



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

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

Stock Code : 6122

# 2019

## Interim Report

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





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# Chapter 1 Definitions and Glossary

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
“Bank”	Jilin Jiutai Rural Commercial Bank Corporation Limited, a joint stock company incorporated in the PRC on December 16, 2008 with limited liability in accordance with PRC laws, including its predecessors, but excluding its subsidiaries
“Board” or “Board of Directors”	the board of directors of the Bank
“Board of Supervisors”	the board of supervisors of the Bank
“CBIRC”	the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CBIRC Jilin Bureau”	the China Banking and Insurance Regulatory Commission Jilin Bureau (中國銀行保險監督管理委員會吉林監管局)
“Changbai Mountain Rural Commercial Bank”	Changbai Mountain Rural Commercial Bank Co., Ltd. (長白山農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 14, 2011, in which the Bank holds a 38.80% equity interest. The other 20 shareholders hold 61.20% equity interest in Changbai Mountain Rural Commercial Bank
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank in the PRC, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi
“Four Rural Commercial Banks”	Changbai Mountain Rural Commercial Bank, Jilin Chuncheng Rural Commercial Bank, Jilin Dehui Rural Commercial Bank and Jilin Gongzhuling Rural Commercial Bank

## Chapter 1 Definitions and Glossary

“Group”	the Bank and its consolidated subsidiaries
“H Shares”	the ordinary shares issued by the Bank in Hong Kong with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars
“HK\$” or “Hong Kong dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as may be amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	the International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Jilin Chuncheng Rural Commercial Bank”	Jilin Chuncheng Rural Commercial Bank Co., Ltd. (吉林春城農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30% equity interest. The remaining 28 shareholders hold 70% equity interest in Jilin Chuncheng Rural Commercial Bank
“Jilin Dehui Rural Commercial Bank”	Jilin Dehui Rural Commercial Bank Co., Ltd. (吉林德惠農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on December 30, 2013, in which the Bank holds a 45% equity interest. The remaining six shareholders hold 55% equity interest in Jilin Dehui Rural Commercial Bank
“Jilin Gongzhuling Rural Commercial Bank”	Jilin Gongzhuling Rural Commercial Bank Co., Ltd. (吉林公主嶺農村商業銀行股份有限公司), a joint stock company with limited liability incorporated in the PRC on October 12, 2015, in which the Bank holds a 30% equity interest. The remaining 55 shareholders hold 70% equity interest in Jilin Gongzhuling Rural Commercial Bank

## Chapter 1 Definitions and Glossary

“Jilin Jiuyin Financial Leasing”	Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司), a joint stock company with limited liability incorporated in the PRC on February 20, 2017, in which the Bank holds a 60% equity interest. The remaining four shareholders hold 40% equity interest in Jilin Jiuyin Financial Leasing
“Latest Practicable Date”	September 20, 2019, being the latest practicable date for ascertaining certain information in this interim report before its publication
“non-performing loans”	non-performing loans, and for the purpose of this interim report, means such loans that are classified as substandard, doubtful and loss according to the five-category loans classification system the Bank and each subsidiary adopted pursuant to applicable PRC guidelines
“non-performing loan ratio”	the percentage ratio calculated by dividing non-performing loans by total loans
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this interim report, excluding Hong Kong, Macau and Taiwan, unless otherwise indicated
“PRC GAAP”	the PRC Accounting Standards for Business Enterprises (中國企業會計準則) promulgated by the Ministry of Finance of the PRC on February 15, 2006 and its supplementary regulations, as amended, supplemented or otherwise modified from time to time
“Reporting Period”	the six months ended June 30, 2019 (from January 1, 2019 to June 30, 2019)
“RMB” or “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
“Shares”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each

## Chapter 1 Definitions and Glossary

“Shareholder(s)”	holder(s) of the Shares
“Supervisor(s)”	the supervisor(s) of the Bank
“three rurals”	a short term for the issues related to agriculture, rural areas and rural households

*In this interim report:*

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

# Chapter 2 Company Profile

## I. BASIC INFORMATION OF THE BANK

### Registered Name in Chinese:

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

### Registered Name in English:

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

### Legal Representative:

Gao Bing (高兵)

### Authorized Representatives:

Gao Bing (高兵), Lau Kwok Yin (劉國賢)

### Board Secretary:

Yuan Chunyu (袁春雨)

### Joint Company Secretaries:

Yuan Chunyu (袁春雨), Lau Kwok Yin (劉國賢)

### Registered Office Address:

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

### Principal Office Address:

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



## Chapter 2 Company Profile

### Customer Service Hotline:

+86 (431) 96888

### Telephone:

+86 (431) 8925 0628

### Facsimile:

+86 (431) 8925 0628

### Company Website:

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

### Principal Place of Business in Hong Kong:

Room 15, 11th Floor, Tower 2, Admiralty Centre  
18 Harcourt Road,  
Admiralty, Hong Kong

### H Share Disclosure Websites:

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

### Listing Place:

The Stock Exchange of Hong Kong Limited

### Stock Short Name:

JIUTAI RCB

### Stock Code:

06122

### H Share Registrar:

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

## Chapter 2 Company Profile

### **PRC Legal Adviser:**

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

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

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

### **Auditors:**

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

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

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

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

### II. HISTORY OF THE BANK

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

The Bank’s current registered address is No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin Province, the PRC. The Bank has established a place of business in Hong Kong at Room 15, 11th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong and registered as a non-Hong Kong company in Hong Kong on February 17, 2016 under Part XVI of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The Bank appointed Mr. Lau Kwok Yin (劉國賢) as the Bank’s authorized representative for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Bank in Hong Kong is at 40th Floor, Sunlight Tower, 248 Queen’s Road East, Wanchai, Hong Kong. As the Bank was established in the PRC, the Bank’s corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC.

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

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

## Chapter 2 Company Profile

### III. MAJOR AWARDS AND RECOGNITIONS IN THE FIRST HALF OF 2019

The Group has won numerous awards and recognitions in the first half of 2019 attributable to its outstanding business performance and management ability, including the following:

Entity awarded	Award/recognition	Awarding unit
The Bank	Top 300 Trading Banks in Interbank RMB Market in 2018 (2018 年度銀行間本幣市場交易 300 強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Top 100 Banks in Interbank RMB and Foreign Exchange Market in 2018 (2018 年度銀行間人民幣外匯市場 100 強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Top 20 Banks in Interbank Foreign Currency Market in 2018 (2018 年度銀行間外幣對市場 20 強)	China Foreign Exchange Trade System and National Interbank Funding Center (中國外匯交易中心暨全國銀行間同業拆借中心)
The Bank	Class-A Bank for Implementation of Foreign Exchange Control Regulations in 2018 (2018 年度執行外匯管理規定考核A類銀行)	Jilin Branch of the State Administration of Foreign Exchange (國家外匯管理局吉林省分局)
The Bank	Top 100 Settlement Banks — Excellent Proprietary Trader (結算 100 強 — 優秀自營商)	China Central Depository & Clearing Co., Ltd. (中央國債登記結算有限責任公司)
The Bank	Top 100 Chinese Banks in 2018 (2018 年中國銀行業 100 強)	China Banking Association (中國銀行業協會)
The Bank	Best Bidding Membership Award (最佳競價會員獎)	China Foreign Exchange Trade System (中國外匯交易中心)
The Bank	Best Non-US dollar Membership Award (最佳非美貨幣會員獎)	China Foreign Exchange Trade System (中國外匯交易中心)

## Chapter 2 Company Profile

Entity awarded	Award/recognition	Awarding unit
The Bank	Best Foreign Currency Pair Membership Award (最佳外幣對會員獎)	China Foreign Exchange Trade System (中國外匯交易中心)
The Bank	Top Ten Banks for Poverty Alleviation (十佳精準扶貧銀行)	Steering Committee of the Forum for Chinese New Financial Institutions (中國新型金融機構論壇組委會)
The Bank	The Best Sustainable Development Report (最佳可持續發展報告)	“2019 China Financing Award” (「2019 年中國融資大獎」) organized by China Financial Market, Hong Kong Magazine (香港《中國融資》雜誌)
Jilin Fengman Huimin Village Bank Co., Ltd.	Outstanding Financial Service Provider in 2018 (2018 年度金融服務優秀單位)	Economic and Technology Development Zone Management Committee of Jilin City (吉林市經濟技術開發區管委會)
Taonan Huimin Village Bank Co., Ltd.	Advanced Group of Building Spiritual Civilization (精神文明建設先進集體)	Guidance Commission on Building Spiritual Civilization of Jilin Province (吉林省精神文明建設指導委員會)
Anping Huimin Village Bank Co., Ltd.	Outstanding Youth Group (青年五四獎集體)	Hengshui City Finance League (衡水市金融團工委)
Huimin Village Bank Company Limited of Anci, Langfang	Pioneer Institution for Providing Financial Services to Small and Micro Enterprises of 2018 (2018 年度小微企業金融服務先進單位)	CBIRC Langfang Bureau (廊坊市銀保監局)
Huimin Village Bank Company Limited of Anci, Langfang	Pioneer Institution for Providing Financial Services to Support Agricultural Enterprises of 2018 (2018 年度支農金融服務先進單位)	CBIRC Langfang Bureau (廊坊市銀保監局)
Hanshan Huimin Town Bank Co., Ltd.	Outstanding Enterprise for Contribution to Service Industry of 2018 (2018 年度服務業貢獻企業)	Hanshan County Party Committee and People's Government of Hanshan County (中共含山縣委、含山縣人民政府)

## Chapter 3 Financial Summary

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019	2018	Change in percentage (%)	Year ended December 31, 2018
<b>Operating results</b>				
Interest income	4,171.2	4,362.3	(4.4)	8,602.6
Interest expenses	(2,257.3)	(2,608.7)	(13.5)	(5,082.5)
<b>Net interest income</b>	<b>1,913.9</b>	1,753.6	9.1	3,520.1
Fee and commission income	102.5	141.2	(27.4)	407.2
Fee and commission expenses	(14.0)	(13.8)	1.4	(31.6)
<b>Net fee and commission income</b>	<b>88.5</b>	127.4	(30.5)	375.6
Net trading gains	350.8	385.3	(9.0)	914.5
Dividend income	64.2	76.5	(16.1)	82.2
Net gains arising from investment securities	7.7	7.3	5.5	11.8
Losses on deemed disposals of subsidiaries	—	(6.2)	(100.0)	(6.2)
Net exchange gains/(losses)	3.4	11.4	(70.2)	15.0
Other operating (expense) income, net	(1.5)	21.6	(106.9)	124.6
<b>Operating income</b>	<b>2,427.0</b>	2,376.9	2.1	5,037.6
Operating expenses	(1,156.5)	(1,288.3)	(10.2)	(2,851.4)
Impairment losses on assets	(678.9)	(555.4)	22.2	(890.2)
<b>Operating profit</b>	<b>591.6</b>	533.2	11.0	1,296.0
Share of profits of associates	18.1	35.9	(49.6)	143.7
<b>Profit before tax</b>	<b>609.7</b>	569.1	7.1	1,439.7
Income tax expense	(110.3)	(94.6)	16.6	(256.1)
<b>Profit for the period/end of year</b>	<b>499.4</b>	474.5	5.2	1,183.6
<b>Profit for the year attributable to:</b>				
— Owners of the Bank	454.7	370.2	22.8	982.9
— Non-controlling interests	44.7	104.3	(57.1)	200.7
<b>Profit for the period/end of year</b>	<b>499.4</b>	474.5	5.2	1,183.6
Basic earnings per Share (RMB)	0.11	0.09	22.2	0.23
Diluted earnings per Share (RMB)	0.11	0.09	22.2	0.23

## Chapter 3 Financial Summary

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As at June 30, 2019</b>	As at December 31, 2018	Change in percentage (%)	
<b>Major indicators of assets/liabilities</b>				
Total assets	<b>163,535.8</b>	164,253.2	(0.4)	
Of which: loans and advances to customers	<b>84,694.7</b>	75,354.5	12.4	
Total liabilities	<b>148,638.8</b>	149,145.7	(0.3)	
Of which: deposits from customers	<b>112,374.0</b>	109,521.2	2.6	
Total equity	<b>14,897.0</b>	15,107.5	(1.4)	
	<b>Six months ended June 30, 2019</b>	2018	Change in percentage (%)	
<b>Profitability indicators (%)</b>				
Return on assets <sup>(1)(15)</sup>	<b>0.61%</b>	0.55%	10.9	
Return on capital <sup>(2)(15)</sup>	<b>6.66%</b>	6.17%	7.9	
Net interest spread <sup>(3)(15)</sup>	<b>2.61%</b>	2.03%	28.6	
Net interest margin <sup>(4)(15)</sup>	<b>2.56%</b>	1.98%	29.3	
Net fee and commission income to operating income ratio <sup>(5)</sup>	<b>3.65%</b>	5.36%	(31.9)	
Cost-to-income ratio <sup>(6)</sup>	<b>46.56%</b>	52.27%	(10.9)	
	<b>As at June 30, 2019</b>	As at December 31, 2018	Change in percentage (%)	As at June 30, 2018
<b>Capital adequacy indicators (%)</b>				
Core tier-one capital adequacy ratio <sup>(7)</sup>	<b>8.85%</b>	9.40%	(5.9)	8.85%
Tier-one capital adequacy ratio <sup>(8)</sup>	<b>8.94%</b>	9.50%	(5.9)	8.93%
Capital adequacy ratio <sup>(9)</sup>	<b>11.25%</b>	11.83%	(4.9)	11.23%
Shareholders' equity to total assets ratio	<b>9.11%</b>	9.20%	(1.0)	8.88%
<b>Assets quality indicators (%)</b>				
Non-performing loan ratio <sup>(10)</sup>	<b>1.85%</b>	1.75%	5.7	1.91%
Provision coverage ratio <sup>(11)</sup>	<b>161.49%</b>	160.41%	0.7	155.04%
Provision to total loan ratio <sup>(12)</sup>	<b>2.98%</b>	2.80%	6.4	2.96%
<b>Other indicators<sup>(13)</sup> (%)</b>				
Loan to deposit ratio <sup>(14)</sup>	<b>77.68%</b>	70.79%	9.7	65.29%

## Chapter 3 Financial Summary

*Notes:*

- (1) Calculated by dividing the net profit for the period/year by the average balance of total assets at the beginning and the end of that period/year.
- (2) Calculated by dividing the net profit for the period/year by the average balance of total equity at the beginning and at the end of that period/year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.
- (10) Non-performing loan ratio = non-performing loans and advances to customers/gross loans and advances to customers.
- (11) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances to customers.
- (12) Provision to total loan ratio = provision for impairment losses on loans/gross loans and advances to customers.
- (13) These indicators refer to ratios we report to the CBIRC and calculated in accordance with PRC GAAP and relative requirements of the CBIRC regarding the financial data.
- (14) According to the revised PRC Commercial Banking Law which became effective on October 1, 2015, loan to deposit ratio is no longer applicable to the PRC Commercial Banks as a regulatory ratio.
- (15) Ratios for the six months ended June 30, 2018 and 2019 are calculated on an annualized basis.



# Chapter 4 Management Discussion and Analysis

## 1 Environment and Outlook

In the first half of 2019, although facing a complex and volatile macroeconomic situation where global political, economic and trading rules were under major adjustments and the uncertainties in the external environment have increased, with the support of relevant policies such as tax and surcharge reduction and improvement of business and financing environments, the general economy in China maintained steady growth and was well positioned for a healthy and sound development.

During the course of high-quality development, financial institutions in the banking industry will also face pressure from the needs of structural adjustment, business transformation and risk control. Yet, under the support of the proactive financial policies and flexible monetary policies, the operational outlook will be promising. Benefitting from a series of reform measures and full implementation of real economic supporting policies, the supply-side structural reform will be further promoted, and the transformation and upgrade of the industry will be accelerated. Coupled with the revitalization strategy of the Northeastern China and the implementation of “one dome, six double-pillars” (一主六雙), the overall industrial planning of Jilin Province, new opportunities and platforms will be provided for the development and transformation of the banking service sector in order to better serve the regional economy.

In the future, the Bank will effectively identify the actual situation and the new trend of the macro economy with the target of serving real economy. The Bank will focus on financial services for the three rurals and communities, cooperation platforms and public charity and emphasize the optimization of its operational structure, promotion of transformation and development and effective control of financial risks. All of the above will help the Bank to strike a balance between scale and revenue, progress and quality as well as profit and risks in terms of business development and to achieve sustainable development with high quality.

## Chapter 4 Management Discussion and Analysis

### 2 Development Strategies

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

### 3 Overall Business Review

In the first half of 2019, in the face of multiple challenges including the changing macro environment and difficulties in the real economy, the Group proactively implemented various regulatory policies, maintained steady growth, adjusted the structure, and prevented and controlled risks in a coordinated manner. The Group maintained sound operation and management with steady development.

The Group recorded a total operating income of RMB2,427.0 million for the six months ended June 30, 2019, representing an increase of 2.1% as compared to RMB2,376.9 million for the six months ended June 30, 2018. The Group's net profit increased by 5.2% from RMB474.5 million for the six months ended June 30, 2018 to RMB499.4 million for the six months ended June 30, 2019.

As at June 30, 2019, the Group's total assets amounted to RMB163,535.8 million, representing a decrease of 0.4% as compared with the beginning of the year; net loans and advances to customers amounted to RMB84,694.7 million, representing an increase of 12.4% as compared with the beginning of the year; the non-performing loan ratio remained at a reasonable level of 1.85%; total deposits from customers amounted to RMB112,374.0 million, representing an increase of 2.6% as compared with the beginning of the year.

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2019	2018	Change in amount	
Interest income	4,171.2	4,362.3	(191.1)	(4.4)
Interest expense	(2,257.3)	(2,608.7)	351.4	(13.5)
<b>Net interest income</b>	<b>1,913.9</b>	1,753.6	160.3	9.1
Fee and commission income	102.5	141.2	(38.7)	(27.4)
Fee and commission expenses	(14.0)	(13.8)	(0.2)	1.4
<b>Net fee and commission income</b>	<b>88.5</b>	127.4	(38.9)	(30.5)
Net trading gains	350.8	385.3	(34.5)	(9.0)
Dividend income	64.2	76.5	(12.3)	(16.1)
Net gains arising from investment securities	7.7	7.3	0.4	5.5
Losses on deemed disposals of subsidiaries	—	(6.2)	6.2	(100.0)
Net exchange gains/(losses)	3.4	11.4	(8.0)	(70.2)
Other operating (expense) income, net	(1.5)	21.6	(23.1)	(106.9)
<b>Operating income</b>	<b>2,427.0</b>	2,376.9	50.1	2.1
Operating expenses	(1,156.5)	(1,288.3)	131.8	(10.2)
Impairment losses on assets	(678.9)	(555.4)	(123.5)	22.2
<b>Operating profit</b>	<b>591.6</b>	533.2	58.4	11.0
Share of profits of associates	18.1	35.9	(17.8)	(49.6)
<b>Profit before tax</b>	<b>609.7</b>	569.1	40.6	7.1
Income tax expense	(110.3)	(94.6)	(15.7)	16.6
<b>Profit for the period</b>	<b>499.4</b>	474.5	24.9	5.2
<b>Profit for the period attributable to:</b>				
— Owners of the Bank	454.7	370.2	84.5	22.8
— Non-controlling interests	44.7	104.3	(59.6)	(57.1)
<b>Profit for the period</b>	<b>499.4</b>	474.5	24.9	5.2

In the first six months of 2019, the Group's operating income was RMB2,427.0 million, representing a year-on-year increase of 2.1%; profit before tax was RMB609.7 million, representing a year-on-year increase of 7.1%; profit for the period was RMB499.4 million, representing a year-on-year increase of 5.2%. It was mainly due to the increase in net interest income of the Group.

## Chapter 4 Management Discussion and Analysis

### (i) Net interest income

Net interest income was the largest component of the Group's operating income, representing 73.8% and 78.9% of operating income for the six months ended June 30, 2018 and 2019, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2019	2018	Change in amount	
Interest income	4,171.2	4,362.3	(191.1)	(4.4)
Interest expenses	(2,257.3)	(2,608.7)	351.4	(13.5)
<b>Net interest income</b>	<b>1,913.9</b>	<b>1,753.6</b>	<b>160.3</b>	<b>9.1</b>

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019			Six months ended June 30, 2018		
	Average Balance	Interest income	Average yield (%)	Average Balance	Interest income	Average yield (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	83,371.8	2,968.6	7.12	85,463.4	2,628.9	6.15
Investment securities and other financial assets <sup>(1)</sup>	29,682.7	788.6	5.31	43,157.2	1,124.0	5.21
Deposits with banks and other financial institutions	17,818.2	237.6	2.67	19,907.3	322.2	3.24
Financial assets held under resale agreements	2,806.2	40.9	2.91	8,087.9	137.7	3.41
Deposits with the central bank <sup>(2)</sup>	13,709.8	96.4	1.41	18,770.9	122.6	1.31
Placements with banks and other financial institutions	2,132.5	39.1	3.67	1,484.6	26.9	3.62
<b>Total interest-earning assets</b>	<b>149,521.2</b>	<b>4,171.2</b>	<b>5.58</b>	<b>176,871.3</b>	<b>4,362.3</b>	<b>4.93</b>

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019			Six months ended June 30, 2018		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Interest-bearing liabilities</b>						
Deposits from customers	111,488.2	1,559.5	2.80	134,385.2	1,681.4	2.50
Financial assets sold under repurchase agreements	10,679.7	118.6	2.22	15,260.4	220.4	2.89
Deposits from banks and other financial institutions	5,721.8	98.6	3.45	8,298.2	171.5	4.13
Debt securities issued <sup>(3)</sup>	21,475.8	438.5	4.08	19,873.3	514.5	5.18
Placements from banks and other financial institutions	960.8	10.0	2.08	1,924.5	15.0	1.56
Borrowing from the central bank	951.3	14.3	3.01	420.3	5.9	2.81
Lease liabilities	817.1	17.8	4.36	—	—	—
<b>Total interest-bearing liabilities</b>	<b>152,094.7</b>	<b>2,257.3</b>	<b>2.97</b>	<b>180,161.9</b>	<b>2,608.7</b>	<b>2.90</b>
<b>Net interest income</b>		<b>1,913.9</b>			<b>1,753.6</b>	
<b>Net interest spread<sup>(4)</sup></b>			<b>2.61</b>			<b>2.03</b>
<b>Net interest margin<sup>(5)</sup></b>			<b>2.56</b>			<b>1.98</b>

Notes:

- (1) In accordance with the accounting standards, interest income generated from financial assets at fair value through profit or loss of the Group is credited to the net profit and loss of trading activities. The figures for the same period of last year were adjusted on the same basis for comparison purpose. Investment securities and other financial assets include the financial assets at fair value through other comprehensive income and financial assets at amortized cost.
- (2) Primarily consist of statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.
- (3) Primarily consist of tier-two capital bonds, subordinated fixed rate bonds and interbank certificates.
- (4) Represents the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets).

