	765,398,655
Dividend payable	—	—	—	351,206	351,206
Total liabilities	162,318,227	285,549,096	234,387,633	83,494,905	765,749,861

49. Segment reporting (continued)

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

	Corporate banking business Unaudited	Retail banking business Unaudited	Treasury business Unaudited	Other business and undistributed project Unaudited	Total Unaudited
For the six-month period ended					
30 June 2018					
Operating income					
External net interest income/(expense)	4,382,212	(3,132,449)	7,628,749	—	8,878,512
Internal net interest income/(expense)	(855,035)	3,928,285	(3,073,250)	—	—
Net interest income	3,527,177	795,836	4,555,499	—	8,878,512
Net fee and commission income	242,026	97,408	25,586	—	365,020
Net trading gains	—	—	1,587,877	—	1,587,877
Dividend income	—	—	880	—	880
Net gains arising from investment securities	—	—	23,416	—	23,416
Net foreign exchange losses	(383,377)	(20,730)	(786,888)	(357)	(1,191,352)
Other net operating income	—	—	—	8,033	8,033
Total operating income	3,385,826	872,514	5,406,370	7,676	9,672,386
Operating expenses	(470,944)	(26,231)	(1,009,880)	(64,652)	(1,571,707)
Operating profit/(loss) before impairment	2,914,882	846,283	4,396,490	(56,976)	8,100,679
Impairment losses on assets	(1,642,466)	(256,185)	(450,000)	—	(2,348,651)
Profit/(loss) before tax	1,272,416	590,098	3,946,490	(56,976)	5,752,028
Other segment information:					
– Depreciation and amortisation	(73,593)	(18,965)	(117,511)	(167)	(210,236)
– Capital expenditure	199,204	51,334	318,082	451	569,071
At 31 December 2018	Audited	Audited	Audited	Audited	Audited
Segment assets	345,609,993	11,353,537	473,361,112	8,124,688	838,449,330
Deferred tax assets	—	—	—	7,473,418	7,473,418
Total assets	345,609,993	11,353,537	473,361,112	15,598,106	845,922,748
Segment liabilities	199,185,865	246,390,224	245,609,700	93,539,278	784,725,067
Dividend payable	—	—	—	434,537	434,537
Total liabilities	199,185,865	246,390,224	245,609,700	93,973,815	785,159,604

(Expressed in thousands of Renminbi, unless otherwise stated)

49. Segment reporting (continued)**(b) Geographical information**

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

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

The distribution of the geographical areas is as follows:

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

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

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

	Operating Income	
	For the six-month period ended 30 June	
	2019	2018
	Unaudited	Unaudited
Jinzhou Region	10,714,408	7,172,849
Other Northeastern China Region	1,539,525	1,143,779
Northern China Region	1,293,255	1,355,758
Total	13,547,188	9,672,386

	Non-current assets	
	At 30 June	At 31 December
	2019	2018
	Unaudited	Audited
Jinzhou Region	3,214,429	2,801,676
Other Northeastern China Region	3,539,128	3,381,635
Northern China Region	882,733	695,045
Total	7,636,290	6,878,356

50. Financial instrument risk management

(a) Credit risk

(i) Credit risk measurement

Measurement of ECL

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instrument for the next 12 months;
- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but are not considered credit-impaired are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments; and
- Stage III: Financial assets that are considered credit-impaired at the end of the reporting period are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL for the lifetime of the financial instruments.

At the end of the reporting period, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments at the end of the reporting period according to the ECL in the next 12 months.

50. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Measurement of ECL (continued)

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECL
- Forward-looking information
- Modification of contractual cash flows

50. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at the end of the reporting period. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments at the end of the reporting period with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

Quantitative criteria

- At the reporting date, the rating or the probability of default (PD) of the financial instruments reaches a certain extent, comparing with the one at initial recognition.

Qualitative criteria

- The credit risk event of the debtor which is highly likely to lead to significant adverse effects;
- The debtor meets problems of cash flow or liquidity, i.e. overdue loans;
- The debtor is unwilling to repay the debt, i.e. debt dodge, fraud;
- The debtor defaults on loans outside the Group, resulting in non-performing assets in PBOC credit system;
- Credit spread increases significantly; and
- For collateralised and pledged loans, change of the value of collateral might incur a rise in credit risk.

Baseline criteria

- Be classified into Special Mention category.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

50. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Definition of default and credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- The debtor is more than 90 days past due on its contractual payments;
- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

The above criteria apply to all financial assets of the Group and they are consistent with the definition of "default" adopted by the internal management of credit risk.

Parameters of ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of ECL include PD, LGD and EAD. Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counter parties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

50. Financial instrument risk management *(continued)*

(a) Credit risk *(continued)*

(i) Credit risk measurement *(continued)*

Parameters of ECL measurement (continued)

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss of risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the PD and the LGD varies according to different types of business. In this process, the Group mainly applies external data and supplements the internal experts' judgement. The Group determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, internal experts of the Group determine the weight of other possible scenarios based on the baseline economic scenario. The Group measures the weighted average ECL of 12 months (stage I) or life time (stage II and stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Financial instrument risk management (continued)**(a) Credit risk (continued)****(ii) Maximum credit risk exposure**

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets at the end of the Reporting Period.