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30, 2019 vs 2018		
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	Net Increase/ (decrease) <sup>(3)</sup>
<b>Interest-earning Assets</b>			
Loans and advances to customers	(74.5)	414.2	339.7
Investment securities and other financial assets	(358.0)	22.6	(335.4)
Financial assets held under resale agreements	(77.0)	(19.8)	(96.8)
Deposits with banks and other financial institutions	(27.9)	(56.7)	(84.6)
Deposits with the central bank	(35.6)	9.4	(26.2)
Placements with banks and other financial institutions	11.9	0.3	12.2
<b>Changes in interest income</b>	<b>(561.1)</b>	<b>370.0</b>	<b>(191.1)</b>
<b>Interest-bearing Liabilities</b>			
Deposits from customers	(320.3)	198.4	(121.9)
Financial assets sold under repurchase agreements	(50.9)	(50.9)	(101.8)
Deposits from banks and other financial institutions	(44.4)	(28.5)	(72.9)
Debt securities issued	32.7	(108.7)	(76.0)
Placements from banks and other financial institutions	(10.0)	5.0	(5.0)
Borrowing from the central bank	8.0	0.4	8.4
Lease liabilities	17.8	—	17.8
<b>Changes in interest expense</b>	<b>(367.1)</b>	<b>15.7</b>	<b>(351.4)</b>
<b>Changes in net interest income</b>	<b>(194.0)</b>	<b>354.3</b>	<b>160.3</b>

Notes:

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

## Chapter 4 Management Discussion and Analysis

### (ii) Interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2018	
	2019	% of	Amount	% of
	Amount	total	Amount	total
Loans and advances to customers	2,968.6	71.2	2,628.9	60.2
Investment securities and other financial assets	788.6	18.9	1,124.0	25.8
Deposits with banks and other financial institutions	237.6	5.7	322.2	7.4
Financial assets held under resale agreements	40.9	1.0	137.7	3.2
Deposits with the central bank	96.4	2.3	122.6	2.8
Placements with banks and other financial institutions	39.1	0.9	26.9	0.6
<b>Total</b>	<b>4,171.2</b>	<b>100.0</b>	4,362.3	100.0

The Group's interest income decreased by 4.4% from RMB4,362.3 million for the six months ended June 30, 2018 to RMB4,171.2 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of interest-earning assets from RMB176,871.3 million for the six months ended June 30, 2018 to RMB149,521.2 million for the six months ended June 30, 2019, which was partially offset by an increase in the average yield on interest-earning assets from 4.93% for the six months ended June 30, 2018 to 5.58% for the six months ended June 30, 2019. The decrease in the average balance of interest-earning assets was primarily due to the decreases in the average balance of loans and advances to customers, investment securities and other financial assets, deposits with banks and other financial institutions, financial assets held under resale agreements and deposits with the central bank, which was partially offset by an increase in the average balance of placements with banks and other financial institutions. The increase in the average yield on interest-earning assets was primarily due to an increase in the average yield on loans and advances to customers, investment securities and other financial assets, deposits with the central bank and placements with banks and other financial institutions, which was partially offset by a decrease in the average yield on deposits with banks and other financial institutions and financial assets held under resale agreements.

## Chapter 4 Management Discussion and Analysis

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

Interest income from loans and advances to customers represented 60.2% and 71.2% of the Group's total interest income for the six months ended June 30, 2018 and 2019, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	2019			2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	61,853.1	2,215.4	7.16	64,904.8	1,967.0	6.06
Retail loans	21,196.8	748.5	7.06	20,500.5	660.4	6.44
Discounted bills	321.9	4.7	2.92	58.1	1.5	5.16
<b>Gross loans and advances to customers</b>	<b>83,371.8</b>	<b>2,968.6</b>	<b>7.12</b>	<b>85,463.4</b>	<b>2,628.9</b>	<b>6.15</b>

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

Interest income from investment securities and other financial assets decreased by 29.8% from RMB1,124.0 million for the six months ended June 30, 2018 to RMB788.6 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of investment securities and other financial assets from RMB43,157.2 million for the six months ended June 30, 2018 to RMB29,682.7 million for the six months ended June 30, 2019, which was partially offset by an increase in the average yield on investment securities and other financial assets from 5.21% for the six months ended June 30, 2018 to 5.31% for the six months ended June 30, 2019.

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

Interest income from deposits with banks and other financial institutions decreased by 26.3% from RMB322.2 million for the six months ended June 30, 2018 to RMB237.6 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of deposits with banks and other financial institutions from RMB19,907.3 million for the six months ended June 30, 2018 to RMB17,818.2 million for the six months ended June 30, 2019 and a decrease in average yield from 3.24% for the six months ended June 30, 2018 to 2.67% for the six months ended June 30, 2019.



## Chapter 4 Management Discussion and Analysis

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

Interest income from financial assets held under resale agreements decreased by 70.3% from RMB137.7 million for the six months ended June 30, 2018 to RMB40.9 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of financial assets held under resale agreements from RMB8,087.9 million for the six months ended June 30, 2018 to RMB2,806.2 million for the six months ended June 30, 2019 and a decrease in the average yield on those assets from 3.41% for the six months ended June 30, 2018 to 2.91% for the six months ended June 30, 2019.

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

Interest income from deposits with the central bank decreased by 21.4% from RMB122.6 million for the six months ended June 30, 2018 to RMB96.4 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of deposits with the central bank from RMB18,770.9 million for the six months ended June 30, 2018 to RMB13,709.8 million for the six months ended June 30, 2019, which was partially offset by an increase in the average yield on deposits with the central bank from 1.31% for the six months ended June 30, 2018 to 1.41% for the six months ended June 30, 2019. The decrease in the average balance of deposits with the central bank was primarily due to a decrease in the surplus deposit reserves.

### (iii) Interest expenses

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2019		2018	
	Amount	% of total	Amount	% of total
Deposits from customers	1,559.5	69.1	1,681.4	64.5
Financial assets sold under repurchase agreements	118.6	5.3	220.4	8.4
Deposits from banks and other financial institutions	98.6	4.4	171.5	6.6
Debt securities issued	438.5	19.4	514.5	19.7
Placements from banks and other financial institutions	10.0	0.4	15.0	0.6
Borrowings from the central bank	14.3	0.6	5.9	0.2
Lease liabilities	17.8	0.8	—	—
<b>Total</b>	<b>2,257.3</b>	<b>100.0</b>	2,608.7	100.0

## Chapter 4 Management Discussion and Analysis

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

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			2018		
	2019 Average balance	2019 Interest expense	2019 Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Time	16,592.9	322.2	3.88	20,224.3	392.1	3.88
Demand	25,307.5	123.6	0.98	31,955.2	250.9	1.57
<b>Subtotal</b>	<b>41,900.4</b>	<b>445.8</b>	<b>2.13</b>	52,179.5	643.0	2.46
<b>Retail deposits</b>						
Time	50,306.5	978.6	3.89	61,252.2	976.9	3.19
Demand	19,281.3	135.1	1.40	20,953.5	61.5	0.59
<b>Subtotal</b>	<b>69,587.8</b>	<b>1,113.7</b>	<b>3.20</b>	82,205.7	1,038.4	2.53
<b>Total deposits from customers</b>	<b>111,488.2</b>	<b>1,559.5</b>	<b>2.80</b>	134,385.2	1,681.4	2.50

Interest expenses on deposits from customers decreased by 7.2% from RMB1,681.4 million for the six months ended June 30, 2018 to RMB1,559.5 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of deposits from customers from RMB134,385.2 million for the six months ended June 30, 2018 to RMB111,488.2 million for the six months ended June 30, 2019, which was partially offset by an increase in the average cost of deposits from customers from 2.50% for the six months ended June 30, 2018 to 2.80% for the six months ended June 30, 2019.

## Chapter 4 Management Discussion and Analysis

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

Interest expenses on financial assets sold under repurchase agreements decreased by 46.2% from RMB220.4 million for the six months ended June 30, 2018 to RMB118.6 million for the six months ended June 30, 2019, primarily due to a decrease in the average balance of financial assets sold under repurchase agreements from RMB15,260.4 million for the six months ended June 30, 2018 to RMB10,679.7 million for the six months ended June 30, 2019 and a decrease of average cost from 2.89% for the six months ended June 30, 2018 to 2.22% for the six months ended June 30, 2019.

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

Interest expenses on deposits from banks and other financial institutions decreased by 42.5% from RMB171.5 million for the six months ended June 30, 2018 to RMB98.6 million for the six months ended June 30, 2019, mainly due to a decrease in the average balance of those liabilities from RMB8,298.2 million for the six months ended June 30, 2018 to RMB5,721.8 million for the six months ended June 30, 2019 and a decrease in the average cost from 4.13% for the six months ended June 30, 2018 to 3.45% for the six months ended June 30, 2019.

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

Interest expenses on debt securities issued decreased by 14.8% from RMB514.5 million for the six months ended June 30, 2018 to RMB438.5 million for the six months ended June 30, 2019, mainly due to a decrease in the average cost of such liabilities from 5.18% for the six months ended June 30, 2018 to 4.08% for the six months ended June 30, 2019, which was partially offset by an increase in the average balance of such liabilities from RMB19,873.3 million for the six months ended June 30, 2018 to RMB21,475.8 million for the six months ended June 30, 2019.

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

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

Net interest spread increased by 0.58 percentage point from 2.03% for the six months ended June 30, 2018 to 2.61% for the six months ended June 30, 2019, and net interest margin increased by 0.58 percentage point from 1.98% for the six months ended June 30, 2018 to 2.56% for the six months ended June 30, 2019, primarily due to an increase in the average yield on interest-earning assets by 0.65 percentage point from 4.93% for the six months ended June 30, 2018 to 5.58% for the six months ended June 30, 2019, which was partially offset by an increase in the average cost of interest-bearing liabilities by 0.07 percentage point from 2.90% for the six months ended June 30, 2018 to 2.97% for the six months ended June 30, 2019.

## Chapter 4 Management Discussion and Analysis

### (v) Non-interest income

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			
	2019	2018	Change in amount	Change in percentage (%)
<b>Fee and commission income</b>				
Advisory fees	22.1	21.8	0.3	1.4
Syndicated loan service fees	46.9	67.5	(20.6)	(30.5)
Settlement and clearing fees	8.8	26.5	(17.7)	(66.8)
Agency services fees	8.0	10.7	(2.7)	(25.2)
Wealth management service fees	0.6	8.6	(8.0)	(93.0)
Bank card service fees	1.9	3.1	(1.2)	(38.7)
Others <sup>(1)</sup>	14.2	3.0	11.2	373.3
<b>Subtotal</b>	<b>102.5</b>	141.2	(38.7)	(27.4)
<b>Fee and commission expense</b>	<b>(14.0)</b>	(13.8)	(0.2)	1.4
<b>Net fee and commission income</b>	<b>88.5</b>	127.4	(38.9)	(30.5)

Note:

- (1) Primarily consist of fee and commission income from miscellaneous or contingent activities, such as safe deposit, underwriting and agency services.

Net fee and commission income decreased by 30.5% from RMB127.4 million for the six months ended June 30, 2018 to RMB88.5 million for the six months ended June 30, 2019, primarily due to a decrease in syndicated loan service fees, settlement and clearing fees, agency service fees, wealth management service fees and bank card service fees as affected by factors such as market demand conditions.

Advisory fees income increased by 1.4% from RMB21.8 million for the six months ended June 30, 2018 to RMB22.1 million for the six months ended June 30, 2019, which basically remained flat when compared with the same period of last year.

## Chapter 4 Management Discussion and Analysis

Syndicated loan service fees income decreased by 30.5% from RMB67.5 million for the six months ended June 30, 2018 to RMB46.9 million for the six months ended June 30, 2019, mainly due to the decreased transactions of syndicated loan business.

Settlement and clearing fees income decreased by 66.8% from RMB26.5 million for the six months ended June 30, 2018 to RMB8.8 million for the six months ended June 30, 2019, mainly due to the decreased transactions of settlement business.

Agency service fees income decreased by 25.2% from RMB10.7 million for the six months ended June 30, 2018 to RMB8.0 million for the six months ended June 30, 2019, mainly due to the decreased transactions of agency business.

Wealth management service fees income decreased by 93.0% from RMB8.6 million for the six months ended June 30, 2018 to RMB0.6 million for the six months ended June 30, 2019, mainly due to the decreases in issuance scale and average yield of wealth management products as a result of the implementation of new regulations governing asset management.

Bank card service fees income decreased by 38.7% from RMB3.1 million for the six months ended June 30, 2018 to RMB1.9 million for the six months ended June 30, 2019, mainly due to a decrease in transaction amount of bank cards.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses increased by 1.4% from RMB13.8 million for the six months ended June 30, 2018 to RMB14.0 million for the six months ended June 30, 2019, which basically remained flat when compared with the same period of last year.

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

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

Net gains arising from investment securities increased by 5.5% from RMB7.3 million for the six months ended June 30, 2018 to RMB7.7 million for the six months ended June 30, 2019. The increase was mainly due to an increase in trading profit from investment assets, such as bonds, as a result of the changes in market interest rates.

## Chapter 4 Management Discussion and Analysis

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

Dividend income decreased by 16.1% from RMB76.5 million for the six months ended June 30, 2018 to RMB64.2 million for the six months ended June 30, 2019. The decrease was mainly due to a decrease in actual distribution of dividends by non-controlling rural commercial banks and other entities invested by the Bank.

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

Net trading gains decreased by 9.0% from RMB385.3 million for the six months ended June 30, 2018 to RMB350.8 million for the six months ended June 30, 2019, mainly due to a decrease in the interest income generated from financial assets at fair value through profit or loss, which was partially offset by an increase in the change of the fair value of the asset management plans held by the Group as at the end of the period when compared with the same period of last year.

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

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. The Group had net exchange gains of RMB3.4 million and RMB11.4 million for the six months ended June 30, 2019 and 2018, respectively, primarily reflecting the fluctuation of foreign exchange rates.

### **(F) Other operating (expense) income, net**

Other operating (expense) income, net mainly included government subsidies and non-recurring income such as insurance claim, net of non-recurring expenses such as charitable donation. Other operating (expense) income, net decreased by 106.9% from RMB21.6 million for the six months ended June 30, 2018 to RMB(1.5) million for the six months ended June 30, 2019, which was mainly due to the decreases in government subsidies received and insurance claims and an increase in charitable donation expenses during the period.

## Chapter 4 Management Discussion and Analysis

### (vi) Operating expenses

Operating expenses decreased by 10.2% from RMB1,288.3 million for the six months ended June 30, 2018 to RMB1,156.5 million for the six months ended June 30, 2019. The decrease was primarily due to the decreases in staff costs, property and equipment expenses, general management and administrative expenses, taxes and surcharges.

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2019	2018	Change in amount	
Staff costs	668.1	731.3	(63.2)	(8.6)
Property and equipment expenses	293.4	320.3	(26.9)	(8.4)
General management and administrative expenses	168.4	190.8	(22.4)	(11.7)
Taxes and surcharges	26.6	45.9	(19.3)	(42.0)
<b>Total</b>	<b>1,156.5</b>	<b>1,288.3</b>	<b>(131.8)</b>	<b>(10.2)</b>

### (A) Staff costs

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2019	2018	Change in amount	
Salaries and bonuses	437.9	486.5	(48.6)	(10.0)
Social insurance	140.1	151.3	(11.2)	(7.4)
Staff welfares	37.8	37.5	0.3	0.8
Housing allowances	42.7	45.4	(2.7)	(5.9)
Labor union and staff education expenses	9.6	10.6	(1.0)	(9.4)
<b>Total staff costs</b>	<b>668.1</b>	<b>731.3</b>	<b>(63.2)</b>	<b>(8.6)</b>

## Chapter 4 Management Discussion and Analysis

Staff costs decreased by 8.6% from RMB731.3 million for the six months ended June 30, 2018 to RMB668.1 million for the six months ended June 30, 2019. The decrease was primarily due to a decrease in staff cost of the Group because the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the period when compared with the corresponding period of last year.

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

Property and equipment expenses decreased by 8.4% from RMB320.3 million for the six months ended June 30, 2018 to RMB293.4 million for the six months ended June 30, 2019. The decrease in property and equipment expenses was mainly due to a decrease in depreciation of property and equipment because the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the period when compared with the corresponding period of last year.

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

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash, repair expenses and others. General management and administrative expenses decreased by 11.7% from RMB190.8 million for the six months ended June 30, 2018 to RMB168.4 million for the six months ended June 30, 2019. The decrease in general management and administrative expenses was mainly due to the fact that the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the period when compared with the corresponding period of last year.

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

Taxes and surcharges decreased by 42.0% from RMB45.9 million for the six months ended June 30, 2018 to RMB26.6 million for the six months ended June 30, 2019. The decrease in taxes and surcharges were primarily due to the reduction of taxes and surcharges and a decrease in the value-added taxes and land appreciation tax actually paid by the Group because the Four Rural Commercial Banks were no longer consolidated into the financial statements of the Group during the period when compared with the corresponding period of last year.



## Chapter 4 Management Discussion and Analysis

### (vii) Impairment losses on assets

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,			Change in percentage (%)
	2019	2018	Change in amount	
Loans and advances to customers, net	455.9	387.3	68.6	17.7
Financial assets at fair value through other comprehensive income	2.7	(0.9)	3.6	(400.0)
Financial assets at amortized cost	222.9	149.0	73.9	49.6
Deposits with banks and other financial institutions	(1.3)	5.8	(7.1)	(122.4)
Placements with banks and other financial institutions	0.1	0.6	(0.5)	(83.3)
Other receivables and repossessed assets	(1.4)	13.6	(15.0)	(110.3)
Property and equipment	—	—	—	—
Financial assets held under resale agreements	—	—	—	—
<b>Total</b>	<b>678.9</b>	<b>555.4</b>	<b>123.5</b>	<b>22.2</b>

Impairment losses on assets increased by 22.2% from RMB555.4 million for the six months ended June 30, 2018 to RMB678.9 million for the six months ended June 30, 2019, mainly due to an increase in the provision for impairment losses on loans as a result of increased loans and advances to customers and the provision for impairment losses on assets of financial assets at amortized cost by the Group in response to possible impacts from the adverse economic environment.

### (viii) Income tax expense

Income tax expense increased by 16.6% from RMB94.6 million for the six months ended June 30, 2018 to RMB110.3 million for the six months ended June 30, 2019. The increase in income tax expense was primarily due to the increases in profit before tax and effective tax rates. Effective tax rates were 18.1% and 16.6% for the six months ended June 30, 2019 and 2018, respectively. The effective tax rate increased in the first half of 2019, which was mainly due to a decrease in the percentage of non-taxable income (including dividend income, interest income from treasury bonds and local government bonds and interest income from small loans to rural households).

## Chapter 4 Management Discussion and Analysis

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

#### (i) Assets

As of June 30, 2019 and December 31, 2018, the Group's total assets amounted to RMB163,535.8 million and RMB164,253.2 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and other financial institutions; and (iv) cash and deposits with the central bank. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
<b>Assets</b>				
Gross loans and advances to customers	87,296.8	53.4	77,527.7	47.2
Provision for impairment losses	(2,602.1)	(1.6)	(2,173.2)	(1.3)
Loans and advances to customers, net	84,694.7	51.8	75,354.5	45.9
Investment securities and other financial assets <sup>(1)</sup>	40,388.5	24.7	46,453.7	28.3
Deposits with banks and other financial institutions	9,126.1	5.6	9,884.4	6.0
Cash and deposits with the central bank	17,578.5	10.7	22,458.1	13.7
Financial assets held under resale agreements	194.0	0.1	—	—
Placements with banks and other financial institutions	1,851.6	1.1	1,698.6	1.0
Other assets <sup>(2)</sup>	9,702.4	6.0	8,403.9	5.1
<b>Total assets</b>	<b>163,535.8</b>	<b>100.0</b>	164,253.2	100.0

Notes:

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

## Chapter 4 Management Discussion and Analysis

### (A) Loans and advances to customers

As of June 30, 2019, the Group's gross loans and advances to customers was RMB87,296.8 million, representing an increase of 12.6% as compared to December 31, 2018. Net loans and advances to customers accounted for 51.8% of the Group's total assets, representing an increase of approximately 5.9 percentage points as compared to December 31, 2018.

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Corporate loan and advances				
— Loan	62,957.3	72.1	55,288.3	71.3
— Finance leases loan	2,512.0	2.9	1,559.9	2.0
Retail loans	21,827.5	25.0	20,668.6	26.7
Discounted bills	—	—	10.9	0.0
<b>Gross loans and advances to customers</b>	<b>87,296.8</b>	<b>100.0</b>	77,527.7	100.0

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 51.8% and 45.9% of total assets as of June 30, 2019 and December 31, 2018, respectively.

The Group's corporate loans increased by 15.2% from RMB56,848.2 million as of December 31, 2018 to RMB65,469.3 million as of June 30, 2019, primarily due to an increase in market demand for corporate loans and new branches set up by the Bank.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans increased by 5.6% from RMB20,668.6 million as of December 31, 2018 to RMB21,827.5 million as of June 30, 2019, primarily due to an increase in loans as a result of the Group's enhanced credit support for the three rurals and individual industrial and commercial households.

## Chapter 4 Management Discussion and Analysis

### Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 97.0% and 96.1% of gross loans and advances to customers as of June 30, 2019 and December 31, 2018, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Collateralized loans	35,272.3	40.4	30,665.6	39.6
Pledged loans	9,104.2	10.4	7,694.9	9.9
Guaranteed loans	40,293.5	46.2	36,121.7	46.6
Unsecured loans	2,626.8	3.0	3,045.5	3.9
<b>Gross loans and advances to customers</b>	<b>87,296.8</b>	<b>100.0</b>	<b>77,527.7</b>	<b>100.0</b>

Collateralized loans and pledged loans are the largest component of gross loans and advances to customers. Collateralized loans and pledged loans as a percentage of gross loans and advances to customers were 49.5% as of December 31, 2018 and 50.8% as of June 30, 2019, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary bank consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of gross loans and advances to customers was 46.6% as of December 31, 2018 and 46.2% as of June 30, 2019.

The Bank and each subsidiary bank extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2018 and June 30, 2019, unsecured loans represented 3.9% and 3.0% of gross loans and advances to customers.

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	June 30, 2019	December 31, 2018
<b>As at the beginning of the period/year</b>	<b>2,173.2</b>	2,335.0
Provision made in respect of the adoption of new standard for financial instruments	—	297.8
Charge for the period/year	<b>455.9</b>	670.9
Reverse for the period/year	—	(157.1)
Amounts written off as uncollectible	<b>(28.7)</b>	(44.8)
Recoveries of loans and advances previously written off	<b>1.7</b>	23.8
Acquisition of subsidiaries	—	—
Derecognised on demand disposals of subsidiaries	—	(952.4)
<b>As of June 30/December 31</b>	<b>2,602.1</b>	2,173.2

Provision for impairment losses on loans and advances to customers increased by 19.7% from RMB2,173.2 million as of December 31, 2018 to RMB2,602.1 million as of June 30, 2019, primarily due to an increase in the provision for impairment losses as a result of increased loans and advances to customers.

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

As of June 30, 2019 and December 31, 2018, the Group had investment securities and other financial assets of RMB40,388.5 million and RMB46,453.7 million, respectively, representing 24.7% and 28.3% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans, trust plans, funds and equity investments.

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
<b>Debt securities investments</b>				
Financial assets at fair value through other comprehensive income	3,861.1	9.6	5,880.4	12.7
Financial assets at amortized cost	6,915.2	17.1	6,871.8	14.8
<b>Subtotal</b>	<b>10,776.3</b>	<b>26.7</b>	12,752.2	27.5
<b>Asset management plans and trust plans</b>				
Asset management plans	19,377.4	48.0	22,867.7	49.2
Trust plans	8,374.2	20.7	8,981.1	19.3
<b>Subtotal</b>	<b>27,751.6</b>	<b>68.7</b>	31,848.8	68.5
<b>Funds</b>	<b>698.6</b>	<b>1.7</b>	690.6	1.5
<b>Subtotal</b>	<b>698.6</b>	<b>1.7</b>	690.6	1.5
<b>T+0 clearing and advances</b>	—	—	0.1	0.0
<b>Subtotal</b>	—	—	0.1	0.0
<b>Equity investments</b>				
Financial assets at fair value through other comprehensive income	144.6	0.4	144.6	0.3
Financial assets at fair value through profit or loss	1,017.4	2.5	1,017.4	2.2
<b>Subtotal</b>	<b>1,162.0</b>	<b>2.9</b>	1,162.0	2.5
<b>Total investment securities and other financial assets, net</b>	<b>40,388.5</b>	<b>100.0</b>	46,453.7	100.0

Investment securities and other financial assets decreased by 13.1% from RMB46,453.7 million as of December 31, 2018 to RMB40,388.5 million as of June 30, 2019. The decreases in investment securities and other financial assets were primarily due to the fact that according to the regulatory policies and market condition, investment strategy was adjusted timely, resulting in a decrease in the investment in bonds, asset management plans and trust plans.

## Chapter 4 Management Discussion and Analysis

### (ii) Liabilities

As of June 30, 2019 and December 31, 2018, total liabilities amounted to RMB148,638.8 million and RMB149,145.7 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) financial assets sold under repurchase agreements; and (iv) deposits from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Deposits from customers	112,374.0	75.6	109,521.2	73.4
Debt securities issued	21,605.5	14.5	20,552.2	13.8
Financial assets sold under repurchase agreements	4,934.2	3.3	8,406.7	5.6
Deposits from banks and other financial institutions	3,341.3	2.2	4,711.3	3.2
Borrowing from the central bank	1,376.4	0.9	2,376.5	1.6
Placements from banks and other financial institutions	904.8	0.6	1,106.5	0.7
Other liabilities <sup>(1)</sup>	4,102.6	2.9	2,471.3	1.7
<b>Total liabilities</b>	<b>148,638.8</b>	<b>100.0</b>	<b>149,145.7</b>	<b>100.0</b>

Note:

(1) Primarily consist of accrued staff costs, taxes payable, interests payable and leased liabilities.

## Chapter 4 Management Discussion and Analysis

### (A) Deposits from customers

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>				
Demand deposits	23,378.1	20.8	26,708.2	24.4
Time deposits	13,561.8	12.1	13,758.5	12.6
<b>Subtotal</b>	<b>36,939.9</b>	<b>32.9</b>	40,466.7	37.0
<b>Retail deposits</b>				
Demand deposits	19,158.3	17.0	19,116.3	17.5
Time deposits	53,037.6	47.2	46,650.8	42.6
<b>Subtotal</b>	<b>72,195.9</b>	<b>64.2</b>	65,767.1	60.1
<b>Others<sup>(1)</sup></b>	<b>3,238.2</b>	<b>2.9</b>	3,287.4	2.9
<b>Total deposits from customers</b>	<b>112,374.0</b>	<b>100.0</b>	109,521.2	100.0

Note:

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

Total deposits from customers increased by 2.6% from RMB109,521.2 million as of December 31, 2018 to RMB112,374.0 million as of June 30, 2019. The increase was primarily due to an increase in the number of branches of the Group and increasing efforts in marketing of the deposit business.



## Chapter 4 Management Discussion and Analysis

### (B) Debts securities issued

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

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

In October 2016, the Bank issued 10-year tier-two capital bonds of RMB900.0 million at fixed rate of 4.20%. The Bank has an option to redeem the bonds on October 20, 2021 at par.

From January 1, 2018 to December 31, 2018, the Bank issued 57 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB20,480.0 million. The interbank certificates have terms ranging from three months to one year and bear interest at effective rates between 3.50% and 5.32%.

From January 1, 2019 to June 30, 2019, the Bank issued 10 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB6,140.0 million. The interbank certificates have a term of one year and bear interest at effective rates between 3.15% and 3.50%.

### (iii) Shareholders' equity

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Share capital	3,984.8	26.7	3,984.8	26.4
Capital reserve	5,338.5	35.8	5,331.2	35.3
Investment revaluation reserve	(8.7)	(0.1)	(30.4)	(0.2)
Surplus reserve	724.7	4.9	724.7	4.8
General reserve	1,571.2	10.5	1,571.2	10.4
Retained earnings	1,111.9	7.5	1,374.5	9.1
Non-controlling interests	2,174.6	14.7	2,151.5	14.2
<b>Total equity</b>	<b>14,897.0</b>	<b>100.0</b>	15,107.5	100.0

## Chapter 4 Management Discussion and Analysis

### (c) Assets Quality Analysis

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

The non-performing loans of the Group are classified into loans and advances to customers of substandard, doubtful and loss. As of June 30, 2019, the Group's non-performing loans amounted to RMB1,611.3 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Normal	82,902.9	95.0	75,021.0	96.8
Special mention	2,782.6	3.2	1,151.9	1.5
Substandard	574.6	0.7	363.6	0.5
Doubtful	1,001.0	1.1	965.0	1.2
Loss	35.7	0.0	26.2	0.0
<b>Gross loans and advances to customers</b>	<b>87,296.8</b>	<b>100.0</b>	<b>77,527.7</b>	<b>100.0</b>
<b>Non-performing loan and non-performing loan ratio<sup>(1)</sup></b>	<b>1,611.3</b>	<b>1.85</b>	<b>1,354.8</b>	<b>1.75</b>

Note:

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

As of June 30, 2019 and December 31, 2018, the Group's non-performing loan ratio was 1.85% and 1.75%, respectively. The slight increase in non-performing loan ratio of the Group as of June 30, 2019 as compared to that of December 31, 2018 was primarily due to the operating difficulties of certain customers as affected by the changes in macro-economic and financial conditions, slowdown in economic growth and structural adjustments.

## Chapter 4 Management Discussion and Analysis

### (ii) Concentration of loans

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019				As of December 31, 2018			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio (%)
<b>Corporate loans</b>								
Wholesale and retail	13,839.9	15.9	318.4	2.30	15,583.5	20.1	291.4	1.87
Manufacturing	13,266.9	15.2	356.3	2.69	12,886.4	16.6	317.3	2.46
Leasing and business services	8,543.2	9.8	8.7	0.10	3,164.6	4.1	41.1	1.30
Construction	6,086.7	7.0	161.8	2.66	5,769.8	7.4	88.7	1.54
Agriculture, forestry, animal husbandry and fishery	5,740.4	6.6	87.1	1.52	4,496.6	5.8	77.1	1.71
Transportation, storage and postal services	4,444.5	5.1	38.5	0.87	2,853.6	3.7	26.5	0.93
Real estate	3,577.3	4.1	127.6	3.57	3,396.6	4.4	127.0	3.74
Scientific research, technical services and geological prospecting	2,054.8	2.4	4.0	0.19	439.7	0.6	—	—
Electricity, gas and water production and supply	1,780.5	2.0	5.4	0.30	1,755.0	2.3	25.6	1.46
Education	1,740.8	2.0	—	—	1,641.6	2.1	—	—
Information transmission, computer services and software	1,041.9	1.2	—	—	850.8	1.1	—	—
Health and social services	957.2	1.1	—	—	986.0	1.3	—	—
Accommodation and catering	831.2	1.0	31.5	3.79	928.3	1.2	34.3	3.69
Cultural, sports and entertainment	505.7	0.5	—	—	320.6	0.4	—	—
Water, environment and public facility management	447.2	0.4	—	—	333.8	0.4	—	—
Resident and other services	346.6	0.4	12.3	3.55	684.4	0.9	9.7	1.42
Public administration, social security and social organizations	158.0	0.2	—	—	—	—	—	—
Mining	84.6	0.1	2.6	3.07	109.3	0.1	29.9	27.36
Finance	21.9	0.0	—	—	647.6	0.8	—	—
<b>Retail loans</b>	<b>21,827.5</b>	<b>25.0</b>	<b>457.1</b>	<b>2.09</b>	<b>20,668.6</b>	<b>26.7</b>	<b>286.2</b>	<b>1.38</b>
<b>Discounted bills</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>10.9</b>	<b>0.0</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>87,296.8</b>	<b>100.0</b>	<b>1,611.3</b>	<b>1.85</b>	<b>77,527.7</b>	<b>100.0</b>	<b>1,354.8</b>	<b>1.75</b>

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

## Chapter 4 Management Discussion and Analysis

Loans to borrowers in the wholesale and retail, manufacturing, leasing and business services, construction, agriculture, forestry, animal husbandry and fishery, transportation, storage and postal services industries represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 79.3% and 78.7% of total corporate loans as of June 30, 2019 and December 31, 2018, respectively.

As of June 30, 2019, the non-performing loans of the Group's corporate loans were mainly concentrated in the accommodation and catering industry, the real estate industry, resident and other services industry and mining industry, with the ratio of non-performing loans of 3.79%, 3.57%, 3.55% and 3.07%, respectively.

### (B) Borrower concentration

#### (i) Indicators of Concentration

Major regulatory indicators	Regulatory Standard	As of June 30, 2019	As of December 31, 2018
Loan concentration ratio for the largest single customer (%)	$\leq 10$	7.14%	9.48%
Loan concentration ratio for the top ten customers (%)	$\leq 50$	45.43%	42.79%

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

## Chapter 4 Management Discussion and Analysis

### (ii) Loans to the 10 Largest Single Borrowers

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of June 30, 2019, and such loans was classified as normal.

(Expressed in millions of RMB, unless otherwise stated)		As of June 30, 2019		
		Amount	% of total loan	% of regulatory capital
Customer	Industry			
Borrower A	Wholesale and retail	1,105.0	1.27	7.14
Borrower B	Wholesale and retail	821.3	0.94	5.31
Borrower C	Health and social services	739.8	0.85	4.78
Borrower D	Manufacturing	697.3	0.80	4.50
Borrower E	Wholesale and retail	666.0	0.76	4.30
Borrower F	Scientific research and technical services	646.7	0.74	4.18
Borrower G	Wholesale and retail	620.9	0.71	4.01
Borrower H	Transportation, storage and postal services	605.0	0.69	3.91
Borrower I	Wholesale and retail	600.0	0.69	3.88
Borrower J	Education	529.6	0.61	3.42
<b>Total</b>		<b>7,031.6</b>	<b>8.06</b>	<b>45.43</b>

## Chapter 4 Management Discussion and Analysis

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019			As of December 31, 2018		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
<b>Corporate loans</b>						
Small and micro enterprises <sup>(1)</sup>	43,388.5	799.6	1.84	38,694.6	718.9	1.86
Medium enterprises <sup>(1)</sup>	13,863.8	342.9	2.47	11,650.4	338.0	2.90
Large enterprises <sup>(1)</sup>	7,406.6	—	—	5,800.8	—	—
Others <sup>(2)</sup>	810.4	11.7	1.44	702.4	11.7	1.67
<b>Subtotal</b>	<b>65,469.3</b>	<b>1,154.2</b>	<b>1.76</b>	<b>56,848.2</b>	<b>1,068.6</b>	<b>1.88</b>
<b>Retail loans</b>						
Personal business loans	16,045.3	405.1	2.52	14,655.4	243.3	1.66
Personal consumption loans	2,699.7	48.1	1.78	3,621.8	40.0	1.10
Residential and commercial mortgage loans	3,062.4	3.9	0.13	2,374.2	2.9	0.12
Credit card overdrafts	20.1	0.0	0.00	17.2	—	—
<b>Subtotal</b>	<b>21,827.5</b>	<b>457.1</b>	<b>2.09</b>	<b>20,668.6</b>	<b>286.2</b>	<b>1.38</b>
<b>Discounted bills</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>10.9</b>	<b>—</b>	<b>—</b>
<b>Total loans</b>	<b>87,296.8</b>	<b>1,611.3</b>	<b>1.85</b>	<b>77,527.7</b>	<b>1,354.8</b>	<b>1.75</b>

Notes:

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

## Chapter 4 Management Discussion and Analysis

The non-performing loan ratio of corporate loans decreased from 1.88% as of December 31, 2018 to 1.76% as of June 30, 2019, primarily due to an increase in the size of corporate loans of the Group.

The non-performing loan ratio of retail loans increased from 1.38% as of December 31, 2018 to 2.09% as of June 30, 2019, primarily because certain customers experienced operating difficulties under the impacts of slowdown in economic growth and structural adjustment.

### (D) Loan aging schedule

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
<b>Loans not overdue</b>	<b>83,575.0</b>	<b>95.8</b>	75,002.8	96.7
<b>Loans past due for:</b>				
1 to 90 days	1,749.6	2.0	896.2	1.2
91 days to 1 year	524.1	0.6	565.2	0.7
1 to 3 years	883.4	1.0	632.5	0.8
3 years or more	564.7	0.6	431.0	0.6
<b>Subtotal</b>	<b>3,721.8</b>	<b>4.2</b>	2,524.9	3.3
<b>Gross loans and advances to customers</b>	<b>87,296.8</b>	<b>100.0</b>	77,527.7	100.0

## Chapter 4 Management Discussion and Analysis

### (d) Segment Information

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

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2018	
	2019 Amount	% of total	Amount	% of total
Jilin Province	2,082.5	85.8	2,060.2	86.7
Other Regions <sup>(1)</sup>	344.5	14.2	316.7	13.3
<b>Total operating income</b>	<b>2,427.0</b>	<b>100.0</b>	2,376.9	100.0

Note:

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

#### (ii) Summary of business segments

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

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		2018	
	2019 Amount	% of total	Amount	% of total
Corporate banking	1,512.9	62.3	1,108.4	46.6
Retail banking	723.5	29.8	1,057.3	44.5
Treasury operations	125.4	5.2	107.9	4.5
Others <sup>(1)</sup>	65.2	2.7	103.3	4.4
<b>Total</b>	<b>2,427.0</b>	<b>100.0</b>	2,376.9	100.0

Note:

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



## Chapter 4 Management Discussion and Analysis

### (e) Off-balance Sheet Commitments

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As of June 30, 2019</b>	As of December 31, 2018
<b>Credit commitments:</b>		
Bank acceptances <sup>(1)</sup>	1,755.0	1,977.0
Letters of credit <sup>(2)</sup>	75.0	195.7
Letters of guarantee <sup>(2)</sup>	2,678.6	2,665.2
Unused credit card limits	148.7	140.0
<b>Subtotal</b>	<b>4,657.3</b>	4,977.9
<b>Operating lease commitments</b>	—	963.0
<b>Capital commitments</b>	<b>52.7</b>	53.8
<b>Total</b>	<b>4,710.0</b>	5,994.7

Notes:

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

Off-balance sheet commitments decreased by 21.4% from RMB5,994.7 million as of December 31, 2018 to RMB4,710.0 million as of June 30, 2019. The decrease in off-balance sheet commitments was mainly due to a decrease in the letters of credit and bank acceptances businesses as a result of the lower customer demand and the fact that no operating lease commitment is required to be disclosed at the end of the period as a result of the adoption of IFRS 16 — Leases.

## Chapter 4 Management Discussion and Analysis

### 4 Business Review

#### (a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee- and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of June 30, 2019, the Group had approximately 2,676 corporate borrowers with loans totalling RMB65,469.3 million. For the six months ended June 30, 2019 and 2018, operating income from the Group's corporate banking business accounted for 62.3% and 46.6% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of June 30, 2019, the Group had 2,550 SME customers with loans totalling RMB57,252.3 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2019	2018	
External interest (expenses)/income, net <sup>(1)</sup>	1,830.7	1,341.1	36.5
Inter-segment interest (expenses)/income, net <sup>(2)</sup>	(400.6)	(324.7)	23.4
Net interest income	1,430.1	1,016.4	40.7
Net fee and commission income	82.8	92.0	(10.0)
<b>Operating income</b>	<b>1,512.9</b>	<b>1,108.4</b>	<b>36.5</b>
Operating expenses	(677.6)	(594.5)	14.0
Impairment reversed/(losses) on assets	(277.6)	(254.5)	9.1
<b>Profit before tax</b>	<b>557.7</b>	<b>259.4</b>	<b>115.0</b>

Notes:

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

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

## Chapter 4 Management Discussion and Analysis

### (i) Corporate loans

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of June 30, 2019 and December 31, 2018, the Group's corporate loans totalled RMB65,469.3 million and RMB56,848.2 million, respectively, accounting for 75.0% and 73.3% of the Group's gross loans and advances to customers, respectively.

### (ii) Discounted bills

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than one year. The Group may re-discount these bills to the PBOC or other financial institutions. As of June 30, 2019, the Group had a balance of nil in discounted bills.

### (iii) Corporate deposits

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and non-profit organizations. As of June 30, 2019 and December 31, 2018, the Group's corporate deposits totalled RMB36,939.9 million and RMB40,466.7 million, respectively, accounting for 32.9% and 37.0% of total deposits from customers, respectively.

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

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

## Chapter 4 Management Discussion and Analysis

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

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. For the six months ended June 30, 2019 and 2018, the Group's income from consulting and financial advisory services was RMB22.1 million and RMB21.8 million, respectively.

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

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their larger financing needs. For the six months ended June 30, 2019 and 2018, the Group earned service fees for syndicated loans of RMB46.9 million and RMB67.5 million, respectively.

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

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

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

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

### **(E) Agency services**

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

### **(F) Wealth management services**

The Bank offers corporate customers a variety of wealth management products based on their risk and return appetites, including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. Such wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. For the six months ended June 30, 2019 and 2018, the Bank's sales of wealth management products to corporate customers totalled RMB59.5 million and RMB295.1 million, respectively.

## Chapter 4 Management Discussion and Analysis

### (b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of June 30, 2019, the Group had 47,543 retail borrowers with gross loans and advances to customers of RMB21,827.5 million. For the six months ended June 30, 2019 and 2018, the operating income from the Group's retail banking business amounted to RMB723.5 million and RMB1,057.3 million, respectively, accounting for 29.8% and 44.5% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2019	2018	
External interest income/(expenses), net <sup>(1)</sup>	(436.8)	(394.0)	10.9
Inter-segment interest (expenses)/income, net	1,155.2	1,440.2	(19.8)
Net interest income	718.4	1,046.2	(31.3)
Net fee and commission income	5.1	11.1	(54.1)
<b>Operating income</b>	<b>723.5</b>	<b>1,057.3</b>	<b>(31.6)</b>
Operating expenses	(394.1)	(555.4)	(29.0)
Impairment reversed/(losses) on assets	(178.3)	(132.9)	34.2
<b>Profit before tax</b>	<b>151.1</b>	<b>369.0</b>	<b>(59.1)</b>

Note:

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

### (i) Retail loans

Net interest income of the Group's retail bank business as of June 30, 2019 decreased when compared with that of June 30, 2018, which was mainly due to an increase in net interest expenses paid to retail customers as a result of market changes and the allocation structure of assets and liabilities of the segment, and a decrease in inter-segment net interest income due to factors such as the allocation of funds among segments of the Group.

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of June 30, 2019 and December 31, 2018, the Group's retail loans totalled RMB21,827.5 million and RMB20,668.6 million, respectively, accounting for 25.0% and 26.7% of gross loans and advances to customers, respectively.

## Chapter 4 Management Discussion and Analysis

### (ii) Retail deposits

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of June 30, 2019 and December 31, 2018, the Group's retail deposits totalled RMB72,195.9 million and RMB65,767.1 million, respectively, accounting for 64.2% and 60.1% of total deposits from customers, respectively.

### (iii) Bank cards services

#### (A) Debit cards

The Group issues Renminbi-denominated debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions (“長春市總工會”) to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. As of June 30, 2019, the Group had issued approximately 3.72 million debit cards.