(iii) Risk concentrations***By industry distribution***

The credit risk exposures of the Group mainly comprise loans and advances to customers, finance lease receivables and investments in debt instruments. Details of the composition of the Group's investments in debt instruments are set out in note 50(a) to the interim financial information. The composition of the Group's gross loans and advances to customers by industry is analysed as follows:

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Wholesale and retail trade	192,394,015	160,556,340
Manufacturing	82,961,078	69,766,423
Real estate	33,090,714	25,681,503
Leasing and commercial services	32,228,515	28,961,888
Transportation, storage and postal services	9,226,540	9,224,015
Education	7,308,950	6,539,454
Electricity, gas and water production and supply	7,236,383	7,412,338
Public management and social organisations	5,203,120	8,061,209
Mining	5,148,274	5,002,120
Construction	4,057,701	3,555,251
Water, environment and public utility management	3,631,531	1,519,360
Agriculture, forestry, animal husbandry and fishery	1,200,915	1,253,166
Others	28,673,561	24,782,430
Subtotal for corporate loans and advances	412,361,297	352,315,497
Personal loans and advances	12,070,516	12,065,859
Discounted bills	2,505,743	6,344,375
Total loans and advances to customers	426,937,556	370,725,731

50. Financial instrument risk management (continued)

(a) Credit risk (continued)

(iv) Loans and advances to customers

The total credit risk exposures of loans and advances to customers are summarised as follows:

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Neither overdue nor impaired	384,193,443	349,540,842
Overdue but not impaired	13,382,974	2,676,741
Impaired	29,361,139	18,508,148
Total loans and advances to customers	426,937,556	370,725,731
Add: Interests receivable	2,330,414	1,276,467
Less: Provision for impairment losses	(31,043,652)	(22,892,075)
Net loans and advances to customers	398,224,318	349,110,123

Neither overdue nor impaired

The management of the Group considers that these loans are exposed to normal business risk and there was no identifiable objective evidence of impairment for these loans which may incur losses to the Group at the end of the Reporting Period.

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Financial instrument risk management (continued)**(a) Credit risk (continued)****(iv) Loans and advances to customers (continued)****Neither overdue nor impaired (continued)**

The following table presents the types of loans and advances to customers which are neither overdue nor impaired at the end of the Reporting Period:

	At 30 June 2019		
	Normal Unaudited	Special mention Unaudited	Total Unaudited
Unsecured loans	13,439,888	125,510	13,565,398
Guaranteed loans	145,002,622	48,529,118	193,531,740
Collateralised loans	87,277,348	23,608,564	110,885,912
Pledged loans	59,161,144	7,049,249	66,210,393
Total	304,881,002	79,312,441	384,193,443

	At 31 December 2018		
	Normal Audited	Special mention Audited	Total Audited
Unsecured loans	20,197,561	166,500	20,364,061
Guaranteed loans	117,244,280	36,802,007	154,046,287
Collateralised loans	82,125,121	15,047,432	97,172,553
Pledged loans	70,353,941	7,604,000	77,957,941
Total	289,920,903	59,619,939	349,540,842

50. Financial instrument risk management (continued)

(a) Credit risk (continued)

(iv) Loans and advances to customers (continued)

Overdue but not impaired

The following tables present the ageing analysis of each type of loans and advances to customers of the Group that are subject to credit risk which are past due but not impaired at the end of the each of the relevant periods:

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Overdue for:		
Less than three months	12,893,714	2,528,143
Three to six months	187,908	42,295
Over six months	301,352	106,303
Total	13,382,974	2,676,741

Impaired

Impaired loans and advances are defined as loans and advances which have objective evidence of impairment as a result of one or more events that occurred after initial recognition and that event has an impact on the estimated future cash flows of loans and advances that can be reliably estimated.

The fair value of related collateral held by the Group as security is as follows:

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Fair value of collateral held against credit-impaired loans	22,502,759	14,369,891

The above collaterals mainly include real estate, land use rights and machinery and equipment etc. The fair value of collaterals was estimated by the Group based on the latest valuations available, adjusted in light of disposal experience and current market conditions.

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Financial instrument risk management (continued)**(a) Credit risk (continued)****(iv) Loans and advances to customers (continued)**

Loans and advances to customers analysed by the five-tier loan classification and the three stage of the ECL as follows:

	At 30 June 2019			
	Stage I (12-month ECL) Unaudited	Stage II	Stage III	Total Unaudited
		(Lifetime ECL- not credit- impaired)	(Lifetime ECL- credit- impaired)	
		Unaudited	Unaudited	
Normal	304,463,543	1,031,332	—	305,494,875
Special-mention	—	92,081,542	—	92,081,542
Substandard	—	—	20,179,209	20,179,209
Doubtful	—	—	8,444,888	8,444,888
Loss	—	—	737,042	737,042
Total loans and advances	304,463,543	93,112,874	29,361,139	426,937,556
Add: Interests receivable	2,330,414	—	—	2,330,414
Less: Provision for impairment losses	(6,065,037)	(9,395,334)	(15,583,281)	(31,043,652)
Loans and advances to customers, net	300,728,920	83,717,540	13,777,858	398,224,318

	At 31 December 2018			
	Stage I (12-month ECL) Audited	Stage II	Stage III	Total Audited
		(Lifetime ECL- not credit- impaired)	(Lifetime ECL- credit- impaired)	
		Audited	Audited	
Normal	289,789,209	420,106	—	290,209,315
Special-mention	—	62,008,268	—	62,008,268
Substandard	—	—	10,072,423	10,072,423
Doubtful	—	—	7,699,364	7,699,364
Loss	—	—	736,361	736,361
Total loans and advances to customers	289,789,209	62,428,374	18,508,148	370,725,731
Add: Interests receivable	1,276,467	—	—	1,276,467
Less: Provision for impairment losses	(5,671,427)	(6,284,804)	(10,935,844)	(22,892,075)
Loans and advances to customers, net	285,394,249	56,143,570	7,572,304	349,110,123