#### (B) Credit cards

Since the issuance of Renminbi UnionPay credit cards, the Bank has continued to pay attention to the needs of credit card customers, and the service quality has been continuously improved. The Bank actively responded to the financial needs of customers and issued a new credit card product, the “Instal-Card (分唄卡)”. To provide customers with more convenient online card services, the Bank developed the “Jiutai Rural Commercial Bank Credit Card” WeChat official account and “Jiushang Credit Card” mobile APP, which were put into use successively, and the business model has changed from card management to APP management. While improving credit card services, the Bank also issued cards to high-quality customer group and closely monitored and effectively prevented risks relating to credit card business. As of June 30, 2019, the non-performing ratio of credit card overdraft of the Bank was zero.

## Chapter 4 Management Discussion and Analysis

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

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

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

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed wealth management products and non-principal-guaranteed wealth management products. The Bank also sells insurance products and has obtained the license to engage in fund sales business in February 2016. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and other fixed-income products. For the six months ended June 30, 2019 and 2018, the Bank's sales of wealth management products to retail customers totalled RMB9,284.0 million and RMB21,081.4 million, respectively.

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

The Bank's private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. For the six months ended June 30, 2019 and 2018, the Bank's sales of wealth management products to private banking customers totalled RMB2,408.1 million and RMB2,478.7 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts and health consultancy services offered in cooperation with third parties.

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

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

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

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. For the six months ended June 30, 2019 and 2018, operating income from the Group's treasury operations was RMB125.4 million and RMB107.9 million, respectively, accounting for 5.2% and 4.5% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

## Chapter 4 Management Discussion and Analysis

(Expressed in millions of RMB, unless otherwise stated)	Six months ended June 30,		Change in percentage (%)
	2019	2018	
External interest (expenses)/income, net <sup>(1)</sup>	520.9	806.5	(35.4)
Inter-segment interest income/(expenses), net <sup>(2)</sup>	(754.6)	(1,115.5)	(32.4)
Net interest income	(233.7)	(309.0)	(24.4)
Net fee and commission income	0.6	24.3	(97.5)
Net income from other businesses <sup>(3)</sup>	358.5	392.6	(8.7)
<b>Operating income</b>	<b>125.4</b>	107.9	16.2
Operating expenses	(59.3)	(72.2)	(17.9)
Impairment reversed/(losses) on assets	(224.4)	(154.4)	45.3
<b>Profit before tax</b>	<b>(158.3)</b>	(118.7)	33.4

Notes:

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

### (i) Money market transactions

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

In 2019, the Bank was selected as one of the Top 300 Trading Banks in the Interbank RMB Market in 2018 and one of the Top 100 Banks in the Interbank RMB and Foreign Exchange Market in 2018 in each case by the China Foreign Exchange Trade System and National Interbank Funding Center.



## Chapter 4 Management Discussion and Analysis

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

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to adjust its asset and liability structure. As of June 30, 2019 and December 31, 2018, the Group's deposits from banks and other financial institutions totalled RMB3,341.3 million and RMB4,711.3 million, respectively, and the Group's deposits at banks and other financial institutions totalled RMB9,126.1 million and RMB9,884.4 million, respectively.

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

As of June 30, 2019 and December 31, 2018, the Group's placements with banks and other financial institutions totalled RMB1,851.6 million and RMB1,698.6 million, respectively, and the Group's placements from banks and other financial institutions totalled RMB904.8 million and RMB1,106.5 million, respectively.

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

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-dominated treasury bonds and policy-oriented financial bonds. As of June 30, 2019 and December 31, 2018, the Group's financial assets held under resale agreements totalled RMB194.0 million and nil, respectively, and the Group's financial assets sold under repurchase agreements totalled RMB4,934.2 million and RMB8,406.7 million, respectively.

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

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

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

## Chapter 4 Management Discussion and Analysis

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	12,288.2	30.4	16,387.6	35.2
Financial assets at fair value through other comprehensive income	4,327.9	10.7	6,349.7	13.7
Financial assets at amortized cost	23,772.4	58.9	23,716.4	51.1
<b>Total investment securities and other financial assets</b>	<b>40,388.5</b>	<b>100.0</b>	46,453.7	100.0

Total investment securities and other financial assets decreased by 13.1% from RMB46,453.7 million as of December 31, 2018 to RMB40,388.5 million as of June 30, 2019.

The Group had adopted the new standard for financial instruments on January 1, 2018. In accordance with the requirement of the new standard for financial instruments, the related investment assets will be classified as three categories, namely financial assets at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss, based on the business model and characteristics of cash flow of contract.

## Chapter 4 Management Discussion and Analysis

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

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

(Expressed in millions of RMB, unless otherwise stated)	As of June 30, 2019		As of December 31, 2018	
	Amount	% of total	Amount	% of total
Immediately due	1,624.5	4.0	515.3	1.1
Due in 3 months	7,985.9	19.8	10,880.7	23.4
Due between 3 and 12 months	16,479.5	40.8	16,488.9	35.5
Due between 1 and 5 years	7,103.2	17.6	9,286.9	20.0
Due over 5 years	6,033.4	14.9	8,119.9	17.5
Undefined	1,162.0	2.9	1,162.0	2.5
<b>Total</b>	<b>40,388.5</b>	<b>100.0</b>	46,453.7	100.0

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

### (C) Holding of government bonds

As of June 30, 2019, the balance of face value of the government bonds held by the Bank amounted to RMB7,572.9 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of June 30, 2019.

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Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
16 Interest-bearing treasury bond 10 (16付息國債10)	1,800.0	2.90	May 5, 2026
16 Interest-bearing treasury bond 17 (16付息國債17)	1,420.0	2.74	August 4, 2026
15 Interest-bearing treasury bond 19 (15付息國債19)	440.0	3.14	September 8, 2020
15 Interest-bearing treasury bond 16 (15付息國債16)	360.0	3.51	July 16, 2025
16 Jilin bond 02 (16吉林債02)	320.0	2.98	June 21, 2021
15 Interest-bearing treasury bond 26 (15付息國債26)	230.0	3.05	October 22, 2022
15 Jilin bond 04 (15吉林債04)	220.0	3.58	June 12, 2025
16 Interest-bearing treasury bond 20 (16付息國債20)	200.0	2.75	September 1, 2023
15 Zhejiang bond 03 (15浙江債03)	200.0	3.54	June 10, 2022
15 Jilin bond 03 (15吉林債03)	190.0	3.52	June 12, 2022

### (D) Holding of financial bonds

As of June 30, 2019, the balance of face value of the financial bonds (mainly the financial bonds and interbank certificates issued by policy-oriented banks, banks and other financial institutions in China) held by the Group amounted to RMB2,471.1 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of June 30, 2019.

Name of the bond	Face value (RMB in millions)	Interest rate per annum (%)	Maturity date
15 Nong Fa 05 (15農發05)	310.0	3.97	February 27, 2025
16 Guo Kai 05 (16國開05)	310.0	3.80	January 25, 2036
19 Jiaotong Bank CD130 (19交通銀行CD130)	200.0	3.20	April 26, 2020
19 Guo Kai 05 (19國開05)	200.0	3.48	January 8, 2029
16 Nong Fa 05 (Additional Issuance) (16農發05 (增發))	200.0	3.33	January 6, 2026
15 Guo Kai 09 (Additional Issuance) (15國開09 (增發))	200.0	4.25	April 13, 2022
14 Guo Kai 11 (14國開11)	130.0	5.67	April 8, 2024
16 Nong Fa 18 (16農發18)	120.0	3.58	April 22, 2026
16 Nong Fa 05 (16農發05)	100.9	3.33	January 6, 2026
16 Nong Fa 21 (16農發21)	100.0	2.96	July 27, 2021

## Chapter 4 Management Discussion and Analysis

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

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. For the six months ended June 30, 2019 and 2018, the Bank sold wealth management products totalling RMB9,343.5 million and RMB21,376.5 million, respectively.

### (d) Distribution Network

#### (i) Physical outlets

As of June 30, 2019, the Group had an aggregate of 334 outlets, of which 139 outlets, including three branches in Changchun, Songyuan and Tonghua, were operated by the Bank and the rest by the Group's subsidiary banks under their own names.

The Bank was the first rural commercial bank in China and first financial institution in Jilin Province to provide robot bank lobby managers and 3-D printing, and was also the first financial institution in Jilin's rural credit bank system to offer 24-hour automatic safe deposit boxes and remote video self-service loan application machines.

#### (ii) Electronic banking

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

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at service outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of June 30, 2019, the Group had 390 self-service outlets, 102 self-service zones and 1,140 self-service facilities.

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

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, live customer service, and SMS interaction. As of June 30, 2019, the Group had 1,721,653 phone and SMS banking customers.

##### (C) Internet banking

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of June 30, 2019, the Group had 378,676 Internet banking customers.

## Chapter 4 Management Discussion and Analysis

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

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and other services. As of June 30, 2019, the Group had 691,755 mobile phone banking customers.

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

Through WeChat, the Group's customers can access information relating to its products, services and promotions, manage accounts, search for its outlet locations and reserve counter services. As of June 30, 2019, the Group had 139,105 WeChat banking customers.

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

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

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

### **(i) Jilin Jiuyin Financial Leasing**

The Bank, as the main promoter, established Jilin Jiuyin Financial Leasing after obtaining approval from the CBIRC. The registered address of Jilin Jiuyin Financial Leasing is in Changchun of Jilin Province, and its registered capital amounts to RMB500.0 million, RMB300.0 million of which is contributed by the Bank, accounting for 60%. Jilin Jiuyin Financial Leasing obtained the business license on February 20, 2017 from the Administration for Industry and Commerce of Jilin Province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from non-bank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at June 30, 2019, total assets of Jilin Jiuyin Financial Leasing amounted to RMB2,869.7 million. For the six months ended June 30, 2019, the operating income from Jilin Jiuyin Financial Leasing amounted to RMB50.8 million, accounting for 2.1% of total operating income of the Group.

## Chapter 4 Management Discussion and Analysis

### (ii) Rural commercial banks

As of June 30, 2019, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired. The rural commercial bank offers a broad range of financial products and services to corporate and retail customers, including commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services, and is also involved in money market transactions and investment in debt securities. As at June 30, 2019, the total assets, total deposits and total loans of such rural commercial bank amounted to RMB5,367.6 million, RMB4,209.3 million and RMB3,345.2 million. For the six months ended June 30, 2019, operating income of such rural commercial bank amounted to RMB79.4 million, accounting for 3.3% of the total operating income of the Group.

### (iii) Village and township banks

As of June 30, 2019, the Bank controlled and consolidated a total of 33 village and township banks in Jilin province, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of June 30, 2019, these village and township banks had total assets of RMB44,314.2 million, total deposits of RMB36,166.9 million and total loans of RMB24,649.7 million. For the six months ended June 30, 2019, the operating income of these village and township banks was RMB781.8 million, accounting for 32.2% of the Group's total operating income.

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

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

## Chapter 4 Management Discussion and Analysis

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

In the first half of 2019, the Bank improved its IT system through four aspects: enhancing technological governance, protecting information security, consolidating infrastructure and strengthening team development in order to ensure the safe operation of the system and provide comprehensive and effective support for the development of various businesses.

#### (i) Continuous enhancement of technological governance

The Bank steadily enhanced its technological governance through continuous deepening reforms and improvement of systems. In the first half of 2019, the Bank revised and improved rules in relation to the IT system of the Bank, including the Administrative Measures for Data Governance Platform, the Administrative Measures for Domain Name Management and the Administrative Measures for Project Management and Quality Control, so that the IT management system was improved and the data governance system was established. The Bank also initiated self-inspections on important infrastructure, operation of computer systems and network security actively to ensure timely protection.

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

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

The Bank performed well in various ratings, and also actively participated in research projects. In 2018, the comprehensive rating regarding IT regulatory rating of the Bank was 3B, ranking first among all rural commercial banks participating in the rating in Jilin Province. In the first half of 2019, the Bank obtained the official PCI-DSS qualification certification, which will provide comprehensive security protection for its international card payment business. As a member of the Artificial Intelligence Team of the Financial Technology Research and Promotion Working Group of the Banking Industry (銀行業金融科技研究與促進工作組人工智能專題組), the Bank continuously participated and conducted research projects. The Bank won the “2019 China Business Fintech – Honorary Award for Outstanding Rural Commercial Banks” (「2019中經Fintech • 優秀農商銀行」榮譽獎項) at the 2019 (Fourth) Financial Technology Conference (2019 (第四屆) 金融科技大會) for its innovative breakthroughs driven by information technology in the retail business.



## Chapter 4 Management Discussion and Analysis

### (iii) Consolidation of infrastructure

In the first half of 2019, the server rooms of the information center of the Bank maintained satisfactory operation. The usability of basic environment of server rooms (MTTF) reached 100%. Through the improvement of the operation system, the operation management was more professional and standardised. The Bank regularly convened meetings for thorough analysis on issues to facilitate process management covering the identification, analysis, processing and responses to issues. The Bank also constructed operation monitoring system, IT audit system, centralised backup system and application monitoring system to facilitate monitoring, issue early-warning automatically and perform audit during the whole process, in order to establish comprehensive prevention system of technology risk. The Bank also introduced virtual desktop, improved network security, optimized the infrastructure of information system, upgraded the structure of the monitoring platform, set verification requirement for data backup and conducted emergency drills in order to support the safe and smooth operation of business system and offer full protection for the fast growing business systems to go online.

### (iv) Strengthening team development

In order to meet the development needs of the information technology service system and to solve problems efficiently, a science and technology coordination team was set up. Special training sessions were organized to improve skills so to ensure that the responsible personnel mastered the corresponding skills and became familiar with various regulations to support daily technological operation and maintenance in an effective manner. Professional training programs were also formulated to improve the working skills of technicians and to promote exchange of knowledge and information among employees. In the first half of 2019, 8 trainings courses were carried out according to relevant plans.

In the first half of 2019, two personnel passed the Certified Information Security Professional (CISP) certification exam, two personnel passed the Project Management Professional (PMP) certification exam, one personnel passed the Information System Project Management Professional (Advanced) qualification certification and one personnel passed the Information Security Professional (Intermediate) qualification certification, which has greatly improved the quality of the Bank's technological team.

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

### **5 Risk Management**

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

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

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

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

The Bank's credit risk management organization includes its president and Risk Management Committee, persons-in-charge of branches and sub-branches, Credit Approval Committees or groups and its risk management, front desk business and internal audit departments.

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

## Chapter 4 Management Discussion and Analysis

The Bank uses the following mechanisms to manage credit risks:

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

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

In the first half of 2019, the Bank seriously complied with the national industrial policy and various regulatory requirements to mainly adjust credit structure and focus on preventing and mitigating credit risks. Through clarifying credit direction, optimizing operational procedures and carrying out risk obligations, the Bank strengthened its credit risk management. Continuous efforts were made to enhance its insights and initiatives of risk prevention and control. On the one hand, the Bank strived to focus on principal business and traditional values. It also prioritized economic transformation and upgrade and supply-side structural reform in order to improve its ability and level

## Chapter 4 Management Discussion and Analysis

of serving the real economy. On the other hand, the Bank optimized its operational procedures and tightened credit management to ensure the quality of new loans. In addition, monitoring and analysis of credit risks were carried out in great depth and credit risk management work was supervised promptly to ensure effective risk control. In addition, the Bank further improved its operation mechanism, strengthened the implementation of risk mitigation measures and carried out its risk management obligations to continuously enhance its credit risk management abilities.

### (ii) Market risk management

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

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

In the first half of 2019, the Bank further improved its market risk management by proactively and duly responded to changes in conditions. Firstly, the Bank paid close attention to the market trend and further strengthened the identification, evaluation and prevention of market risk regarding the capital and credit businesses. Early alerts and effective measures on potential risks were adopted in advance, which prevented the occurrence of market risk effectively. Secondly, based on the risk appetite for market risk and pursuant to the direction of business transformation, the Bank adjusted its investment strategies flexibly, optimized the annual plans for authorization, internal approval and limit of market risk, and reinforced the monitoring of the implementation of authorization and limits. Thirdly, the Bank expanded the database and improved the monitoring and analysis of market risk, which facilitated prompt adjustment of risk analysis and measurement approaches for timely alert and stop-loss measures.

## Chapter 4 Management Discussion and Analysis

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

Interest rate risk is the risk of economic loss to commercial banks due to adverse changes in interest rates. Based on its sources, interest rate risk can be categorized into re-pricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) and the re-pricing period (for floating interest rate). Due to the mismatches in re-pricing, the revenue or internal economic value of the Bank will change when the interest rate changes. The interest rate management of the Bank aims to control interest rate risk within a reasonable range.

The Bank has established a governance structure compatible with its interest rate risk management, which comprised the Board and its Risk Management Committee, the senior management and its Asset and Liability Management Committee, departments at the front and middle offices, branches and subsidiaries. Such governance structure is also under the supervision of the Board of Supervisors and subject to audit by the audit department. The senior management is responsible for the specific management of the interest rate risk of the Bank, while the Asset and Liability Management Committee of the Head Office performs relevant functions as authorized by senior management, including the formulation, evaluation, supervision and implementation of interest rate risk preferences and interest rate risk management strategies, policies and procedures. Each management level has clear division of work, ensuring that the interest rate risk management can be carried out independently and effectively with sufficient resources.

In the first half of 2019, the Bank further improved its interest rate risk management policies and systems and optimized its interest rate risk management system. The Bank strengthened the identification, measurement, monitoring and control of the banking book interest rate risk to reduce its impact on the businesses of the Bank. More effective and insightful measures for banking book interest rate risk management were carried out, contributing to comprehensive improvement of the Bank's banking book interest rate risk management level.

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

Exchange rate risk is the risk of loss to businesses of the Bank due to adverse changes in exchange rate. The exchange rate risk of the Bank is mainly due to mismatches in the currency denominations of its assets and liabilities and the term structure of foreign exchange transactions. The Bank manages exchange rate risk by reasonable matching the sources and uses of funds. The Bank mainly uses foreign exchange exposure analysis and sensitivity analysis to measure exchange rate risk. It also seeks to minimize the management cost of exchange rate risk and impact of exchange rate fluctuations by managing risk exposure limits and choosing appropriate transaction currency.

## Chapter 4 Management Discussion and Analysis

In addition, the Bank regulates transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank promptly closes positions from major transactions and revalues non-monetary balance sheet items daily to prevent exchange rate risks.

The Bank has continued to strengthen its exchange rate risk management and ensured the reasonable use of foreign exchange funds to further improve its risk management of foreign exchange exposure and the management level of foreign exchange assets and liabilities. The exchange rate risk management level of the Bank can be extensively improved.

### (iii) Operational risk management

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

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

In the first half of 2019, the Bank implemented various measures to continuously optimize the operational risk management and enhance its risk management and control capability. Firstly, the Bank provided intensive trainings for key personnel of business lines, branches and sub-branches. The trainings focused on the explanation of the establishment of operational risk management system, major operational risk management and the application of the three key tools of operational risk, including supervision, loss and assessment of operational risk. The evaluation of operational risks was carried out quarterly. By performing a consolidated analysis on the aspects and procedures of the Bank that may have potential operational risk, the performance of the management members and the capability of the front-line staff to identify and address the operational risk have been enhanced. Secondly, the Bank strengthened the regulatory education for all employees, the execution of the system and the awareness and proactiveness of all employees in performing their duties in accordance with the rules. For the front-line staff, morning and evening meetings were held for introduction of illustrative examples to enhance their consciousness of

## Chapter 4 Management Discussion and Analysis

compliance. Thirdly, the Bank implemented a rotation system for key positions. By formulating a rotation system for key positions, all departments and outlets have been required to strictly implement the rotation system. Implementation of the inspection work of the rotation and departure of staff for key positions was carried out in a timely manner. The occurrence of major risk cases caused by the employees' non-compliance in operations was prevented effectively. Fourthly, the Bank intensified the depth and frequency of supervision and inspection. The Bank prevented and eliminated potential operational risks in a timely basis through performing specialized inspections on key positions, key procedures and key businesses, off-site inspections and a combination of self-inspection and audits inspection.

### (iv) Liquidity risk

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

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

The Bank continued to improve its liquidity risk management measures, tools and approaches. The Bank further improved the assets and liabilities structure, maintained reasonable growth of assets, expanded the sources of funding, and properly increased its quality assets to improve liquidity risk indicators and adapt to changes in market conditions. The Bank continued to strengthen the measurement, identification and predictability of liquidity risk for better prevention and management of liquidity risk.

## Chapter 4 Management Discussion and Analysis

In the first half of 2019, based on the economic policy trend and its actual situation, the Bank enhanced its liquidity risk management on the basis of the principles of safety, liquidity and efficiency and in strict compliance with the macro and prudent management and regulatory requirements. Firstly, the Bank continued to improve its liquidity risk management system. The Bank established a long-term liquidity risk control system in response to the market environment and business changes. The monitoring of liquidity indicators was strengthened to improve the alertness of prevention of liquidity risk. Secondly, the structure of assets and liabilities was actively adjusted to ensure adequate liquidity, while asset and liability structure was further optimized by strengthening the management of asset and liability portfolio, quota and maturity mismatch. In addition, the channels of liabilities sources were broadened continuously and the proportion of stable liabilities was increased, which further improved the stability of liabilities. Thirdly, stress test was conducted regularly to measure liquidity risk. The Bank carried out stress test for liquidity risk on a periodic and timely basis in accordance with the actual situation in order to ensure sufficient response capacity of the Bank. The Bank adjusted the strategies and methods of liquidity management appropriately based on the results of stress test so as to improve and enhance the management of liquidity risk.

### (v) Reputational risk management

Reputational risk is the risk of negative evaluation of the Bank by stakeholders resulting from the Bank's operations, management, other activities or external events. The Bank's reputational risk management aims to identify, monitor, manage and mitigate reputational risk through the establishment of a proactive, reasonable and efficient reputational risk management mechanism. These efforts allow the Bank to establish and maintain a positive image for its sustainable, steady and rapid development.

The Board of the Bank bears ultimate responsibility for reputational risk management. The Bank's Risk Management Committee under the Board is responsible for providing opinions for the Board to make decisions on reputational risk management. It is also responsible for the control, management, monitoring and evaluation of the Bank's reputational risk management. The senior management is responsible for taking the lead in the reputational risk management of the Bank and implementing the reputational risk management strategies and policies formulated by the Board. The senior management is also responsible for approving systems, methods, operational procedures and handling plans of reputational events related to reputational risk management to ensure smooth and effective operation of the reputational risk management system.

In the first half of 2019, the Bank formulated a reputational risk emergency response plan which stipulates the responsible departments, reporting process and handling measures to improve its response ability. The Bank monitored information on the Bank as published by various media and identified problems and hidden issues in a timely manner, and minimized the factors that would trigger reputational risks. In addition, the Bank revised and improved customer complaint management methods to improve customer service quality and efficiency.



## Chapter 4 Management Discussion and Analysis

### (vi) Legal and compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aims to establish a well-developed compliance risk management structure, specify the obligation of risk management, promote the culture of compliance, improve the comprehensive risk management system so as to ensure the compliance of operation.

The Bank prioritizes legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In 2019, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. Firstly, the Bank established a regular review mechanism for internal control system. At the beginning of the year, according to the changes in regulatory policies and the needs of business innovation and development, the Bank analyzed and improved existing rules and regulations, and revised and established more than 40 sets of regulations. Secondly, the Bank implemented the authorization mechanism for operation and management. The Bank adopted differentiated authorizations for relevant business functions, branches and key positions within the statutory business scope to strengthen internal supervision and prevent and control risks. Thirdly, the Bank highlighted the importance of compliance and implemented the risk investigation mechanism. The Company conducted specific corporate governance investigations, including the "Consolidation of Achievements from Investigation of Chaos for Compliance Construction" in 2019, investigation and rectification of unlawful fund-raising risk, case risk investigation and special fight against evil force. The Bank also carried out activities such as the promotion and education for prevention of unlawful fund-raising and warnings and education through cases. Through investigation and rectification as well as promotion and education, the compliance management of the Bank was fully enhanced.

### (vii) IT risk management

IT risk refers to the operational, legal, reputational and other risks arising from natural factors, human factors, technical loopholes and management deficiencies in the application of information technology. The Bank's IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure its safe, sustainable and stable operation, promote business innovation, enhance the application of information technology and strengthen its core competitiveness and sustainable development.

## Chapter 4 Management Discussion and Analysis

The Bank has included IT risks in its comprehensive risk management system. IT Committee under the operation management is responsible for overseeing and guiding the work of IT while the IT department is responsible for the daily management of IT risks.

In the first half of 2019, the Bank continued to improve the management of IT risk and safety awareness through various measures such as improving process management, conducting emergency drills, and strengthening safety training in order to facilitate the real-time monitoring and control of IT risks. On the one hand, the Bank improved the operation and maintenance management processes and adopted stringent process management mechanism in order to prevent, monitor and trace IT risks. It monitored the risk of operation systems through an integrated monitoring platform and identified and prevented information security risk through early warning mechanism. The safe and smooth operation of information system was effectively secured. On the other hand, emergency drills such as virtualized system, server room of information center, core database and perimeter firewall were conducted to improve the emergency response mechanism and enhance the capability of response and reaction to emergency. In addition, the Bank organized various training programs on project management system, operation and maintenance of information center and network to enhance the awareness of IT staff on risk and information safety and improve their technical skills and management level.

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

In the first half of 2019, the Bank put high emphasis on risks and duly performed its duties and obligations on anti-money laundering. Firstly, pursuant to the relevant policies of the PBOC, the Bank commenced self-evaluation of money laundering risks throughout the Bank to enhance the effectiveness of anti-money laundering and anti-terrorism financing. Secondly, the Bank issued to all of its individual customers the Announcement on Further Improving Individual to Customers Information (《關於進一步完善個人客戶資訊的公告》) to further strengthen the identity identification of all individual customers of the Bank. Thirdly, the Bank conducted anti-money laundering training programs on financial business in 2019 under the organization of the PBOC. All senior management, heads of departments or divisions and front-line staffs participated in the training programs. Through the training programs, the awareness of the management at different levels on anti-money laundering and their management capability were enhanced and the awareness of front-line staff on anti-money laundering and their business skills were effectively improved. Fourthly, the Bank commenced the activities for the promotion month of anti-money laundering for a wide range of customers. Various promotion campaigns of anti-money laundering were launched and public awareness on anti-money laundering was enhanced in a practical manual.

## Chapter 4 Management Discussion and Analysis

### (ix) Internal audit

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

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

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

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

### (b) Risk Management of the Subsidiaries

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

## Chapter 4 Management Discussion and Analysis

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

### (i) Credit risk management

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

### (ii) Market risk management

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

### (iii) Operational risk management

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

### (iv) Liquidity risk management

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

### (v) Reputational risk management

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

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### **(vi) Legal and compliance risk management**

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

### **(vii) IT risk management**

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

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

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

### **(ix) Internal audit**

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

## Chapter 4 Management Discussion and Analysis

### 6 Analysis on Capital Adequacy Ratio

All commercial bank in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 9.3%, 9.7%, 10.1%, 10.5%, and 10.5%, (ii) minimum tier-one capital adequacy ratios of 7.3%, 7.7%, 8.1%, 8.5%, and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 6.3%, 6.7%, 7.1%, 7.5%, and 7.5%, respectively, as of June 30, 2015, 2016, 2017, 2018 and 2019.

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>June 30, 2019</b>	December 31, 2018
<b>Core capital</b>		
Paid-up capital	<b>3,984.8</b>	3,984.8
Qualifying portion of capital reserve	<b>5,338.5</b>	5,331.2
Surplus reserve	<b>724.7</b>	724.7
General risk reserve	<b>1,571.2</b>	1,571.2
Investment revaluation reserve	<b>(8.7)</b>	(30.4)
Retained earnings	<b>1,111.9</b>	1,374.5
Qualifying portions of non-controlling interests	<b>1,027.5</b>	974.2
Core tier-one capital deductions <sup>(1)</sup>	<b>(1,581.6)</b>	(1,562.4)
<b>Net core tier-one capital</b>	<b>12,168.3</b>	12,367.8
Other tier-one capital <sup>(2)</sup>	<b>135.7</b>	128.7
<b>Net tier-one capital</b>	<b>12,304.0</b>	12,496.5

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(Expressed in millions of RMB, unless otherwise stated)	June 30, 2019	December 31, 2018
<b>Tier-two capital</b>		
Qualifying portion of tier-two capital instruments issued	1,910.0	1,980.0
Surplus reserve for loan impairment	990.7	818.4
Qualifying portion of non-controlling interests	274.2	258.9
<b>Net capital</b>	<b>15,478.9</b>	15,553.8
<b>Total risk-weighted assets</b>	<b>137,554.3</b>	131,516.3
<b>Core tier-one capital adequacy ratio (%)</b>	<b>8.85%</b>	9.40%
<b>Tier-one capital adequacy ratio (%)</b>	<b>8.94%</b>	9.50%
<b>Capital adequacy ratio (%)</b>	<b>11.25%</b>	11.83%

Notes:

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

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

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

As of June 30, 2019, the share capital of the Bank was as follows:

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

During the period from June 30, 2019 to the Latest Practicable Date, the share capital of the Bank upon completion of the Capitalization Issue (as defined and described in “Chapter 7 Significant Events – III. Plan of Capital Reserve Capitalization” of this interim report) is set out below:

Description of Shares	Number of Shares	Approximate % of issued Shares
Domestic Shares	3,387,087,577	81.0
H Shares	796,950,000	19.0
<b>Total</b>	<b>4,184,037,577</b>	<b>100.0</b>



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

### II. Particulars of Shareholders

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

As of June 30, 2019, the top ten holders of the Domestic Shares of the Bank are set out as follows:

Number	Name of Shareholder	Total number of Shares held at June 30, 2019	Approximate percentage in the total issued share capital of the Bank at June 30, 2019 (%)	Pledged or frozen
1	Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	382,929,916	9.61	—
2	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	328,056,320	8.23	—
3	Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	178,555,359	4.48	—
4	Yongtai Group Limited (永泰集團有限公司)	160,000,000	4.02	160,000,000
5	Changchun Dingxing Construction Engineering Co., Ltd. (長春鼎興建築工程有限公司)	110,575,290	2.77	50,000,000
6	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	108,731,739	2.73	—
7	China Wood (Group) Co., Ltd. (中國木材(集團)有限公司)	100,352,000	2.52	—
8	Jilin Province Longyuan Agricultural Production Group Co., Ltd. (吉林省隆源農業生產資料集團有限公司)	98,597,120	2.47	—
9	Jishi Media Co., Ltd. (吉視傳媒股份有限公司)	87,640,149	2.20	—
10	Jilin Province Jiapeng Group Co., Ltd. (吉林省嘉鵬集團有限公司)	83,295,651	2.09	—
<b>Total</b>		<b>1,638,733,544</b>	<b>41.12</b>	<b>210,000,000</b>

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

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

To the best knowledge of the Bank, as at June 30, 2019, the following persons (other than the Bank's Directors, Supervisors and chief executive) had or be deemed or taken to have interests and/or short positions in the Shares or underlying shares as recorded in the register of interests required to be kept by the Bank pursuant to Section 336 of Part XV of the SFO and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, were interested in 5% or more of the nominal value of any class of the Bank's share capital carrying rights to vote in all circumstances at the Shareholders' general meetings of any other member of the Bank:

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held <sup>(9)</sup>	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
<b>Domestic Shares</b>					
Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司)	Beneficial owner	Domestic Shares	382,929,916(L)	9.61	11.87
Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Beneficial owner	Domestic Shares	328,056,320(L)	8.23	10.17
Changchun Huamei Tourism and Culture Media Co., Ltd. (長春市華美旅遊文化傳媒有限公司)	Beneficial owner	Domestic Shares	178,555,359(L)	4.48	5.54
Jilin Province He'an Automobile Leasing Co., Ltd. (吉林省和安汽車租賃有限公司) <sup>(1)</sup>	Interest in controlled corporation	Domestic Shares	178,555,359(L)	4.48	5.54
Song Yilin (宋一霖) <sup>(2)</sup>	Interest in controlled corporation	Domestic Shares	178,555,359(L)	4.48	5.54
<b>H Shares</b>					
China Create Capital Limited	Beneficial owner	H Shares	141,181,000(L)	3.54	18.60
Wang Tao (王濤) <sup>(3)</sup>	Interest in controlled corporation	H Shares	141,181,000(L)	3.54	18.60
Suhang Investment Holdings Limited	Beneficial owner	H Shares	100,000,000(L)	2.51	13.18

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

Name of Shareholder	Nature of Interests	Class of Shares	Number of Shares directly or indirectly held <sup>(9)</sup>	Approximate percentage of the total issued share capital of the Bank (%)	Approximate percentage of the relevant class of Shares of the Bank (%)
China Huarong International Holdings Limited (中國華融國際控股有限公司) <sup>(4)</sup>	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
Huarong Real Estate Co., Ltd. (華融置業有限責任公司) <sup>(5)</sup>	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) <sup>(6)</sup>	Interest in controlled corporation	H Shares	100,000,000(L)	2.51	13.18
Huijin Capital Limited	Beneficial owner	H Shares	47,250,000(L)	1.19	6.22
Mia Chen <sup>(7)</sup>	Interest in controlled corporation	H Shares	47,250,000(L)	1.19	6.22
Aurum Thrive Ltd. (金隆有限公司)	Beneficial owner	H Shares	38,028,000(L)	0.95	5.01
Zhang Dan (張丹) <sup>(8)</sup>	Interest in controlled corporation	H Shares	38,028,000(L)	0.95	5.01

### Notes:

- (1) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. According to the SFO, Jilin Province He'an Automobile Leasing Co., Ltd. is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (2) Jilin Province He'an Automobile Leasing Co., Ltd. holds 100% equity interest in Changchun Huamei Tourism and Culture Media Co., Ltd. and Mr. Song Yilin directly holds 90% of the total issued share capital of Jilin Province He'an Automobile Leasing Co., Ltd. According to the SFO, Mr. Song Yilin is deemed to be interested in the Shares held by Changchun Huamei Tourism and Culture Media Co., Ltd.
- (3) Wang Tao holds 100% of the total issued share capital in China Create Capital Limited. According to the SFO, Wang Tao is deemed to be interested in the Shares held by China Create Capital Limited.
- (4) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. According to the SFO, China Huarong International Holdings Limited is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (5) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a majority shareholder of China Huarong International Holdings Limited. According to the SFO, Huarong Real Estate Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (6) Suhang Investment Holdings Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a majority shareholder of China Huarong International Holdings Limited. Huarong Real Estate Co., Ltd. is a wholly-owned subsidiary of China Huarong Asset Management Co., Ltd. According to the SFO, China Huarong Asset Management Co., Ltd. is deemed to be interested in the Shares held by Suhang Investment Holdings Limited.
- (7) Mia Chen holds 100% equity interest in Huijin Capital Limited. Huijin Capital Limited directly holds 47,250,000 H Shares. According to the SFO, Mia Chen is deemed to be interested in the Shares held by Huijin Capital Limited.

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

- (8) Zhang Dan holds the entire issued share capital of Aurum Thrive Ltd. Aurum Thrive Ltd. directly holds 38,028,000 H Shares. According to the SFO, Zhang Dan is deemed to be interested in the Shares held by Aurum Thrive Ltd.
- (9) L represents long positions.
- (10) Under Part XV of the SFO, disclosure of interest forms shall be submitted by Shareholders of the Bank upon satisfaction of certain conditions. If there are changes in the Shareholders' shareholdings in the Bank, Shareholders are not required to inform the Bank and the Hong Kong Stock Exchange, except where certain conditions have been satisfied. Therefore, there could be a difference between the substantial Shareholders' latest shareholdings in the Bank and the information on their shareholdings submitted to the Hong Kong Stock Exchange. Information set out in the above table is mainly based on the disclosure of interests forms submitted by the relevant Shareholders.

Save as disclosed above, as at June 30, 2019, the Bank is not aware of any other person, other than the Directors, Supervisors and chief executive of the Bank, who had interests or short positions in the Shares and underlying shares of the Bank, which were required to be recorded in the register of interests maintained by the Bank pursuant to section 336 of Part XV of the SFO, and which would be required to be disclosed to the Bank and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

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

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

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

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

As of the Latest Practicable Date, the largest Shareholder of the Bank is Jilin Province Trust Co., Ltd. (吉林省信託有限責任公司), holding 402,076,412 Domestic Shares of the Bank and representing 9.61% of the total issued share capital of the Bank.

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

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

As at the Latest Practicable Date, the information of the Directors, Supervisors and senior management members of the Bank is as follows:

#### Directors

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Mr. Gao Bing (高兵)	51	Chairman, Executive Director	December 2008	February 2021	Responsible for overall operations and strategic management, make material decisions and develop the business strategy
Mr. Liang Xiangmin (梁向民)	53	Executive Director, President	April 2016	February 2021	Responsible for the overall management of business operations, participate in making material business decisions and developing the business development strategy
Mr. Yuan Chunyu (袁春雨)	47	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	February 2021	Responsible for the management of the Board's office, participate in making material business decisions and developing the business development strategy
Mr. Cui Qiang (崔强)	54	Non-executive Director	August 2019	February 2021	Participate in making major business decisions and advise on issues relating to audit, related party transactions and nomination and remuneration of Directors, Supervisors and senior management
Mr. Wu Shujun (吴树君)	60	Non-executive Director	December 2012	February 2021	Same as above
Mr. Zhang Xinyou (张新友)	53	Non-executive Director	December 2012	February 2021	Same as above
Mr. Wang Baocheng (王宝成)	63	Non-executive Director	April 2016	February 2021	Same as above
Mr. Zhang Yusheng (张玉生)	69	Non-executive Director	April 2015	February 2021	Same as above

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

Name	Age	Position	Date of appointment as Director	Expiration of the term of office	Responsibilities
Dr. Fu Qiong (傅穹)	49	Independent Non-executive Director	April 2015	February 2021	Participate in making major business decisions, developing the business development strategy and advise on issues relating to related party transactions, audit and nomination and remuneration of Directors, Supervisors and senior management
Mr. Jiang Ning (蔣寧)	48	Independent Non-executive Director	January 2017	February 2021	Same as above
Ms. Zhang Qihua (張秋華)	56	Independent Non-executive Director	August 2019	February 2021	Same as above
Mr. Chung Wing Yin (鍾永賢)	42	Independent Non-executive Director	July 2016	February 2021	Same as above
Mr. Yang Jinguan (楊金觀)	56	Independent Non-executive Director	April 2016	February 2021	Same as above

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

### Supervisors

Name	Age	Position	Date of appointment as Supervisor	Expiration of the term of office	Responsibilities
Mr. Luo Hui (羅輝)	47	Chairman of the Board of Supervisors, Employee Supervisor	December 2008	February 2021	Take charge of the work of the Board of Supervisors and supervision of the Board of Directors and senior management on behalf of the employees
Mr. Wang Enjiu (王恩久)	50	Employee Supervisor	December 2008	February 2021	Supervision of the Board of Directors and senior management on behalf of the employees
Mr. Liu Xiangjun (劉向軍)	43	Employee Supervisor	December 2015	February 2021	Same as above
Mr. Fan Shuguang (范曙光)	55	Non-employee Supervisor	June 2016	February 2021	Supervision of the Board of Directors and senior management
Mr. Gao Pengcheng (高鵬程)	50	Non-employee Supervisor	January 2016	February 2021	Same as above
Mr. Wang Zhi (王志)	48	Non-employee Supervisor	January 2016	February 2021	Same as above
Mr. Zhang Ruibin (張瑞賓)	36	Non-employee Supervisor	January 2016	February 2021	Same as above

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

### Senior Management

Name	Age	Position	Date of appointment as senior management	Expiration of the term of office	Responsibilities
Mr. Liang Xiangmin (梁向民)	53	President	subject to the approval of the CBIRC Jilin Bureau	February 2021	Responsible for the overall management of the business operations, participate in making material business decisions and developing the business development strategy
Mr. Zhu Weidong (朱衛東)	54	Vice President	February 2011	February 2021	Responsible for the management of business operations of village and township banks
Mr. Li Guoqiang (李國強)	50	Vice President	December 2008	February 2021	Responsible for the business operations and management of branches within the Jiutai region
Ms. Song Xiaoping (宋曉萍)	54	Vice President	February 2011	February 2021	Responsible for the management of information technology, international business and electronic banking
Mr. Gao Zhonghua (高中華)	54	Vice President	February 2015	February 2021	Responsible for risk management, legal compliance, consumer rights protection and party community work
Mr. Chen Xinzhe (陳新哲)	48	Vice President	July 2019	February 2021	Responsible for the business operations and management of branches outside the Jiutai region and manage certain business departments and offices
Mr. Yuan Chunyu (袁春雨)	47	Executive Director, Secretary to the Board and Joint Company Secretary	December 2012	February 2021	Responsible for the management of the Board's office, participate in making material business decisions and develop the business strategy



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

### **II. The Fourth Session of the Board and the Board of Supervisors**

The term of office of the Directors of the fourth session of the Board of the Bank commenced on February 5, 2018 and will end on the expiry of the term of the fourth session of the Board.

As at the Latest Practicable Date, the members of the fourth session of the Board include:

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

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

### The Fourth Session of the Board of Supervisors

The term of office of the Supervisors of the fourth session of the Board of Supervisors of the Bank commenced on February 5, 2018 and will end on the expiry of the term of the fourth session of the Board of Supervisors.

As at the Latest Practicable Date, the members of the fourth session of the Board of Supervisors include:

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

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

#### (I) Changes in Directors

As elected by the Shareholders of the Bank at the 2018 annual general meeting of the Bank (the “AGM”) and approved by the CBIRC, Mr. Cui Qiang has become a non-executive Director of the Bank and a member of the Remuneration Committee under the Board with effect from August 6, 2019, and Ms. Zhang Qiuhua has become an independent non-executive Director of the Bank, the chairman of the Remuneration Committee, a member of each the Risk Management Committee, the Nomination Committee and the Three Rurals Financial Services Committee under the Board with effect from August 29, 2019. Following the appointment of Mr. Cui Qiang and Ms. Zhang Qiuhua, Ms. Guo Yan and Mr. Li Beiwei have ceased to serve as the Directors of the Company and ceased to perform duties as chairman or member of special committees under the Board.

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

For biographical details of Mr. Cui Qiang and Ms. Zhang Qihua, please refer to the announcements of the Bank dated March 28, 2019, August 8, 2019 and August 30, 2019 and the circular of the Bank dated May 3, 2019.

### **(II) Changes in Supervisors**

During the Reporting Period and as at the Latest Practicable Date, there were no changes in the Bank's Supervisors.

### **(III) Changes in Senior Management Members**

Due to work re-arrangement, Mr. Zhang Haishan has ceased to be the president of the Bank with effect from August 23, 2019. On August 23, 2019, the Board has approved the resolution in relation to the appointment of Mr. Liang Xiangmin, an executive Director of the Bank, as the president of the Bank. Mr. Liang Xiangmin has ceased to be a vice president and the chief operating officer of the Bank with effect from the same day. The qualification of Mr. Liang Xiangmin as the president of the Bank is subject to the approval by the CBIRC Jilin Bureau.

On June 28, 2019, the Board of the Bank passed the resolution regarding the appointment of Mr. Chen Xinzhe as the vice president of the Bank. On July 19, 2019, the qualification of Mr. Chen Xinzhe was approved by the CBIRC Jilin Bureau.

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

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

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

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

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

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

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

Name	Position held with the Bank	Name of the Shareholder company	Position held in the Shareholder company
Mr. Zhang Xinyou	Non-executive Director	Changchun Longde Real Estate Development Co., Ltd. (長春市隆德房地產開發有限公司)	Chairman
Mr. Wang Baocheng	Non-executive Director	Changchun Changqing Pharmaceutical Group Co., Ltd. (長春長慶藥業集團有限公司)	Chairman
Mr. Zhang Yusheng	Non-executive Director	Changchun Huaxing Construction Co., Ltd. (長春華星建築有限責任公司)	Chairman

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

- (1) Mr. Zhang Xinyou (張新友) was a director of Nongan County Xinyou Industry Co., Ltd. (農安縣新友實業有限責任公司), a company with limited liability incorporated in the PRC on February 2, 2002, which was mainly engaged in the wholesale and retail of hardware parts and dissolved by way of deregistration on December 28, 2006. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolution nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

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

- (2) Mr. Zhang Yusheng (張玉生) was a director of Jilin Huaxing New Construction Materials Co., Ltd. (吉林華星新型建築材料有限責任公司), a company with limited liability incorporated in the PRC on April 25, 2006, which was mainly engaged in the production, wholesale and retail of non-burnt bricks and wall panels and dissolved by way of deregistration on September 2, 2015. Mr. Zhang confirmed that there is no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a director of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.
- (3) Dr. Fu Qiong (傅穹) was a supervisor of Chizhou Chijiu Automobile Trade Co., Ltd. (池州市池九汽車貿易有限公司), a company with limited liability incorporated in the PRC on March 12, 2013, which was mainly engaged in the sales of automobiles, and dissolved by way of deregistration on August 20, 2013. Dr. Fu confirmed that there is no wrongful act on his part leading to the dissolution, nor is he aware of any actual or potential claim that has been or will be made against him as a result of the dissolution, that his involvement in the operation of the above company was mainly due to his duties as a supervisor of the company and that no misconduct or misfeasance had been involved in the dissolution of the company, and the company was solvent at the time of dissolution or deregistration.