50. Financial instrument risk management (continued)

(a) Credit risk (continued)

(v) Finance lease receivables

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
The lease amount		
Neither overdue nor impaired	7,784,856	7,332,358
Overdue but not impaired	130,000	65,000
Impaired	223,912	470,000
Subtotal	8,138,768	7,867,358
Less: Provision for impairment losses	(307,873)	(382,516)
Net balance	7,830,895	7,484,842

	At 30 June 2019			
	Stage I (12-month ECL) Unaudited	Stage II (Lifetime ECL- not credit- impaired) Unaudited	Stage III (Lifetime ECL- credit- impaired) Unaudited	Total Unaudited
Normal	6,922,528	—	—	6,922,528
Special-mention	—	992,328	—	992,328
Substandard	—	—	223,912	223,912
Subtotal	6,922,528	992,328	223,912	8,138,768
Less: Provision for impairment losses	(67,445)	(141,481)	(98,947)	(307,873)
Net balance	6,855,083	850,847	124,965	7,830,895

	At 31 December 2018			
	Stage I (12-month ECL) Audited	Stage II (Lifetime ECL- not credit- impaired) Audited	Stage III (Lifetime ECL- credit- impaired) Audited	Total Audited
Normal	6,544,710	—	—	6,544,710
Special-mention	—	852,648	—	852,648
Substandard	—	—	470,000	470,000
Subtotal	6,544,710	852,648	470,000	7,867,358
Less: Provision for impairment losses	(53,031)	(121,791)	(207,694)	(382,516)
Net balance	6,491,679	730,857	262,306	7,484,842

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Financial instrument risk management (continued)**(a) Credit risk (continued)****(vi) Debt instruments**

Financial assets at amortised cost by five-tier loan classification and three-staging analysed as follows:

	At 30 June 2019			Total Unaudited
	Stage I (12-month ECL) Unaudited	Stage II (Lifetime ECL- not credit- impaired) Unaudited	Stage III (Lifetime ECL- credit- impaired) Unaudited	
Normal	131,901,056	1,684,000	—	133,585,056
Special-mention	—	76,385,810	—	76,385,810
Substandard	—	—	19,576,822	19,576,822
Doubtful	—	—	677,880	677,880
Subtotal	131,901,056	78,069,810	20,254,702	230,225,568
Add: Interests receivable	1,987,394	943,055	355,968	3,286,417
Less: Provision for impairment losses	(2,503,697)	(1,455,293)	(9,508,794)	(13,467,784)
Net balance	131,384,753	77,557,572	11,101,876	220,044,201

50. Financial instrument risk management (continued)

(a) Credit risk (continued)

(vi) Debt instruments (continued)

	At 31 December 2018			Total Audited
	Stage I (12-month ECL) Audited	Stage II (Lifetime ECL- not credit- impaired) Audited	Stage III (Lifetime ECL- credit- impaired) Audited	
Normal	186,478,614	—	—	186,478,614
Special-mention	—	95,699,466	—	95,699,466
Substandard	—	—	7,863,922	7,863,922
Doubtful	—	—	427,880	427,880
Subtotal	186,478,614	95,699,466	8,291,802	290,469,882
Add: Interests receivable	1,532,852	291,511	71,148	1,895,511
Less: Provision for impairment losses	(3,614,372)	(1,764,202)	(3,850,444)	(9,229,018)
Net balance	184,397,094	94,226,775	4,512,506	283,136,375

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Financial instrument risk management (continued)**(a) Credit risk (continued)****(vi) Debt instruments (continued)**

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

	At 30 June 2019			
	Stage I	Stage II	Stage III	Total
	(12-month ECL)	(Lifetime ECL- not credit- impaired)	(Lifetime ECL- credit- impaired)	
	Unaudited	Unaudited	Unaudited	Unaudited
Normal	38,645,947	—	—	38,645,947
Special-mention	—	—	—	—
Substandard	—	—	—	—
Subtotal	38,645,947	—	—	38,645,947
Add: Interests receivable	595,693	—	—	595,693
Net balance	39,241,640	—	—	39,241,640
Provision for impairment losses	(457)	—	—	(457)

	At 31 December 2018			
	Stage I	Stage II	Stage III	Total
	(12-month ECL)	(Lifetime ECL- not credit- impaired)	(Lifetime ECL- credit- impaired)	
	Audited	Audited	Audited	Audited
Normal	41,445,323	—	—	41,445,323
Special-mention	—	—	—	—
Substandard	—	—	—	—
Subtotal	41,445,323	—	—	41,445,323
Add: Interests receivable	802,930	—	—	802,930
Net balance	42,248,253	—	—	42,248,253
Provision for impairment losses	(457)	—	—	(457)

50. Financial instrument risk management *(continued)*

(b) Market risk

Market risk is the risk of loss, in respect of the Group's on-and off-balance-sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices and stock prices. Market risk arises from both the Group's trading and non-trading businesses.

The Group's market risk contains interest rate risk and currency risk.

The Group is primarily exposed to structural interest rate risk arising from commercial banking and position risk arising from treasury transactions.

The Group's currency risk mainly results from the risk arising from exchange rate fluctuations on its foreign exchange exposures. Foreign exchange exposures include the mismatch of foreign currency assets and liabilities, and off-balance-sheet foreign exchange exposures arising from derivative transactions.

Sensitivity analysis, interest rate repricing gap analysis and foreign exchange risk concentration analysis are the major market risk management tools used by the Group. The Bank uses different management methods to control market risks, including trading book and banking book risks.

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Financial instrument risk management (continued)**(b) Market risk (continued)****(i) Interest rate risk**

The following tables indicate the assets and liabilities at the end of each of the relevant periods by the expected next repricing dates or by maturity dates, depending on which is earlier:

	At 30 June 2019					
	Total Unaudited	Non- interest bearing Unaudited	Less than three months Unaudited	Between three months and one year Unaudited	Between one year and five years Unaudited	More than five years Unaudited
Assets						
Cash and deposits with the central bank	57,727,372	1,271,679	56,455,693	–	–	–
Deposits with banks and other financial institutions	6,802,123	149,189	3,593,013	3,059,921	–	–
Placements with banks and other financial institutions	5,800,176	10,697	3,241,248	2,548,231	–	–
Financial assets held under resale agreements	–	–	–	–	–	–
Loans and advances to customers	398,224,318	–	34,729,175	90,380,884	264,147,173	8,967,086
Investments	328,019,325	4,799,287	38,586,589	113,191,878	159,403,071	12,038,500
Finance lease receivables	7,830,895	–	927,764	2,573,073	4,330,058	–
Others	21,053,322	20,657,058	271,545	118,443	6,276	–
Total assets	825,457,531	26,887,910	137,805,027	211,872,430	427,886,578	21,005,586
Liabilities						
Borrowing from the central bank	20,057,797	17,797	20,000,000	40,000	–	–
Deposits from banks and other financial institutions	137,847,601	1,698,617	23,026,054	41,891,000	68,531,930	2,700,000
Placements from banks and other financial institutions	30,540,515	304,411	13,819,673	16,416,431	–	–
Financial assets sold under repurchase agreements	35,422,256	135,544	35,286,712	–	–	–
Deposits from customers	447,867,324	11,281,041	126,856,159	155,764,903	153,965,209	12
Debt securities issued	78,798,814	123,502	30,760,567	41,421,205	6,493,540	–
Others	15,215,554	4,696,090	4,239,233	5,776,805	503,426	–
Total liabilities	765,749,861	18,257,002	253,988,398	261,310,344	229,494,105	2,700,012
Asset-liability gap	59,707,670	8,630,908	(116,183,371)	(49,437,914)	198,392,473	18,305,574

50. Financial instrument risk management (continued)

(b) Market risk (continued)

(i) Interest rate risk (continued)

The following tables indicate the assets and liabilities at the end of each of the relevant periods by the expected next repricing dates or by maturity dates, depending on which is earlier: (continued)

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

Notes:

- (i) At 30 June 2019, for loans and advances to customers, the category "Less than three months" includes overdue amounts (net of provision for impairment losses) of RMB6,190 million (31 December 2018: RMB2,801 million).
- (ii) Investments include debt or equity investments at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. At 30 June 2019, for investments, the category "Less than three months" includes overdue amounts of RMB468 million (31 December 2018: RMB21.14 million).

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Financial instrument risk management (continued)**(b) Market risk (continued)****(ii) Foreign currency risk**

The Group's foreign currency risk mainly arises from exchange rate fluctuation on its foreign exchange exposures. The Group manages foreign currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies and monitoring its foreign currency exposures on daily basis. The Group manages exchange rate risk by the following means: strict implementation of the process management of the foreign exchange business; strict management on the exchange business procedure continuous improvement in the internal control system and operational procedures; and continuous improvement in the risk management capability of the foreign exchange business.

The Group's currency exposures at the end of each of the relevant periods are as follows:

	At 30 June 2019			
	RMB Unaudited	USD Unaudited	RMB Equivalent Others Unaudited	Total Unaudited
Assets				
Cash and deposits with the central bank	57,448,737	275,071	3,564	57,727,372
Deposits with banks and other financial institutions	4,110,915	2,477,266	213,942	6,802,123
Placements with banks and other financial institutions	5,710,342	41,373	48,461	5,800,176
Loans and advances to customers	396,515,552	1,617,191	91,575	398,224,318
Others	352,811,105	4,092,437	—	356,903,542
Total assets	816,596,651	8,503,338	357,542	825,457,531
Liabilities				
Borrowing from the central bank	20,057,797	—	—	20,057,797
Deposits from banks and other financial institutions	137,847,601	—	—	137,847,601
Placements from banks and other financial institutions	5,012,498	22,086,556	3,441,461	30,540,515
Deposits from customers	444,089,777	3,756,221	21,326	447,867,324
Debt securities issued	78,798,814	—	—	78,798,814
Others	50,585,952	—	51,858	50,637,810
Total liabilities	736,392,439	25,842,777	3,514,645	765,749,861
Net position	80,204,212	(17,339,439)	(3,157,103)	59,707,670
Off- balance sheet credit commitments	224,929,706	1,514,511	11,369	226,455,586

50. Financial instrument risk management (continued)

(b) Market risk (continued)

(ii) Foreign currency risk (continued)

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

The Group uses sensitivity analysis to measure the potential effect of changes in the Group's exchange rates on the Group's net profit or loss and equity. At 30 June 2019, assuming other variables remain unchanged, an appreciation of one hundred basis points in the US dollar against the RMB would decrease the Group's net loss and increase the Group's equity by RMB23.13 million (31 December 2018: decrease the Group's net loss and increase the Group's equity by RMB21.19 million); a depreciation of one hundred basis points in the US dollar against the RMB would increase the Group's net loss and decrease the Group's equity by RMB23.13 million (31 December 2018: increase the Group's net loss and decrease the Group's the equity by RMB21.19 million).