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

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

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

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

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

As at June 30, 2019, the interests of the Directors, Supervisors and chief executive of the Bank in the Shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO are as follows:

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

Notes:

- (1) As at June 30, 2019, the Bank had a total of 3,984,797,692 Shares in issue, including 3,225,797,692 Domestic Shares and 759,000,000 H Shares.
- (2) L represents long position.
- (3) The percentage is rounded to two decimals.

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

Save as disclosed above, as at June 30, 2019, none of the Directors, Supervisors and chief executive of the Bank held any interests or short positions in the Shares, underlying shares and debentures of the Bank or its associated corporations as recorded in the register required to be kept by the Bank under Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code or in accordance with Divisions 7 and 8 of Part XV under the SFO.

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

#### (I) Staff Composition

As at June 30, 2019, the Group had 6,050 employees. The table below sets forth its number of full-time employees by function as of the same date:

	Number of Employees	Percentage (%)
Retail banking	2,939	49
Management	652	11
Finance and accounting	738	12
Corporate banking	754	12
Risk management, internal audit and legal and compliance	187	3
Treasury operations	131	2
Information technology	93	2
Others	556	9
<b>Total</b>	<b>6,050</b>	<b>100</b>

As at June 30, 2019, more than 59% of the Group's employees had a bachelor's degree or higher.

In addition to full-time employees, as of June 30, 2019, the Group also had 170 contract staff from third-party human resources agencies. These contract staff are not the Group's employees. Instead, they have entered into employment contracts with third-party human resources agencies. They generally serve in non-key positions, such as bank tellers and customer service officers. The Bank and the subsidiaries make advance payments to the third-party agencies, which then pay salaries to and make social security contributions for contract staff.

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

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

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

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

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

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

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

### **(IV) Labor Union**

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



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

### X. SUBSIDIARIES

Subsidiaries	Places of business	Remarks
Liaoyuan Rural Commercial Bank Limited Liability Company (遼源農村商業銀行有限責任公司)	3257 Renmin Street, Longshan District, Liaoyuan City, Jilin Province, PRC	13 sub-branches
Hanshan Huimin Town Bank Co., Ltd. (含山惠民村鎮銀行有限責任公司)	2 <sup>#</sup> Floor, Zone C, Jinxiu Hua Cheng, North Baochanshan Road, Huanfeng Town, Hanshan County, Ma'anshan City, Anhui Province, PRC	5 sub-branches
Shuangcheng Huimin Village Bank Co., Ltd. (雙城惠民村鎮銀行有限責任公司)	Building Complex, Longsheng South District, Fada Road, Shuangcheng City, Heilongjiang Province, PRC	4 sub-branches
Tongcheng Huimin Village Bank Co., Ltd. (通城惠民村鎮銀行有限責任公司)	59 Jiefang East Road, Juanshui Town, Tongcheng County, Hubei Province, PRC	2 sub-branches
Gaomi Huimin Village and Township Bank Co., Ltd. (高密惠民村鎮銀行有限責任公司)	919 Liqun Road, Gaomi Town, Weifang City, Shandong Province, PRC	7 sub-branches
Wuchang Huimin Village Bank Co., Ltd. (五常惠民村鎮銀行有限責任公司)	Block 1, Guanye Guojijie District, Yachen Road, Wuchang City, Heilongjiang Province, PRC	3 sub-branches
Yun'an Huimin Village Bank Co., Ltd. (雲安惠民村鎮銀行股份有限公司)	62 Jixiang Road, Yun'an District, Yunfu City, Guangdong Province, PRC	
Lu Jiang Hui Min Town Bank Co., Ltd. (廬江惠民村鎮銀行有限責任公司)	Block 18, Fenghuang City, Jun'er West Road, Lujiang County, Hefei City, Anhui Province, PRC	5 sub-branches
Qingdao Pingdu Huimin Village Bank Co., Ltd. (青島平度惠民村鎮銀行股份有限公司)	27 Hongqi Road, Pingdu City, Qingdao City, Shandong Province, PRC	8 sub-branches
Da'an Huimin Village Bank Co., Ltd. (大安惠民村鎮銀行有限責任公司)	54 Renmin Road, Da'an City, Jilin Province, PRC	5 sub-branches
Changchun Nanguan Hui Min Village Bank Co., Ltd. (長春南關惠民村鎮銀行有限責任公司)	Shop 105-111 of Block 32, Shop 105-106 of Block 33, Haojing Villa, Yatai Street, Nanguan District, Changchun City, Jilin Province, PRC	4 sub-branches
Huimin Village Bank Company Limited of Anci, Langfang (廊坊市安次區惠民村鎮銀行股份有限公司)	39 Guangming West Road, Anci District, Langfang City, Hebei Province, PRC	5 sub-branches
Guangzhou Huangpu Huimin Village and Township Bank Co., Ltd. (廣州黃埔惠民村鎮銀行股份有限公司)	1192 Jiufu Middle Road, Jiulong Town, Huangpu Disitric, Guangzhou City, Guangdong Province, PRC	4 sub-branches

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

Subsidiaries	Places of business	Remarks
Heyang Huimin Village Bank Co., Ltd. (合陽惠民村鎮銀行股份有限公司)	North of East Section, Fenghuang West Road, Heyang County, Weinan City, Shaanxi Province, PRC	2 sub-branches
Huadian Huimin Village Bank Co., Ltd. (樺甸惠民村鎮銀行股份有限公司)	316 Huadian Street, Huadian City, Jilin Province, PRC	5 sub-branches
Jilin Fengman Huimin Village Bank Co., Ltd. (吉林豐滿惠民村鎮銀行股份有限公司)	121 Jilin Street, Fengman District, Jilin City, Jilin Province, PRC	8 sub-branches
Jingmen Dongbao Huimin Village Bank Co., Ltd. (荊門東寶惠民村鎮銀行股份有限公司)	82 Xiangshan Street, Dongbao District, Jingmen City, Hubei Province, PRC	3 sub-branches
Qingyuan Qingxin Huimin Village Bank Co., Ltd. (清遠清新惠民村鎮銀行股份有限公司)	102#, 66 Qingxin Street, Taihe Town, Qingxin District, Qingyuan City, Guangdong Province, PRC	2 sub-branches
Wenan Huimin Village Bank Co., Ltd. (文安縣惠民村鎮銀行股份有限公司)	344 Xingwen Road, Wen'an County, Langfang City, Hebei Province, PRC	7 sub-branches
Wuhua Huimin Village Bank Co., Ltd. (五華惠民村鎮銀行股份有限公司)	189 Huaxing North Road, Shuizhai Town, Wuhua County, Meizhou City, Guangdong Province, PRC	4 sub-branches
Qianan Huimin Village Bank Co., Ltd. (乾安惠民村鎮銀行有限責任公司)	Caishui Jiayuan Neighborhood, Yuzhou West Road, Qian'an County, Jilin Province, PRC	5 sub-branches
Changchun Gaoxin Huimin Village Bank Co., Ltd. (長春高新惠民村鎮銀行有限責任公司)	Room 101, Block 16a, Baolai Yaju, 999 Guanggu Street, Gaoxin District, Changchun City, Jilin Province, PRC	5 sub-branches
Baicheng Taobei Huimin Village Bank Co., Ltd. (白城洮北惠民村鎮銀行股份有限公司)	Block 2, Siji Huacheng, 299 Guangming South Street, Taobie District, Baicheng City, Jilin Province, PRC (Shops 4, 5 and 6, District A, Zuanshi Siji Huacheng)	3 sub-branches
Fuyu Huimin Village Bank Co., Ltd. (扶餘惠民村鎮銀行股份有限公司)	222 Yucai South Street, Fuyu City, Jilin Province, PRC	3 sub-branches
Taonan Huimin Village Bank Co., Ltd. (洮南惠民村鎮銀行股份有限公司)	1098 Tuanjie West Road, Taonan City, Jilin Province, PRC	2 sub-branches
Tianjin Binhai Huimin Village Bank Co., Ltd. (天津濱海惠民村鎮銀行股份有限公司)	322-324 East Century Street, Binhai New District, Tianjin City, PRC	13 sub-branches

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

Subsidiaries	Places of business	Remarks
Jilin Chuanying Huimin Village Bank Co., Ltd. (吉林船營惠民村鎮銀行股份有限公司)	Outlets Nos. 1, 3, 4, 116 Guangze Amethyst City, 8 Huangqi Road, Chuanying District, Jilin City, Jilin Province, PRC	3 sub-branches
Leizhou Huimin Village Bank Co., Ltd. (雷州惠民村鎮銀行股份有限公司)	021 Leihu South Road, Leicheng Town, Leizhou City, Guangdong Province, PRC	1 sub-branch
Songyuan Ningjiang Huimin Village Bank Company Limited (松原寧江惠民村鎮銀行股份有限公司)	2099 Wulan Street, Ningjiang District, Songyuan City, Jilin Province, PRC	10 sub-branches
Anping Huimin Village Bank Co., Ltd. (安平惠民村鎮銀行股份有限公司)	8 Xima Road, Anping County, Hebei Province, PRC	4 sub-branches
Huidong Huimin Village Bank Co., Ltd. (惠東惠民村鎮銀行股份有限公司)	66-71 Jinzuan Street, Zhonghang City, Huaqiao City, Pingshan Town, Huidong County, Huizhou City, Guangdong Province, PRC	4 sub-branches
Lingshui Huimin Village Bank Co., Ltd. (陵水惠民村鎮銀行股份有限公司)	98 Yelin South Street Lingshui County, Hainan Province, PRC	1 sub-branch
Sanya Huimin Village Bank Co., Ltd. (三亞惠民村鎮銀行股份有限公司)	Dongdu Mansion, 1350 Jiefang Si Road, Sanya City, Hainan Province, PRC	1 sub-branch
Qingdao Jimo Huimin Village Bank Co., Ltd (青島即墨惠民村鎮銀行股份有限公司)	878 Heshan Road, Jimo City, Shandong Province, PRC	3 sub-branches
Jilin Jiuyin Financial Leasing Co., Ltd. (吉林九銀金融租賃股份有限公司)	3333 Xiantai Street, Changchun Economic and Technological Development Zone, Jilin Province, PRC	

# Chapter 7 Significant Events

## I. Code of Corporate Governance

The Bank firmly believes that maintaining good corporate governance with high standards is the key to enhance the Bank's core competitiveness and to develop a modern rural commercial bank. Therefore, the Bank has been committed to a high level corporate governance, and actively follows the best corporate governance practices, domestic and overseas, in order to safeguard the interest of Shareholders and enhance the corporate value.

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

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

During the Reporting Period, the Bank has fully complied with all code provisions contained in the Code of Corporate Governance. The Directors are not aware of any information which indicates any non-compliance of the Bank with the code provisions contained in the Code of Corporate Governance. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Code of Corporate Governance and the Guidelines and meet the higher expectations from its Shareholders and potential investors.

### II. Earnings and Dividends

#### (1) Final dividends for 2018

The profit distribution plan of the Bank for 2018 was considered and approved by the Shareholders at the AGM held on June 20, 2019. The Bank distributed cash dividends of approximately RMB717,263,584.56 in total (tax inclusive) for 2018. Based on the number of Shares on the record date for dividend distribution, the Bank distributed a cash dividend of RMB0.18 (tax inclusive) for each Share. The final dividends payable for 2018 were denominated in Renminbi, and were paid to holders of Domestic Shares in Renminbi and holders of H Shares in Hong Kong dollars. The exchange rate (i.e. RMB0.880052 against HK\$1.00) adopted for dividends payable in Hong Kong dollars was based on the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars as announced by the PBOC on the five working days preceding the date of declaration of the dividend at the AGM on June 20, 2019 (inclusive). Accordingly, the final dividend for 2018 payable for each H Share was HK\$0.204533 (tax inclusive). The Bank has completed the payment of final dividend for 2018 in August 2019.

#### (2) Interim dividends for 2019

Revenue of the Bank for the six months ended June 30, 2019 and the financial position of the Bank as at the same date are set out in the financial statements in this interim report.

The Board does not recommend any distribution of interim dividends for 2019.

### III. Plan of Capital Reserve Capitalization

As resolved by the Board and considered and approved by the Shareholders at the AGM, the first domestic share class meeting of 2019 and the first H share class meeting of 2019 held on June 20, 2019, the Bank issued new Shares by way of capitalization of capital reserve to the holders of Domestic Shares and H Shares whose names appeared on the share register of the Bank at the close of business on Tuesday, July 2, 2019 on the basis of 5 new Shares for every 100 existing Shares held by the Shareholders (the “**Capitalization Issue**”). Based on the 3,984,797,692 Shares of the Bank in issue as at December 31, 2018, the total number of new Shares issued by way of capitalization of capital reserve is 199,239,885 Shares, including 161,289,885 Shares issued to holders of Domestic Shares and 37,950,000 Shares issued to holders of H Shares. Upon completion of the Capitalization Issue, the total number of Shares in issue of the Bank is 4,184,037,577 Shares, including 3,387,087,577 Domestic Shares and 796,950,000 H Shares. The listing and trading of the new H Shares under the Capitalization Issue has been approved by the Hong Kong Stock Exchange, and the Capitalization Issue has been approved by the CBIRC. The listing and trading of the new H Shares on the Hong Kong Stock Exchange commenced on August 16, 2019.

The Bank has also changed the registered capital and amended the Articles of Association of the Bank to reflect the change in registered capital as a result of the Capitalization Issue.

## Chapter 7 Significant Events

### IV. Amendments to the Articles of Association

Due to the establishment of new special committees under the Board and for the purpose of standardizing the Shareholders' pledge of the Bank's Shares, the Bank amended certain articles in its Articles of Association. Such amendments were approved by the Shareholders at the second extraordinary general meeting of 2017 held on November 8, 2017.

In addition, according to the spirit of the documents including the Constitution of the Communist Party of China, the Guiding Opinions on Deepening the Reforms of State-owned Enterprises issued by the Central Committee of the Communist Party of China and the State Council, the Several Opinions on Upholding the Party's Leadership and Strengthening the Party's Construction in Deepening the Reforms of State-owned Enterprises issued by the General Office of the CPC Central Committee, and the Notice regarding the Promotion of the Requirements of Incorporation of Party Building Work into the Articles of Association of State-owned Enterprises issued by the Organization Department of the CPC Central Committee and Party Committee of the State-owned Assets Supervision and Administration Commission of the State Council, the Bank incorporated the party building-related articles into its Articles of Association. Such amendments were approved by the Shareholders at the first extraordinary general meeting of 2018 held on February 5, 2018.

The above amendments were approved by the CBIRC on March 29, 2019 and became effective from the same day.

### V. Proposed Non-Public Issuance of Offshore Preference Shares

At the Board meeting held on August 28, 2017, the Board approved the proposed issuance of offshore preference shares (the "**Non-public Issuance of Offshore Preference Shares**"). The Bank planned to conduct a non-public issuance of not more than 50,000,000 offshore preference shares to raise proceeds not exceeding RMB5.0 billion or its equivalent to replenish the Bank's other tier-one capital. The offshore preference shares would be issued by way of non-public issuance in accordance with the relevant rules on issuance and should be issued in a single or multiple series in accordance with the relevant procedures after being approved by regulatory authorities.

The resolution regarding the Non-public Issuance of Offshore Preference Shares was considered and approved at the second extraordinary general meeting of 2017, the first Domestic Share class meeting of 2017 and the first H Share class meeting of 2017 held on November 8, 2017. As the validity period of the resolution of authorization for the Non-public Issuance of Offshore Preference Shares would be expired within 12 months following the passing of such resolution at the Shareholders' general meetings held on November 8, 2017 (i.e. by November 8, 2018), the Board approved to extend the validity period of the authorization for the Non-public Issuance of Offshore Preference Shares for

## Chapter 7 Significant Events

12 months at the Board meeting held on October 22, 2018. The resolution regarding the extension of the validity period of the authorization for the Non-public Issuance of Offshore Preference Shares was passed at the third extraordinary general meeting of 2018, the second Domestic Share class meeting of 2018 and the second H Share class meeting of 2018 held on December 7, 2018. For details regarding the Non-public Issuance of Offshore Preference Shares, please refer to the announcements of the Bank dated August 28, 2017 and October 22, 2018 and the circulars of the Bank dated September 20, 2017 and November 16, 2018, respectively.

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

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

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

#### (1) Private Placement of Domestic Shares

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

#### (2) Non-public Issuance of H Shares

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



## Chapter 7 Significant Events

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were considered and approved at the second extraordinary general meeting of 2018, the first Domestic Share class meeting of 2018 and the first H Share class meeting of 2018 held on September 5, 2018. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcement of the Bank dated July 12, 2018 and the circular of the Bank dated August 15, 2018, respectively. The validity period of the issue plans and relevant authorizations expired on September 5, 2019. An extraordinary general meeting and the class meetings will be held by the Bank to seek for Shareholders' approval on the extension of the validity period of the issue plans and relevant authorizations.

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

### VII. Issuance of Bonds

#### (1) Bonds issued during the Reporting Period

From January 1, 2019 to June 30, 2019, the Bank issued 10 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB6,140.0 million. The interbank certificates have a term of one year and bear effective interest rates between 3.15% and 3.50%.

#### (2) Proposed issuance of bonds

As resolved by the Board and considered and approved by the Shareholders at the AGM held on June 20, 2019, the Bank proposes to issue capital supplementary bonds of up to RMB4.0 billion. The initial term shall be no less than 5 years, and the capital bonds with no fixed term shall have no fixed expiry date before the Bank exercises its redemption right. The actual interest rate of the issuance will be determined based on market rates. Proceeds from the issuance of bonds will be used to replenish other tier-one capital or tier-two capital of the Bank. As at the date of this interim report, the Bank has not issued any capital supplementary bonds. The Bank will make timely disclosure on the latest development on the issuance of capital supplementary bonds in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

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

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



### IX. Related Party Transactions

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

### X. Material Litigations and Arbitrations

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

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

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

### XII. Public Float

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

- (1) 16.9% of the Bank's total issued share capital;
- (2) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has not been exercised); and
- (3) such percentage of H Shares to be held by the public immediately after the completion of the global offering (assuming the over-allotment option has been exercised).

## Chapter 7 Significant Events

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

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

### XIII. Appointment of External Auditor

As considered and approved by the Shareholders at the AGM held on June 20, 2019, the Bank has re-appointed ShineWing Certified Public Accountants LLP as the domestic external auditor of the Bank for 2019 to provide auditing services in the PRC in accordance with the PRC GAAP, and SHINEWING (HK) CPA Limited as the international external auditor of the Bank for 2019 to provide auditing and review services overseas in accordance with the IFRS.

The terms of office of the above two external auditors shall commence from the date of approval of the resolution on the engagement of external auditing firms for 2019 by the AGM (i.e. June 20, 2019) and shall expire at the conclusion of the Bank's annual general meeting for 2019.

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

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

### XV. Event after the Reporting Period

On August 16, 2019, the Bank issued 199,239,885 ordinary shares by way of Capitalization Issue, following which the total ordinary shares of the Bank has been increased to 4,184,037,577. For further details, please refer to "III. Plan of Capital Reserve Capitalization" of this chapter.

### XVI. Review of Interim Report

The financial statements disclosed in this interim report have not been audited. The interim financial statements for the six months ended June 30, 2019 prepared by the Bank under the IFRS issued by the International Accounting Standards Board have been reviewed by SHINEWING (HK) CPA Limited in accordance with the Hong Kong Standard on Review Engagements 2410. This interim report has been reviewed and adopted by the Board and the audit committee under the Board.

### XVII. Publication of 2019 Interim Report

The Bank has prepared its 2019 interim report in accordance with the Hong Kong Listing Rules and the IFRS, which is available on the HKEXnews website of Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and website of the Bank ([www.jtnsh.com](http://www.jtnsh.com)).

In this interim report, the financial data for the six months ended June 30, 2018 and the six months ended June 30, 2019 have not been audited, while the financial data for the year ended December 31, 2018 have been audited.