50. Financial instrument risk management *(continued)*

(b) Market risk *(continued)*

(ii) Foreign currency risk *(continued)*

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and HK dollars change in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars and HK dollars, other foreign currencies are converted into US dollars in the above sensitivity analysis;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures and swaps;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

50. Financial instrument risk management (continued)

(c) Liquidity risk

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the Reporting Period:

	At 30 June 2019							
	Indefinite	Repayable	Less than	One to	Three	One to	More than	Total
	Note(i)	on demand	one month	three	months to	five years	five years	
Unaudited	Unaudited	Unaudited	months	months	Unaudited	Unaudited	Unaudited	
Assets								
Cash and balances with the central bank	52,102,511	5,624,861	–	–	–	–	–	57,727,372
Deposits with banks and other financial institutions	–	3,004,706	643,676	8,435	3,145,306	–	–	6,802,123
Placements with banks and other financial institutions	–	–	41,324	3,205,913	2,552,939	–	–	5,800,176
Loans and advances to customers (ii)	15,311,932	3,529,593	11,126,707	13,678,046	85,355,945	259,858,330	9,363,765	398,224,318
Investment (iii)	12,369,053	–	9,901,988	28,340,861	106,463,975	158,708,554	12,234,894	328,019,325
Finance lease receivables	187,697	–	–	927,764	2,573,073	4,142,361	–	7,830,895
Others	20,095,181	–	195,620	76,397	123,916	273,652	288,556	21,053,322
Total assets	100,066,374	12,159,160	21,909,315	46,237,416	200,215,154	422,982,897	21,887,215	825,457,531
Liabilities								
Borrowing from the central bank	–	–	–	20,017,762	40,035	–	–	20,057,797
Deposits from banks and other financial institutions	–	428,015	10,155,311	12,911,076	42,796,704	68,844,392	2,712,103	137,847,601
Placements from banks and other financial institutions	–	–	9,349,442	4,612,102	16,578,971	–	–	30,540,515
Financial assets sold under repurchase agreements	–	–	34,122,922	1,299,334	–	–	–	35,422,256
Deposits from customers	–	67,834,701	25,118,373	35,598,722	159,783,147	159,532,369	12	447,867,324
Debt securities issued	–	–	8,069,011	18,948,230	44,632,296	7,149,277	–	78,798,814
Others	–	4,345,839	1,948,624	2,334,425	5,864,086	680,171	42,409	15,215,554
Total liabilities	–	72,608,555	88,763,683	95,721,651	269,695,239	236,206,209	2,754,524	765,749,861
Asset-liability gap	100,066,374	(60,449,395)	(66,854,368)	(49,484,235)	(69,480,085)	186,776,688	19,132,691	59,707,670

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Financial instrument risk management (continued)**(c) Liquidity risk (continued)**

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the Reporting Period: (continued)

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

Notes:

- (i) Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of investments represents impaired investments or those overdue more than one month. Equity investments is listed in the category of indefinite.
- (ii) Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of repayable on demand.
- (iii) Investments with no impairment but overdue within one month are classified into the category of repayable on demand.

50. Financial instrument risk management (continued)

(c) Liquidity risk (continued)

The following tables provide an analysis of the contractual undiscounted cash flow of the financial liabilities, loan commitments and credit card commitments at the end of the Reporting Period:

	At 30 June 2019							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
					Unaudited	Unaudited	Unaudited	Unaudited
Non-derivative financial liabilities								
Borrowing from the central bank	20,057,797	20,174,402	—	—	20,133,689	40,713	—	—
Deposits from banks and other financial institutions	137,847,601	154,933,599	428,015	10,170,216	12,998,686	43,635,418	84,258,080	3,443,184
Placements from banks and other financial institutions	30,540,515	30,931,688	—	9,385,796	4,650,692	16,895,200	—	—
Financial assets sold under repurchase agreements	35,422,256	35,450,740	—	34,145,312	1,305,428	—	—	—
Deposits from customers	447,867,324	476,773,288	67,834,701	25,148,548	35,841,202	163,430,837	184,517,985	15
Debt securities issued	78,798,814	80,429,795	—	8,090,408	19,050,453	45,350,797	7,938,137	—
Other financial liabilities	12,219,473	12,283,083	1,400,182	2,121,401	2,149,542	5,786,374	744,591	80,993
Total non-derivative financial liabilities	762,753,780	810,976,595	69,662,898	89,061,681	96,129,692	275,139,339	277,458,793	3,524,192
Loan commitments and credit card commitments	—	9,009,307	6,165,151	560,595	385,551	1,688,010	210,000	—

	Within three months	Three months to one year	One to five years	Total
	Unaudited	Unaudited	Unaudited	Unaudited
Derivative cash flows				
Derivative financial instruments settled on gross basis				
Cash outflow	(23,475,520)	(17,803,136)	(2,096,784)	(43,375,440)
Cash inflow	23,733,542	17,853,635	2,101,600	43,688,777

(Expressed in thousands of Renminbi, unless otherwise stated)

50. Financial instrument risk management (continued)**(c) Liquidity risk (continued)**

The following tables provide an analysis of the contractual undiscounted cash flow of the financial liabilities, loan commitments and credit card commitments at the end of the Reporting Period: (continued)

	At 31 December 2018							
	Carrying amount	Contractual undiscounted cash flow	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
					Audited	Audited	Audited	Audited
Non-derivative financial liabilities								
Borrowing from the central bank	108,369	108,743	—	—	30,278	78,465	—	—
Deposits from banks and other financial institutions	164,629,085	184,144,476	170,331	6,029,946	21,150,290	68,377,716	80,826,870	7,589,323
Placements from banks and other financial institutions	20,760,381	20,937,076	—	6,893,692	5,102,477	8,940,907	—	—
Financial assets sold under repurchase agreements	43,445,203	43,493,658	—	42,286,199	1,207,459	—	—	—
Deposits from customers	445,576,089	462,346,257	76,827,398	18,352,914	40,182,113	160,705,888	166,099,075	178,869
Debt securities issued	89,668,782	92,416,279	—	10,497,625	16,956,128	53,153,471	11,560,544	248,511
Other financial liabilities	17,610,607	17,610,607	1,097,895	2,053,797	4,705,787	9,507,953	245,175	—
Total non-derivative financial liabilities	781,798,516	821,057,096	78,095,624	86,114,173	89,334,532	300,764,400	258,731,664	8,016,703
Loan commitments and credit card commitments	—	6,343,873	5,054,365	1,003,114	229,608	34,184	22,602	—

	At 31 December 2018		
	Within three months	Three months to one year	Total
	Audited	Audited	Audited
Derivative cash flows			
Derivative financial instruments settled on gross basis			
Cash outflow	(15,664,134)	(9,704,490)	(25,368,624)
Cash inflow	15,646,339	9,878,145	25,524,484

This analysis of contractual undiscounted cash flow might diverge from actual results.

51. Fair value of financial instruments

Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for the determination and disclosure of the fair values of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instrument, fair value measurement methodologies and procedures. Fair value measurement policies specify valuation techniques, parameter selection and relevant concepts, models and parameter solutions. Operating procedures specify measurement operating procedures, valuation date, market parameter selection and corresponding allocation of responsibilities. In the process of fair value measurement, front office is responsible for daily transactions management. Financial accounting department plays a lead role of developing accounting policies of fair value measurement, valuation methodologies and system implementation. The management of the Group is responsible for verifying trade details and valuation models.

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)**

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value:

	At 30 June 2019			Total Unaudited
	Level 1 Unaudited	Level 2 Unaudited	Level 3 Unaudited	
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– debt instruments	–	5,427,447	51,887,027	57,314,474
Financial assets designated at fair value through profit or loss	–	–	10,501,833	10,501,833
Financial assets at fair value through other comprehensive income				
– debt instruments	–	38,645,947	–	38,645,947
– equity instruments	–	–	917,177	917,177
Loans and advances to customers	–	2,505,743	–	2,505,743
Positive fair value of derivatives	–	395,409	855	396,264
Total	–	46,974,546	63,306,892	110,281,438
Financial liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	–	–	10,469,040	10,469,040
Negative fair value of derivatives	–	50,424	–	50,424
Total	–	50,424	10,469,040	10,519,464
Financial assets disclosed at fair value				
Financial assets at amortised cost	–	230,269,794	–	230,269,794
Financial liabilities disclosed at fair value				
Tier two capital bonds issued	–	6,466,197	–	6,466,197
Negotiable certificates of deposit issued	–	71,193,605	–	71,193,605
Total	–	77,659,802	–	77,659,802

51. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

The following tables show the fair value hierarchy of financial instruments measured or disclosed at fair value: (continued)

	At 31 December 2018			Total Audited
	Level 1 Audited	Level 2 Audited	Level 3 Audited	
Financial assets measured at fair value				
Financial assets at fair value through profit or loss				
– debt instruments	1,604,350	6,389,388	41,482,355	49,476,093
Financial assets designated at fair value through profit or loss	–	–	16,586,787	16,586,787
Financial assets at fair value through other comprehensive income				
– debt instruments	–	41,445,323	–	41,445,323
– equity instruments	–	–	609,330	609,330
Loans and advance to customers	–	6,344,375	–	6,344,375
Positive fair value of derivatives	–	305,022	339	305,361
Total	1,604,350	54,484,108	58,678,811	114,767,269
Financial liabilities measured at fair value				
Financial liabilities designated at fair value through profit or loss	–	–	16,512,712	16,512,712
Negative fair value of derivatives	–	153,948	2	153,950
Total	–	153,948	16,512,714	16,666,662
Financial assets disclosed at fair value				
Financial assets measured at amortised cost	–	290,522,985	–	290,522,985
Financial liabilities disclosed at fair value				
Tier two capital bonds issued	–	7,983,088	–	7,983,088
Negotiable certificates of deposit issued	–	80,570,563	–	80,570,563
Total	–	88,553,651	–	88,553,651

During the Reporting Period, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

(Expressed in thousands of Renminbi, unless otherwise stated)

51. Fair value of financial instruments (continued)**Determination of fair value and fair value hierarchy (continued)**

Debt instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, fair values are estimated on the basis of discounted cash flows or pricing models. For level 2 debt instruments, the fair values of these debts are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

The movement during the six-month period ended 30 June 2019 and 2018 in the balance of level 3 fair value measurements are as follows:

	Financial assets at fair value through profit or loss Unaudited	Financial assets designated at fair value through profit or loss Unaudited	Financial assets at fair value through other comprehensive income -equity instruments Unaudited	Derivative financial assets Unaudited	Total assets Unaudited	Financial liabilities designated at fair value through profit or loss Unaudited	Derivative financial liabilities Unaudited	Total liabilities Unaudited
At 1 January 2019	41,482,355	16,586,787	609,330	339	58,678,811	(16,512,712)	(2)	(16,512,714)
Total gains or losses								
– in profit or loss for the year (included in net trading gains)	922,537	(242,080)	–	516	680,973	200,799	2	200,801
– in other comprehensive income	–	–	(21,857)	–	(21,857)	–	–	–
Purchases	25,789,512	8,793,902	329,704	–	34,913,118	(15,129,634)	–	(15,129,634)
Settlements	(16,307,377)	(14,636,776)	–	–	(30,944,153)	20,972,507	–	20,972,507
At 30 June 2019	51,887,027	10,501,833	917,177	855	63,306,892	(10,469,040)	–	(10,469,040)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period (included in net trading gains)	922,537	(242,080)	–	516	680,973	200,799	2	200,801