# Chapter 8 Report on Review of Condensed Consolidated Financial Statements



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

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

吉林九台農村商業銀行股份有限公司

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

### Opinion

We have reviewed the condensed consolidated financial statements of Jilin Jiutai Rural Commercial Bank Corporation Limited (the "Bank") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 108 to 209, which comprise the condensed consolidated statement of financial position as at 30 June 2019, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

### **Scope of Review**

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

### **Conclusion**

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

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

*Certified Public Accountants*

### **Wong Chuen Fai**

Practising Certificate Number: P05589

Hong Kong

23 August 2019

# Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Interest income		4,171,188	4,362,325
Interest expenses		(2,257,320)	(2,608,701)
Net interest income	5	1,913,868	1,753,624
Fee and commission income		102,461	141,176
Fee and commission expenses		(13,959)	(13,768)
Net fee and commission income	6	88,502	127,408
Net trading gains	7	350,785	385,344
Dividend income		64,248	76,512
Net gains arising from investment securities	8	7,748	7,303
Losses on deemed disposals of subsidiaries	51	—	(6,204)
Net exchange gains		3,444	11,368
Other operating (expense) income, net	9	(1,587)	21,487
Operating income		2,427,008	2,376,842
Operating expenses	10	(1,156,539)	(1,288,253)
Impairment losses on assets	11	(678,876)	(555,418)
Operating profit		591,593	533,171
Share of profits of associates	23	18,112	35,937
Profit before tax		609,705	569,108
Income tax expense	12	(110,291)	(94,629)
<b>Profit for the period</b>		<b>499,414</b>	474,479
Earnings per share			(Restated)
— Basic and diluted (RMB cents)	13	10.87	8.85

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Profit for the period</b>	<b>499,414</b>	474,479
<b>Other comprehensive (expense) income for the period:</b>		
<b><i>Items that will not be reclassified subsequently to profit or loss:</i></b>		
Financial assets at fair value through other comprehensive income		
– Fair value loss on investments in equity investments at fair value through other comprehensive income	—	(17,304)
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
– Financial assets at fair value through other comprehensive income		
– Fair value gain on debt investments at fair value through other comprehensive income	<b>27,215</b>	187,835
– Reclassified to the profit or loss upon disposal	<b>(2,651)</b>	1,141
– Income tax relating to item that may be reclassified subsequently	<b>(6,168)</b>	(47,244)
– Changes in allowance for expected credit loss	<b>2,665</b>	(865)
– Release of reserve upon deemed disposal of subsidiaries (Note 51)	—	6,204
– Share of other comprehensive income of associates	<b>667</b>	593
	<b>21,728</b>	130,360
<b>Total comprehensive income for the period</b>	<b>521,142</b>	604,839
<b>Profit for the period attributable to:</b>		
– Owners of the Bank	<b>454,684</b>	370,207
– Non-controlling interests	<b>44,730</b>	104,272
	<b>499,414</b>	474,479

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>Total comprehensive income for the period attributable to:</b>		
– Owners of the Bank	476,378	488,576
– Non-controlling interests	44,764	116,263
	<b>521,142</b>	<b>604,839</b>



# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Financial Position

At 30 June 2019

	Notes	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
<b>Assets</b>			
Cash and deposits with the central bank	14	17,578,455	22,458,129
Deposits with banks and other financial institutions	15	9,126,132	9,884,358
Placements with banks and other financial institutions	16	1,851,568	1,698,580
Financial assets held under resale agreements	17	194,000	—
Financial assets at fair value through profit or loss	18	12,288,187	16,387,635
Interests receivables	19	1,110,178	750,735
Loans and advances to customers	20	84,694,710	75,354,549
Financial assets at fair value through other comprehensive income	21	4,327,933	6,349,689
Financial assets measured at amortised costs	22	23,772,419	23,716,352
Interests in associates	23	2,192,576	2,203,249
Right-of-use assets	24	873,616	—
Property and equipment	25	4,015,848	4,009,412
Goodwill		401,335	401,335
Deferred tax assets	26	497,688	405,626
Other assets	27	611,163	633,627
<b>Total assets</b>		<b>163,535,808</b>	164,253,276

## Chapter 9 Unaudited Interim Financial Statements

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

At 30 June 2019

	Notes	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowings from the central bank	29	1,376,400	2,376,520
Deposits from banks and other financial institutions	30	3,341,299	4,711,266
Placements from banks and other financial institutions	31	904,786	1,106,496
Financial assets sold under repurchase agreements	32	4,934,200	8,406,720
Deposits from customers	33	112,373,997	109,521,161
Accrued staff costs	34	65,478	163,083
Taxes payable		60,120	64,664
Interests payable	35	1,881,201	1,749,748
Debts securities issued	36	21,605,547	20,552,182
Lease liabilities	24	787,253	—
Other liabilities	37	1,308,561	493,798
<b>Total liabilities</b>		<b>148,638,842</b>	149,145,638
<b>Equity</b>			
Share capital	38	3,984,797	3,984,797
Capital reserve	39	5,338,491	5,331,249
Investment revaluation reserve		(8,598)	(30,292)
Surplus reserve	40	724,671	724,671
General reserve	40	1,571,192	1,571,192
Retained earnings		1,111,937	1,374,517
Total equity attributable to owners of the Bank		12,722,490	12,956,134
Non-controlling interests		2,174,476	2,151,504
<b>Total equity</b>		<b>14,896,966</b>	15,107,638
<b>Total liabilities and equity</b>		<b>163,535,808</b>	164,253,276

The condensed consolidated financial statements on pages 108 to 209 were approved and authorised for issue by the board of directors of the Bank on 23 August 2019 and are signed on its behalf by:

**Mr. GAO Bing**

Director

**Mr. YUAN Chunyu**

Director

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2019

	Attributable to owners of the Bank								
	Share Capital	Capital reserve	Investment			Retained earnings	Sub-total	Non-controlling interests	Total
			revaluation reserve	Surplus reserve	General reserve				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2019 (Audited)	3,984,797	5,331,249	(30,292)	724,671	1,571,192	1,374,517	12,956,134	2,151,504	15,107,638
Profit for the period	—	—	—	—	—	454,684	454,684	44,730	499,414
Other comprehensive income for the period	—	—	21,694	—	—	—	21,694	34	21,728
Total comprehensive income for the period	—	—	21,694	—	—	454,684	476,378	44,764	521,142
Changes in ownership in a subsidiary without changes in control	—	7,242	—	—	—	—	7,242	26,543	33,785
Appropriation of profits									
– Dividends recognised as distribution (Note 41)	—	—	—	—	—	(717,264)	(717,264)	—	(717,264)
– Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(48,335)	(48,335)
At 30 June 2019 (Unaudited)	3,984,797	5,338,491	(8,598)	724,671	1,571,192	1,111,937	12,722,490	2,174,476	14,896,966

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

	Attributable to owners of the Bank								Non-controlling interests	Total	
	Share Capital	Investment				Retained earnings	Sub-total	Non-controlling interests			Total
		RMB'000	Capital reserve	revaluation reserve	Surplus reserve						
At 31 December 2017 (Audited)	3,984,797	5,315,803	(299,747)	631,095	1,538,170	1,381,593	12,551,711	4,098,941	16,650,652		
Change in accounting policy for adoption of IFRS 9 and IFRS 15	—	—	(4,087)	—	—	(142,294)	(146,381)	(146,047)	(292,428)		
As 1 January 2018 (Restated)	3,984,797	5,315,803	(303,834)	631,095	1,538,170	1,239,299	12,405,330	3,952,894	16,358,224		
Profit for the period	—	—	—	—	—	370,207	370,207	104,272	474,479		
Other comprehensive income for the period	—	—	118,369	—	—	—	118,369	11,991	130,360		
Total comprehensive income for the period	—	—	118,369	—	—	370,207	488,576	116,263	604,839		
Changes in ownership in subsidiaries without changes in control	—	3,205	—	—	—	—	3,205	7,350	10,555		
Deemed disposal of subsidiaries (Note 51)	—	—	—	—	—	—	—	(1,969,005)	(1,969,005)		
Appropriation of profits											
— Dividends recognised as distribution (Note 41)	—	—	—	—	—	(717,264)	(717,264)	—	(717,264)		
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(157,326)	(157,326)		
Release of reserve upon deemed disposal of subsidiaries	—	—	—	—	(92,293)	92,293	—	—	—		
At 30 June 2018 (Unaudited)	3,984,797	5,319,008	(185,465)	631,095	1,445,877	984,535	12,179,847	1,950,176	14,130,023		

# Chapter 9 Unaudited Interim Financial Statements

## Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	609,705	569,108
Adjustments for:		
Depreciation of property and equipment	159,632	184,919
Depreciation of right-of-use assets	91,418	—
Amortisation of long-term deferred expenses and land use rights	12,974	5,533
Impairment losses on assets	678,876	555,418
Interest Income from impaired loans and advances to customers and impaired financial asset measured at amortised cost	168,372	16,345
Interest expense on debts securities issued	438,536	514,504
Dividend income	(64,248)	(76,512)
(Gains) losses on disposal of property and equipment	(350)	31
Net unrealised trading losses	35,624	60,951
Net gains arising from investment securities	(7,748)	(7,303)
Interest expenses on lease liabilities	17,830	—
Losses on deemed disposal of subsidiaries	—	6,204
Government grants	(7,757)	(20,012)
Interest income from financial investments	(788,625)	(1,124,095)
Share of profits of associates	(18,112)	(35,937)
	<b>1,326,127</b>	649,154
Changes in operating assets		
Net (increase) decrease in deposits with the central bank	(1,188,583)	2,646,960
Net decrease (increase) in deposits and placements with the banks and other financial institutions	469,756	(3,948,680)
Net decrease in financial assets at fair value through profit or loss	4,063,824	1,043,519
Net increase in loans and advances to customers	(9,820,748)	(10,741,733)
Net increase in interests receivables	(228,641)	(146,627)
Net increase in other assets	(104,197)	(182,367)
	<b>(6,808,589)</b>	(11,328,928)
Changes in operating liabilities		
Net (decrease) increase in borrowing from central bank	(1,000,120)	279,130
Net (decrease) increase in deposits from banks and other financial institutions	(1,369,967)	3,882,157
Net (decrease) increase in placements from banks and other financial institutions	(201,710)	84,000
Net decrease in financial assets sold under repurchase agreements	(3,472,520)	(749,545)
Net increase in deposits from customers	2,852,836	3,243,944
Net decrease in accrued staff costs	(97,605)	(148,595)
Net increase in interests payable	113,670	92,986
Net increase (decrease) in other liabilities	97,352	(116,190)
	<b>(3,078,064)</b>	6,567,887

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Cash used in operations	(8,560,526)	(4,111,887)
Income tax paid	(213,065)	(242,955)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(8,773,591)</b>	<b>(4,354,842)</b>
<b>INVESTING ACTIVITIES</b>		
Payments on acquisition of financial investments	(5,354,661)	(149,930)
Payments on acquisition of property and equipment	(177,548)	(239,166)
Proceeds from disposal of financial investments	7,129,727	4,118,890
Interest income from financial investments	514,132	1,088,743
Dividend income received	60,669	76,512
Dividend received from associates	29,452	54,078
Proceeds from disposal of land use right	18,030	—
Proceeds from disposal of property and equipment	11,830	4,792
Net cash outflow arising on deemed disposals of subsidiaries (Note 51)	—	(2,236,343)
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>2,231,631</b>	<b>2,717,576</b>
<b>FINANCING ACTIVITIES</b>		
Net proceeds from issue of new debt securities	5,942,490	6,709,218
Proceeds from disposal of interests in subsidiaries without loss in control	33,785	10,555
Government grants received	7,757	20,012
Repayment of debt securities issued	(5,260,000)	(7,419,598)
Repayment of lease liabilities	(77,160)	—
Interest paid on debts securities issued	(49,878)	(50,253)
Dividends paid to non-controlling interests	(48,185)	(147,032)
Interest paid on lease liabilities	(17,830)	—
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>530,979</b>	<b>(877,098)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(6,010,981)</b>	<b>(2,514,364)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>16,095,980</b>	<b>16,354,589</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b> <b>(Note 45)</b>	<b>10,084,999</b>	<b>13,840,225</b>
Interest received (including interest income from financial assets at fair value through profit or loss)	4,160,545	4,245,190
Interest paid (excluding interest expense on debts securities issued)	(2,093,772)	(2,953,422)

# Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements

For the Period Ended 30 June 2019

## 1. GENERAL

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

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

As at 30 June 2019, the Bank has established 3 branches and 65 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBRC. The Group operates in mainland China.

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

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

## 2. BASIS OF PREPARATION

The condensed consolidated financial statement of the Group for the six months ended 30 June 2019 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and with International Accounting Standard 34, “Interim Financial Reporting” (“IAS 34”), issued by the International Accounting Standards Board (“IASB”).

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

# Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

### 2. BASIS OF PREPARATION (Continued)

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2018 annual financial statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

### 3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new IFRSs, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and revised IFRSs, which include IFRSs, International Accounting Standards (“IAS(s)”), amendments and related Interpretations (“IFRICs”), issued by the International Accounting Standards Board (the “IASB”) which are effective for the Group’s financial year beginning 1 January 2019.

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



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

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

For the Period Ended 30 June 2019

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

The adoption of IFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and amendments to IFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### **3.1 Impacts on adoption of IFRS 16 Leases**

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied IFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 17 Leases.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied IFRS 16 only to contracts that were previously identified as leases. 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.

The major impacts of the adoption of IFRS 16 on the Group's condensed consolidated financial statements are described below.

# Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 3.1 Impacts on adoption of IFRS 16 Leases (Continued)

##### The Group as lessee

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.51%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid lease payments — the Group applied this approach to all leases.

The following table summarises the impact of transition to IFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 RMB'000	Impact on adoption of IFRS 16 RMB'000	Carrying amount as restated at 1 January 2019 RMB'000
Right-of-use assets	(a), (b), (c)	—	965,650	965,650
Long-term deferred expenses (included in other assets)	(b)	133,673	(92,868)	40,805
Land use rights (included in other assets)	(c)	25,783	(25,783)	—
Lease liabilities	(a)	—	846,999	846,999

Notes:

- (a) As at 1 January 2019, right-of-use assets were measured at an amount of approximately RMB846,999,000 and lease liabilities were measured at an amount of approximately RMB846,999,000. The adoption of IFRS 16 has had no material impact on the retained earnings of the Group.
- (b) Long-term deferred expenses of approximately RMB92,868,000 which represents prepaid rent as at 1 January 2019 were adjusted to right-of-use assets.
- (c) Land use rights of approximately RMB25,783,000 which represents upfront payments for leasehold lands in the PRC as at 1 January 2019 were adjusted to right-of-use assets.

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### 3.1 Impacts on adoption of IFRS 16 Leases (Continued)

##### The Group as lessee (Continued)

Differences between operating lease commitment as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	963,018
Less: Short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(3,136)
	959,882
Discounted using the incremental borrowing rate and lease liabilities recognised at 1 January 2019	846,999

#### 3.2 Practical expedients applied

On the date of initial application of IFRS 16, the Group has used the following practical expedients permitted by the standard:

- Not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC-4 Determining whether an Arrangement contains a Lease;
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 4. CHANGE IN ACCOUNTING POLICIES

##### Leases

###### 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.

###### The Group as leasee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

###### Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

##### Lease (Continued)

##### The Group as lessee (Continued)

##### *Lease liabilities (Continued)*

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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

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

For the Period Ended 30 June 2019

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

##### **Lease (Continued)**

##### **The Group as lessee (Continued)**

##### ***Right-of-use assets***

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under IAS 37 “Provision, Contingent Liabilities and Contingent Assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the condensed consolidated statement of financial position, the same line item as that within which the corresponding underlying assets would be presented if they were owned.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Property, plant and equipment” policy as stated in the Group’s annual consolidated financial statements for the year ended 31 December 2018.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

##### Lease (Continued)

##### The Group as lessee (Continued)

##### *Lease modification*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

##### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 5. NET INTEREST INCOME

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Interest income arising from		
– Deposits with the central bank	96,360	122,611
– Deposits with banks and other financial institutions	237,594	322,171
– Placements with banks and other financial institutions	39,127	26,931
– Financial assets at fair value through other comprehensive income (“FVTOCI”)	112,145	188,548
– Financial assets measured at amortised costs	676,480	935,547
– Loans and advances to customers:		
– Corporate loans and advances	2,152,343	1,921,916
– Finance lease loans	63,028	45,064
– Personal loans and advances	748,537	660,302
– Discounted bills	4,698	1,535
– Financial assets held under resale agreements	40,876	137,700
	<b>4,171,188</b>	<b>4,362,325</b>
Less: Interest expenses arising from		
– Borrowings from the central bank	(14,254)	(5,911)
– Deposits from banks and other financial institutions	(98,587)	(171,502)
– Placements from banks and other financial institutions	(10,020)	(15,032)
– Deposits from customers:		
Corporate customers	(445,706)	(643,010)
Individual customers	(1,113,813)	(1,038,344)
– Financial assets sold under repurchase agreements	(118,574)	(220,398)
– Debts securities issued	(438,536)	(514,504)
– Lease liabilities	(17,830)	–
	<b>(2,257,320)</b>	<b>(2,608,701)</b>
	<b>1,913,868</b>	<b>1,753,624</b>



## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 6. NET FEE AND COMMISSION INCOME

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Fee and commission income		
– Advisory fees	22,104	21,839
– Settlement and clearing fees	8,777	26,475
– Wealth management service fees	572	8,598
– Agency service fees	7,957	10,729
– Syndicated loan service fees	46,919	67,427
– Bank card service fees	1,935	3,102
– Others	14,197	3,006
	<b>102,461</b>	141,176
Fee and commission expenses		
– Settlement and clearing fees	(11,104)	(10,378)
– Others	(2,855)	(3,390)
	<b>(13,959)</b>	(13,768)
	<b>88,502</b>	127,408

#### 7. NET TRADING GAINS

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Financial assets at fair value through profit or loss ("FVTPL")		
– Unlisted equity investments	—	(3,352)
– Debt securities	(35,585)	(24,163)
Investment income from financial asset at FVTPL (Note)	386,370	412,859
	<b>350,785</b>	385,344

*Note:* The investment income from financial assets at FVTPL includes interest income from financial assets at FVTPL of approximately RMB386,370,000 (2018: RMB432,030,000) for the period ended 30 June 2019.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 8. NET GAINS ARISING FROM INVESTMENT SECURITIES

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Net gains on disposal of financial assets measured at amortised cost	3,672	5,536
Net gains on disposal of financial assets at FVTOCI	1,425	2,908
Net revaluation gains (losses) reclassified from other comprehensive income on disposal	2,651	(1,141)
	<b>7,748</b>	7,303

#### 9. OTHER OPERATING (EXPENSES) INCOME, NET

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Government grants (Note)	7,757	20,012
Gains (losses) on disposal of property and equipment	350	(31)
Others operating (expenses) income	(9,694)	1,506
	<b>(1,587)</b>	21,487

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

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 10. OPERATING EXPENSES

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	437,923	486,493
– Staff welfares	37,830	37,478
– Social insurance	140,145	151,301
– Housing allowances	42,694	45,417
– Labour union and staff education expenses	9,582	10,635
	<b>668,174</b>	731,324
Premises and equipment expenses		
– Depreciation of property and equipment	159,632	184,919
– Amortisation of long-term deferred expenses	12,974	5,099
– Amortisation of land use rights	—	434
– Rental and property management expenses	29,375	129,884
– Depreciation of right-of-use assets	91,418	—
	<b>293,399</b>	320,336
Other tax and surcharges	26,592	45,815
Other general and administrative expenses (Note)	168,374	190,778
	<b>1,156,539</b>	1,288,253

Note: Auditor's remuneration for the period ended 30 June 2019 was approximately RMB1,928,000 (2018: RMB1,885,000).

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 11. IMPAIRMENT LOSSES ON ASSETS

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Loans and advances to customers	455,906	387,363
Financial assets measured at amortised costs	222,935	148,963
Financial assets at FVTOCI	2,665	(865)
Placements with banks and other financial institutions	111	613
Other receivables and repossessed assets	(1,385)	13,612
Deposits with bank and other financial institutions	(1,353)	5,760
Credit commitments and financial guarantees	(3)	9
Financial assets held under resale agreements	—	(37)
	<b>678,876</b>	<b>555,418</b>

#### 12. INCOME TAX EXPENSE

##### (a) Income tax:

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Current tax:		
– Mainland China Enterprise Income Tax	207,614	195,930
Under provision in prior period:		
– Mainland China Enterprise Income Tax	907	8,996
Deferred taxation (Note 26)		
– Current year	(98,230)	(110,297)
	<b>110,291</b>	<b>94,629</b>

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

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 12. INCOME TAX EXPENSE (Continued)

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

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Profit before tax	609,705	569,108
Tax at domestic income tax rate of 25%	152,426	142,277
Tax effect of share of profit of associates	(4,528)	(8,984)
Tax effect of expenses not deductible for tax purpose (Note i)	2,995	720
Tax effect of income that are not taxable for tax purpose (Note ii)	(41,509)	(46,480)
Under provision in respect of prior years	907	8,996
Income tax on concessionary rate	—	(1,900)
Income tax expense	110,291	94,629

Notes:

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

Details of the deferred taxation are set out in Note 26.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 13. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited and restated) RMB'000
Profit for the period attributable to owners of the Bank	454,684	370,207
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	4,184,037	4,184,037

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share has been adjusted for the share capitalisation on 16 August 2019.

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the period ended 30 June 2019 and 2018.

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

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Cash on hand	642,983	733,406
Deposits with the central bank		
– Statutory deposit reserves (Note a)	12,066,661	10,847,788
– Surplus deposit reserves (Note b)	4,796,276	10,774,110
– Fiscal deposits	72,535	102,825
	16,935,472	21,724,723
	17,578,455	22,458,129

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

Notes:

- (a) The Group places statutory deposit reserves with the PBOC in accordance with relevant regulations. At 30 June 2019 and 31 December 2018, the statutory deposit reserve ratios applicable to the Bank were as follows:

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Reserve ratio for RMB deposits	11.0%	12.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

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

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

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

*Analysed by type and location of counterparty*

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Deposits in Mainland China		
– Banks	9,092,473	9,837,621
– Other financial institutions	37,763	12,324
	<b>9,130,236</b>	9,849,945
Deposits outside Mainland China		
– Banks	1,899	41,769
	<b>9,132,135</b>	9,891,714
Less: provision for impairment losses (Note)	<b>(6,003)</b>	(7,356)
	<b>9,126,132</b>	9,884,358

Note:

As at 30 June 2019 and 31 December 2018, the Group classifies all deposit with bank and other financial institutions in Stage 1, and measures the losses allowance equal to 12-month ECL.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

##### Movements of provision for impairment losses

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
At 1 January	7,356	5,518
Impairment losses (reversed) recognised	(1,353)	4,294
Derecognised on deemed disposals of subsidiaries	—	(2,456)
At 30 June/31 December	<b>6,003</b>	7,356

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

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Placements in Mainland China		
— Banks	13,735	20,636
— Other financial institutions	1,840,000	1,680,000
	<b>1,853,735</b>	1,700,636
Less: provision for impairment losses (Note)	(2,167)	(2,056)
	<b>1,851,568</b>	1,698,580

Note:

At 30 June 2019 and 31 December 2018, the Group classifies all placements with banks and other financial institutions in Stage 1, and measures the loss allowance equal to 12-month ECL.



## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

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

#### Movements of provision for impairment losses

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
At 1 January	2,056	1,166
Impairment losses recognised	111	1,007
Derecognised on deemed disposals of subsidiaries	—	(117)
At 30 June/31 December	<b>2,167</b>	2,056

### 17. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
In Mainland China		
— Banks	194,000	—

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

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

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Debt securities		
– Banks and other financial institutions	194,000	—

At 30 June 2019, the Group classifies all financial assets held under resale agreements in Stage 1, and measures the loss allowance equal to 12-month ECL.