51. Fair value of financial instruments (continued)

Determination of fair value and fair value hierarchy (continued)

	Available- for-sale financial assets Audited	Financial assets at fair value through profit or loss Audited	Financial assets designated at fair value through profit or loss Audited	Financial assets at fair value through other comprehensive income -equity instruments Audited	Derivative financial assets Audited	Total assets Audited	Financial liabilities designated at fair value through profit or loss Audited	Derivative financial liabilities Audited	Total liabilities Audited
At 31 December 2017	9,629,561	—	20,634,006	—	—	30,263,567	(22,439,776)	—	(22,439,776)
Impact of IFRS 9	(9,629,561)	9,623,352	—	92,806	—	86,597	—	—	—
At 1 January 2018	—	9,623,352	20,634,006	92,806	—	30,350,164	(22,439,776)	—	(22,439,776)
Total gains or losses									
– in profit or loss for the year (included in net trading gains)	—	404,643	468,409	—	339	873,391	(462,265)	(2)	(462,267)
– in other comprehensive income	—	—	—	22,110	—	22,110	—	—	—
Purchases	—	38,135,560	45,263,245	494,414	—	83,893,219	(48,959,894)	—	(48,959,894)
Settlements	—	(6,681,200)	(49,778,873)	—	—	(56,460,073)	55,349,223	—	55,349,223
At 31 December 2018	—	41,482,355	16,586,787	609,330	339	58,678,811	(16,512,712)	(2)	(16,512,714)
Total gains or losses for the year included in profit or loss for assets and liabilities held at the end of the period (included in net trading gains)	—	404,643	468,409	—	339	873,391	(462,265)	(2)	(462,267)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods described below are adopted to determine the fair values of these assets and liabilities:

- (i) The debt instruments are not quoted in an active market. In the absence of any other relevant observable market, the fair values of debt instruments are estimated on the basis of pricing models or discounted cash flows.
- (ii) The fair values of held-to-maturity investments, tier two capital bonds, financial bonds and negotiable certificates of deposit are determined with reference to the available market values. If quoted market prices are not available, fair values are estimated on the basis of pricing models or discounted cash flows.

All of the above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other financial institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

At 30 June 2019, the effects of changes in significant unobservable assumptions to reasonably possible alternative assumptions were immaterial.

(Expressed in thousands of Renminbi, unless otherwise stated)

52. Entrusted lending business

The entrusted lending business of the Group includes the entrusted loans issued with funds entrusted by legal persons, unincorporated organisations, individual business and natural persons with full civil capacity, the funds exclude entrusted loans under cash management and entrusted loans under housing accumulation fund. The Group's entrusted loan business is not subject to any credit risk. The Group only holds and manages these assets and liabilities as an agent in accordance with the instructions of the entrusting party, and charges a handling fee for the services provided. Since the entrusted assets are not assets of the Group, they are not recognised in the statement of financial position.

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Entrusted loans	72,139,482	104,237,213
Entrusted funds	72,139,482	104,237,213

53. Commitments and contingent liabilities

(a) Credit commitments

The Group's credit commitments mainly includes loans commitments, credit card commitments, acceptances, letters of credit and letters of guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Loan commitments		
– Original contractual maturity within one year	449,733	666,784
– Original contractual maturity more than one year (inclusive)	7,423,431	4,502,295
Credit card commitments	1,136,143	1,174,794
Subtotal	9,009,307	6,343,873
Acceptances	203,535,796	219,978,680
Letters of guarantees	235,813	525,856
Letters of credit	13,674,670	18,172,538
Total	226,455,586	245,020,947

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

53. Commitments and contingent liabilities (continued)

(b) Capital commitments

The Group had capital commitments as follows:

	At 30 June 2019 Unaudited	At 31 December 2018 Audited
Contracted but not provided for – Purchase of property and equipment	356,609	407,225

(c) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

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

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2.

(d) Outstanding litigations and disputes

At 30 June 2019, the Group had no material outstanding litigation and disputes with gross claims.

54. Transfers of financial assets

The Group enters into transactions in the normal course of business by which it transfers recognised financial assets to third parties or to special purpose entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognise the transferred assets.

Repurchase agreements

Transferred financial assets that do not qualify for derecognition mainly include debt instruments held by counterparties as collateral under repurchase. The counterparties are allowed to sell or repledge those securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. If the securities increase or decrease in value, the Group may in certain circumstances require or be required to pay additional cash collateral. The Group has determined that the Group retains substantially all the risks and rewards of these securities and therefore has not derecognised them. In addition, the Group recognised a financial liability for cash received.

At 30 June 2019 and 31 December 2018, none of the above-mentioned financial assets which did not qualify for derecognition was transferred to third parties.

Securitisation transactions

The Group enters into securitisation transactions in the normal course of business by which it transfers credit assets to special purpose entities which in turn issue asset-backed securities to investors. The Group may acquire some subordinated tranches of securities and accordingly may retain part of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

At 30 June 2019, the Group derecognised the transferred credit assets in their entirety in the securitisation transactions. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB508.40 million at 31 December 2018, which also approximates to the Group's maximum exposure to loss. The carrying amount at 30 June 2019 was RMB500.00 million.

55. Events after the end of the reporting period

- (a) On 2 August 2019, the board of directors of Bank announced that Ms. Liu Hong has tendered her resignation letter to the Bank to resign as the president of the Bank due to her personal health reasons. Mr. Guo Wenfeng, has been appointed as the president of the Bank and received approval from Liaoning Banking and Insurance Regulatory Bureau on 2 August 2019 for an initial term commencing from 2 August 2019 till the end of the fifth session of the Board.

Mr. Kang Jun has been appointed as the vice president of the Bank and received approval from Liaoning Banking and Insurance Regulatory Bureau on 2 August 2019 for an initial term commencing from 2 August 2019 till the end of the fifth session of the Board.

Mr. Yang Weihua has been appointed as the vice president of the Bank and received approval from Liaoning Banking and Insurance Regulatory Bureau on 2 August 2019 for an initial term commencing from 2 August 2019 till the end of the fifth session of the Board.

Mr. Yu Jun has been appointed as the chief financial officer of the Bank and received approval from Liaoning Banking and Insurance Regulatory Bureau on 2 August 2019 for an initial term commencing from 2 August 2019 till the end of the fifth session of the Board.

- (b) On 28 July 2019, the board of directors of the Bank received notice from certain shareholders of the Bank, including China Enterprise Development Investment (Beijing) Co., Ltd.* (中企發展投資(北京)有限公司), that they transferred part of the domestic shares of the Bank held by them to ICBC Financial Asset Investment Co., Limited (工銀金融資產投資有限公司) ("ICBC Investment"), Cinda Investment Co., Ltd. (信達投資有限公司) ("Cinda Investment") and China Greatwall Assets Management Co., Ltd* (中國長城資產管理股份有限公司) under the support and guidance of the local government and financial supervising authorities, and the relevant parties have already entered into conditional share transfer agreements regarding such transfers. The domestic shares of the Bank being transferred to ICBC Investment and Cinda Investment shall represent 10.82% and 6.49% of the total issued ordinary shares of the Bank, respectively.

56. Approval of the condensed consolidated interim financial information

The financial statements were approved and authorised for issue by the Board of Directors on 30 August 2019.

CHAPTER 11 UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of Renminbi, unless otherwise stated)

1. Liquidity coverage ratio and leverage ratio (%)

(a) Liquidity coverage ratio

	At 30 June 2019	Average for the year ended 30 June 2019
Liquidity coverage ratio (RMB and foreign currency)	41.41%	96.86%

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

(b) Leverage ratio

	At 30 June 2019	At 31 December 2018
Leverage ratio	7.30%	6.57%

Pursuant to the Leverage ratio Management of Commercial Banks issued by the CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBRC and based on the financial information prepared in accordance with PRC GAAP.

2. Currency concentration

	USD Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total
At 30 June 2019				
Spot assets	8,503,338	36,470	321,072	8,860,880
Spot liabilities	(25,842,777)	(336,220)	(3,178,425)	(29,357,422)
Net long position	(17,339,439)	(299,750)	(2,857,353)	(20,496,542)
Net structural position	—	—	—	—
At 31 December 2018				
Spot assets	7,192,121	7,200,303	317,111	14,709,535
Spot liabilities	(19,856,223)	(568,661)	(648,089)	(21,072,973)
Net long position	(12,664,102)	6,631,642	(330,978)	(6,363,438)
Net structural position	—	—	—	—

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, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At 30 June 2019		
	Banks and others financial institutions	Non-bank private sector	Total
Asia Pacific	1,983,143	3,504,618	5,487,761
– of which attributed to Hong Kong	243,442	1,798,979	2,042,421
Europe	2,142,638	–	2,142,638
North and South America	1,249,749	–	1,249,749
Total	5,375,530	3,504,618	8,880,148

	At 31 December 2018		
	Banks and others financial institutions	Non-bank private sector	Total
Asia Pacific	7,781,048	4,012,332	11,793,380
– of which attributed to Hong Kong	7,433,695	1,749,618	9,183,313
Europe	2,123,621	–	2,123,621
North and South America	798,200	–	798,200
Total	10,702,869	4,012,332	14,715,201

(Expressed in thousands of Renminbi, unless otherwise stated)

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

	At 30 June 2019	At 31 December 2018
Jinzhou Region	3,052,751	1,822,982
Other Northeastern China Region	5,192,140	695,425
Northern China Region	2,598,778	3,132,346
Total	10,843,669	5,650,753

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

	At 30 June 2019	At 31 December 2018
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	3,838,536	1,666,442
– between 6 months and 1 year (inclusive)	3,676,793	1,827,223
– between 1 year and 3 years (inclusive)	2,413,632	1,435,409
– over 3 years	914,708	721,679
Total	10,843,669	5,650,753
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.90%	0.77%
– between 6 months and 1 year (inclusive)	0.86%	0.85%
– between 1 year and 3 years (inclusive)	0.57%	0.67%
– over 3 years	0.21%	0.34%
Total	2.54%	2.63%

The above analysis includes loans and advances overdue for more than 90 days. Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

At 30 June 2019, the gross amount of overdue loans and advances overdue more than 90 days of the Group were RMB10,841 million (31 December 2018: RMB5,651 million). The covered portion of these overdue loans and advances were RMB5,992 million (30 December 2018: RMB3,217 million).

6. Non-bank Mainland China exposure

The Bank is a commercial bank incorporated in Mainland China with its banking business conducted in Mainland China. At 30 June 2019 and 31 December 2018, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals.



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