##### Movements of provision for impairment losses

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
At 1 January	—	37
Impairment losses reversed	—	(37)
At 30 June/31 December	—	—

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

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

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Unlisted equity investments measured at FVTPL	1,017,382	1,017,382
Other debt instruments (Note)	11,270,805	15,370,253
	<b>12,288,187</b>	16,387,635

Note:

Other debt instruments

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Trusts plans	—	481,775
Asset management plans	11,270,805	14,888,478
	<b>11,270,805</b>	15,370,253

### 19. INTERESTS RECEIVABLES

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Interests receivables arising from:		
– Investments	556,020	425,218
– Loans and advances to customers	458,030	222,397
– Financial assets held under resale agreements	64	—
– Deposits and placements with banks and other financial institutions	96,064	103,120
	<b>1,110,178</b>	750,735

As at 30 June 2019 and 31 December 2018, the Group classifies all interests receivables in Stage 1, and measures the loss allowance equal to 12-month ECL.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 20. LOANS AND ADVANCES TO CUSTOMERS

##### (a) Analysed by nature

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
<b>Gross loans and advances to customers</b>		
Corporate loans and advances		
– Loans	62,957,359	55,288,224
– Finance lease loans	2,511,985	1,559,929
	<b>65,469,344</b>	56,848,153
Personal loans and advances		
– Personal business loans	16,045,267	14,655,473
– Personal consumption loans	2,699,696	3,621,813
– Credit card overdrafts	20,100	17,161
– Residential and commercial mortgage loans	3,062,355	2,374,172
	<b>21,827,418</b>	20,668,619
Discounted bills	–	10,899
	<b>87,296,762</b>	77,527,671
<b>Less: Provision for impairment losses</b>		
– Individually assessed	(835,784)	(811,371)
– Collectively assessed	(1,766,268)	(1,361,751)
	<b>(2,602,052)</b>	(2,173,122)
	<b>84,694,710</b>	75,354,549

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

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

	At 30 June 2019		
	Amount (Unaudited) RMB'000	Percentage (Unaudited)	Loans and advances secured by collaterals (Unaudited) RMB'000
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Wholesale and retail	13,839,877	15.85%	4,748,567
– Manufacturing	13,266,942	15.20%	5,357,130
– Leasing and business services	8,543,169	9.79%	2,898,957
– Construction	6,086,731	6.97%	1,778,263
– Agriculture, forestry, animal husbandry and fishery	5,740,438	6.58%	1,847,564
– Transportation, storage and postal services	4,444,532	5.09%	1,353,587
– Real estate	3,577,311	4.10%	1,881,177
– Scientific research, technical services and geological prospecting	2,054,780	2.35%	568,785
– Electricity, gas and water production and supply	1,780,453	2.04%	303,400
– Education	1,740,800	1.99%	569,760
– Information transmission, computer services and software	1,041,931	1.19%	156,263
– Health and social services	957,195	1.10%	112,905
– Accommodation and catering	831,244	0.95%	667,834
– Cultural, sports and entertainment	505,593	0.58%	225,813
– Water, environment and public facility management	447,168	0.51%	233,650
– Resident and other services	346,645	0.40%	106,860
– Public administration, social security and social organisations	158,000	0.18%	110,000
– Mining	84,635	0.10%	10,300
– Finance	21,900	0.03%	4,900
	<b>65,469,344</b>	<b>75.00%</b>	<b>22,935,715</b>
Personal loans and advances	<b>21,827,418</b>	<b>25.00%</b>	<b>12,336,596</b>
	<b>87,296,762</b>	<b>100.00%</b>	<b>35,272,311</b>
<b>Less: Provision for impairment losses</b>			
– Individually assessed	(835,784)		
– Collectively assessed	(1,766,268)		
	<b>(2,602,052)</b>		
	<b>84,694,710</b>		

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

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

	At 31 December 2018		
	Amounts (Audited) RMB'000	Percentages (Audited)	Loans and advances secured by collaterals (Audited) RMB'000
<b>Gross loans and advances to customers</b>			
Corporate loans and advances			
– Wholesale and retail	15,583,519	20.10%	5,216,367
– Manufacturing	12,886,435	16.62%	4,907,736
– Construction	5,769,832	7.44%	1,785,101
– Real estate	3,396,590	4.38%	1,708,978
– Agriculture, forestry, animal husbandry and fishery	4,496,574	5.80%	1,624,946
– Leasing and business services	3,164,569	4.08%	921,712
– Transportation, storage and postal services	2,853,619	3.68%	668,315
– Electricity, gas and water production and supply	1,754,995	2.26%	292,816
– Education	1,641,562	2.12%	567,432
– Accommodation and catering	928,286	1.20%	667,936
– Resident and other services	684,361	0.88%	210,237
– Health and social services	985,999	1.27%	152,052
– Information transmission, computer services and software	850,759	1.10%	121,499
– Water, environment and public facility management	333,780	0.43%	102,800
– Scientific research, technical services and geological prospecting	439,742	0.57%	127,806
– Mining	109,271	0.14%	25,321
– Finance	647,560	0.84%	–
– Cultural, sports and entertainment	320,700	0.42%	74,950
	56,848,153	73.33%	19,176,004
Personal loans and advances	20,668,619	26.66%	11,489,594
Discounted bills	10,899	0.01%	–
	77,527,671	100.00%	30,665,598
<b>Less: Provision for impairment losses</b>			
– Individually assessed	(811,371)		
– Collectively assessed	(1,361,751)		
	(2,173,122)		
	75,354,549		

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

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

As at 30 June 2019 and 31 December 2018, detailed information of the impaired loans and advances to customers as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers are as follows:

	At 30 June 2019					
	Gross impaired loans and advances (Unaudited) RMB'000	ECL			Impairment reversed during the period (Unaudited) RMB'000	Written-off during the year (Unaudited) RMB'000
		Stage 1	Stage 2	Stage 3		
		(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000		
– Wholesale and retail	353,967	206,100	56,056	123,214	(48,800)	–
– Manufacturing	391,670	286,126	113,097	192,957	(21,399)	–

	At 31 December 2018					
	Gross impaired loans and advances (Audited) RMB'000	ECL			Impairment charged during the year (Audited) RMB'000	Written-off during the year (Audited) RMB'000
		Stage 1	Stage 2	Stage 3		
		(Audited) RMB'000	(Audited) RMB'000	(Audited) RMB'000		
– Wholesale and retail	314,497	282,668	37,375	114,127	231,937	–
– Manufacturing	366,038	309,362	91,159	213,057	220,277	3,565

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

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

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
<b>Gross loans and advances to customers</b>		
Unsecured loans	2,626,813	3,045,467
Guaranteed loans	40,293,442	36,121,702
Collateralised loans	35,272,311	30,665,598
Pledged loans	9,104,196	7,694,904
	<b>87,296,762</b>	77,527,671
<b>Less: Provision for impairment losses</b>		
– Individually assessed	(835,784)	(811,371)
– Collectively assessed	(1,766,268)	(1,361,751)
	<b>(2,602,052)</b>	(2,173,122)
	<b>84,694,710</b>	75,354,549



## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

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

	At 30 June 2019				
	Overdue within three months (inclusive) (Unaudited) RMB'000	Overdue more than three months to one year (inclusive) (Unaudited) RMB'000	Overdue more than one year to three years (inclusive) (Unaudited) RMB'000	Overdue more than three years (Unaudited) RMB'000	Total (Unaudited) RMB'000
Unsecured loans	9,949	6,143	1,059	4,917	22,068
Guaranteed loans	757,033	179,230	185,055	124,223	1,245,541
Collateralised loans	869,890	331,973	697,302	377,544	2,276,709
Pledged loans	112,705	6,789	—	58,065	177,559
	<b>1,749,577</b>	<b>524,135</b>	<b>883,416</b>	<b>564,749</b>	<b>3,721,877</b>
As a percentage of gross loans and advances to customers	<b>2.00%</b>	<b>0.60%</b>	<b>1.01%</b>	<b>0.65%</b>	<b>4.26%</b>

  

	At 31 December 2018				
	Overdue within three months (inclusive) (Audited) RMB'000	Overdue more than three months to one year (inclusive) (Audited) RMB'000	Overdue more than one year to three years (inclusive) (Audited) RMB'000	Overdue more than three years (Audited) RMB'000	Total (Audited) RMB'000
Unsecured loans	2,946	1,473	504	4,823	9,746
Guaranteed loans	476,166	91,844	259,899	66,090	893,999
Collateralised loans	372,010	470,160	357,072	316,990	1,516,232
Pledged loans	45,100	1,770	15,000	43,090	104,960
	<b>896,222</b>	<b>565,247</b>	<b>632,475</b>	<b>430,993</b>	<b>2,524,937</b>
As a percentage of gross loans and advances to customers	<b>1.16%</b>	<b>0.73%</b>	<b>0.82%</b>	<b>0.55%</b>	<b>3.26%</b>

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

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

##### (e) Loans and advances and provision for impairment losses

	At 30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers	82,040,398	3,248,319	2,008,045	87,296,762
Less: Provision for impairment losses	(1,240,186)	(383,164)	(978,702)	(2,602,052)
	80,800,212	2,865,155	1,029,343	84,694,710

	At 31 December 2018			
	Stage 1	Stage 2	Stage 3	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Gross loans and advances to customers	73,681,683	2,204,381	1,641,607	77,527,671
Less: Provision for impairment losses	(1,080,762)	(219,925)	(872,435)	(2,173,122)
	72,600,921	1,984,456	769,172	75,354,549

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

##### (f) Movements of provision for impairment losses

	As at 30 June 2019			
	Stage 1	Stage 2	Stage 3	Total
	12m	Lifetime	Lifetime	
	ECL	ECL	ECL	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000
Loss allowance at 1 January 2019	1,080,762	219,925	872,435	2,173,122
Changes in the loss allowance				
– Transfer to stage 1	50,992	(48,197)	(2,795)	–
– Transfer to stage 2	(20,634)	26,022	(5,388)	–
– Transfer to stage 3	(4,708)	(44,954)	49,662	–
– Charge to profit or loss, net	133,774	230,368	91,764	455,906
– Recoveries of loans and advances previously written off as uncollectible	–	–	1,699	1,699
– Interest income on impaired loans and advances to customers	–	–	(24,681)	(24,681)
– Amounts written off as uncollectible	–	–	(3,994)	(3,994)
Loss allowance at 30 June 2019	1,240,186	383,164	978,702	2,602,052

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

##### (f) Movements of provision for impairment losses (Continued)

	As at 31 December 2018			Total (Audited) RMB'000
	Stage 1 12m ECL (Audited) RMB'000	Stage 2 Lifetime ECL (Audited) RMB'000	Stage 3 Lifetime ECL (Audited) RMB'000	
Loss allowance at 1 January 2018	1,169,497	178,588	1,284,657	2,632,742
Changes in the loss allowance				
— Transfer to stage 1	16,244	(15,049)	(1,195)	—
— Transfer to stage 2	(3,489)	40,957	(37,468)	—
— Transfer to stage 3	(5,299)	(8,108)	13,407	—
— Charge to profit or loss, net	194,688	62,832	256,259	513,779
— Recoveries of loans and advances previously written off as uncollectible	—	—	23,826	23,826
— Interest income on impaired loans and advances to customers	—	—	(28,598)	(28,598)
— Amounts written off as uncollectible	—	—	(16,257)	(16,257)
— Derecognised on deemed disposals of subsidiaries	(290,879)	(39,295)	(622,196)	(952,370)
Loss allowance at 31 December 2018	1,080,762	219,925	872,435	2,173,122

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

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

#### (g) Analysed by geographical sector

	At 30 June 2019		
	Gross loan balance (Unaudited) RMB'000	Percentage (Unaudited)	Loan and advances secured by collaterals (Unaudited) RMB'000
Jilin Region	73,567,805	84.27%	27,626,294
Mainland China excluding Jilin Region	13,728,957	15.73%	7,646,017
	<b>87,296,762</b>	<b>100.00%</b>	<b>35,272,311</b>

	At 31 December 2018		
	Gross loan balance (Audited) RMB'000	Percentage (Audited)	Loan and advances secured by collaterals (Audited) RMB'000
Jilin Region	65,442,106	84.41%	24,296,165
Mainland China excluding Jilin Region	12,085,565	15.59%	6,369,433
	<b>77,527,671</b>	<b>100.00%</b>	<b>30,665,598</b>

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

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

##### (h) Finance lease receivables

	At 30 June 2019	At 31 December 2018	At 30 June 2019	At 31 December 2018
	Minimum lease payments (Unaudited) RMB'000	(Audited) RMB'000	Present value of minimum lease payments (Unaudited) RMB'000	(Audited) RMB'000
Amounts receivable under finance leases:				
Within one year	900,414	976,715	804,379	934,035
In the second to fifth years, inclusive	1,928,554	690,454	1,707,606	625,894
Over five years	—	—	—	—
	2,828,968	1,667,169	2,511,985	1,559,929
Less: Unearned finance income	(316,983)	(107,240)	—	—
Present value of minimum finance lease receivables	2,511,985	1,559,929	—	—
Less: Provision for impairment losses (Note)			(48,041)	(18,143)
			2,463,944	1,541,786

Note:

As at 30 June 2019 and 31 December 2018, the Group classifies all finance lease receivables in Stage 1, and measures the loss allowance equal to 12-month ECL included in note 20(f).

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
– Government	1,799,600	3,131,872
– Banks and other financial institutions	1,317,784	2,073,041
– Corporations	743,721	675,508
	<b>3,861,105</b>	5,880,421
Asset management plans	322,211	324,651
Unlisted equity investments measured at FVTOCI	144,617	144,617
	<b>466,828</b>	469,268
	<b>4,327,933</b>	6,349,689
Analysed as:		
Listed outside Hong Kong	3,861,105	5,880,421
Unlisted outside Hong Kong	466,828	469,268
	<b>4,327,933</b>	6,349,689

At 1 January 2018, the Group made an irrevocable election to present changes in the fair value of certain of its equity investments and debt investments (previously classified as available-for-sale equity investments and available-for-sale debt investments respectively) in other comprehensive income.

All financial assets at FVTOCI are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

At 30 June 2019 and 31 December 2018, parts of financial assets at FVTOCI were pledged as security for repurchase agreement (Note 28(a)).

At 30 June 2019 and 31 December 2018, the Group classifies all financial assets at fair value through other comprehensive income in Stage 1, and measures the loss allowance equal to 12-month ECL.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

Reconciliation of allowance for impairment losses:

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
At 1 January	1,160	1,430
Provision for the year	2,665	—
Reverse for the year	—	(217)
Derecognised on deemed disposal of subsidiaries	—	(53)
At 30 June/31 December	<b>3,825</b>	1,160



## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 22. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Debt securities issued by the following institutions in Mainland China		
— Government	5,751,112	5,518,559
— Banks and other financial institutions	1,164,792	1,353,901
	<b>6,915,904</b>	6,872,460
Trust plans	8,938,978	9,021,324
Asset management plans	7,916,387	7,761,214
Investment funds	717,151	698,111
	<b>24,488,420</b>	24,353,109
Less: Provision for impairment losses	<b>(716,001)</b>	(636,757)
	<b>23,772,419</b>	23,716,352
Analysed as:		
Listed outside Hong Kong	6,915,234	6,871,790
Unlisted outside Hong Kong	16,857,185	16,844,562
	<b>23,772,419</b>	23,716,352

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 22. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

##### Movements of allowance for impairment losses

	As at 30 June 2019			
	Stage 1 12m ECL (Unaudited) RMB'000	Stage 2 Lifetime ECL (Unaudited) RMB'000	Stage 3 Lifetime ECL (Unaudited) RMB'000	Total (Unaudited) RMB'000
Loss allowance at 1 January 2019	81,066	22,498	533,193	636,757
Changes in the loss allowance				
– Transfer to stage 1	4,938	(4,938)	–	–
– Transfer to stage 2	(10,459)	10,459	–	–
– Transfer to stage 3	(3,326)	(17,561)	20,887	–
– (Reverse) charge to profit or loss, net	(27,369)	26,350	223,954	222,935
– Interest income on impaired financial asset measured at amortised cost	–	–	(143,691)	(143,691)
Loss allowance at 30 June 2019	44,850	36,808	634,343	716,001

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 22. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Continued)

##### Movements of allowance for impairment losses (Continued)

	As at 31 December 2018			Total (Audited) RMB'000
	Stage 1 12m ECL (Audited) RMB'000	Stage 2 Lifetime ECL (Audited) RMB'000	Stage 3 Lifetime ECL (Audited) RMB'000	
Loss allowance at 1 January 2018	139,910	141,117	483,489	764,516
Changes in the loss allowance				
– Transfer to stage 1	–	–	–	–
– Transfer to stage 2	(2,144)	2,144	–	–
– Transfer to stage 3	(1,566)	(117,024)	118,590	–
– (Reverse) charge to profit or loss, net	(33,513)	2,028	384,505	353,020
– Interest income on impaired financial asset measured at amortised cost	–	–	(177,671)	(177,671)
– Derecognised on deemed disposals of subsidiaries	(21,621)	(5,767)	(275,720)	(303,108)
Loss allowance at 31 December 2018	81,066	22,498	533,193	636,757

*Notes:*

- (a) The Group had an objective to hold these investments in order to collect contractual cash flows and had measured them at their amortised cost.
- (b) All debt securities are traded on the China Interbank Bond Market and are included in "Listed outside Hong Kong".
- (c) At 30 June 2019 and 31 December 2018, parts of financial assets at amortised cost were pledged as security for repurchase agreement (Note 28(a)).

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 23. INTERESTS IN ASSOCIATES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Costs of investments in associates, unlisted	2,071,188	2,071,188
Share of post-acquisition profits and other comprehensive income, net off dividends received	121,388	132,061
	<b>2,192,576</b>	2,203,249

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 23. INTERESTS IN ASSOCIATES (Continued)

As at 30 June 2019 and 31 December 2018, the Group had interests in the following associates:

Name of the bank	Form of entity	Country of incorporation/ operation	Class of shares held	Proportion of ownerships interests or participating shares held by the Group		Proportion of voting power held		Principal activity
				30 June 2019	31 December 2018	30 June 2019	31 December 2018	
				(Unaudited)	(Audited)	(Unaudited)	(Audited)	
Haikou United Rural Commercial Bank Co., Ltd.* (“海口聯合農村商業銀行股份有限公司”, “Haikou United Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	20%	20%	20%	20%	Corporate and retail bank
Changbai Mountain Rural Commercial Bank Co., Ltd.* (“長白山農村商業銀行股份有限公司”, “Changbai Mountain Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	38.8%	38.8%	38.8%	38.8%	Corporate and retail bank
Jilin Dehui Rural Commercial Bank Co., Ltd.* (“吉林德惠農村商業銀行股份有限公司”, “Jilin Dehui Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	45%	45%	45%	45%	Corporate and retail bank
Jilin Gongzhuling Rural Commercial Bank Co., Ltd.* (“吉林公主嶺農村商業銀行股份有限公司”, “Jilin Gongzhuling Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	30%	30%	30%	30%	Corporate and retail bank
Jilin Chuncheng Rural Commercial Bank Co., Ltd.* (“吉林春城農村商業銀行股份有限公司”, “Jilin Chuncheng Rural Commercial Bank”) <sup>(1)</sup>	Incorporated	PRC	Ordinary	30%	30%	30%	30%	Corporate and retail bank

(1) These associates are directly held by the Bank.

\* The English translation is for identification only.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 23. INTERESTS IN ASSOCIATES (Continued)

On 28 May 2018, certain shareholders who hold certain ownership and voting power of the banks including Jilin Gongzhuling Rural Commercial Bank, Changbai Mountain Rural Commercial Bank, Jilin Dehui Rural Commercial Bank and Jilin Chuncheng Rural Commercial Bank, terminated the act in concert contracts with the Group. Hence, the Group loss control over these banks as the Group did not obtain more than half of the voting power in the shareholder meetings of these banks. Details are set out in note 51.

The financial information and carrying amount, in aggregate, of the Group's interests in associates that are not individually material and are accounted for using the equity method are set out below:

	30 June 2019 (Unaudited) RMB'000	30 June 2018 (Unaudited) RMB'000
The Group's share of profit for the period	18,112	35,937
The Group's share of other comprehensive income for the period	667	593
	<b>18,779</b>	36,530

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Carrying amount of the Group's interests in these associates	<b>2,192,576</b>	2,203,249

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

#### (i) Right-of-use assets

	Premises RMB'000	Motor Vehicles RMB'000	Land use rights (Note) RMB'000	Total RMB'000
<b>Cost</b>				
At 1 January 2019				
Adoption of IFRS 16	934,503	5,364	29,370	969,237
Additions	15,923	1,491	—	17,414
Disposals	—	—	(20,950)	(20,950)
At 30 June 2019 (Unaudited)	950,426	6,855	8,420	965,701
<b>Accumulated depreciation</b>				
At 1 January 2019				
Adoption of IFRS 16	—	—	3,587	3,587
Provided for the period	89,389	1,729	300	91,418
Elimination on disposals	—	—	(2,920)	(2,920)
At 30 June 2019 (Unaudited)	89,389	1,729	967	92,085
<b>Carrying amounts</b>				
At 30 June 2019 (Unaudited)	861,037	5,126	7,453	873,616

Note:

These lands are located in PRC with medium term leases (10–50 years).

At 30 June 2019, the net book value of land use rights of which title deeds were not yet finalised by the Group were approximately RMB1,046,000.

According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned lands and entitled to occupy, use, transfer, pledge and dispose of these lands.

#### (ii) Lease liabilities

Upon adoption of IFRS 16, on 1 January 2019, the Group recognised lease liabilities of approximately RMB846,999,000 (note 3.1). As at 30 June 2019, the carrying amount of lease liabilities was approximately RMB787,253,000. During the six months ended 30 June 2019, the Group entered into a number of new lease agreements and recognised lease liability of approximately RMB17,414,000.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 24. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (Continued)

##### (iii) Amounts recognised in profit and loss

	For the six months ended 30 June 2019 (Unaudited) RMB'000
Depreciation on right-of-use assets	91,418
Interest expense on lease liabilities	17,830
Expense relating to short-term leases	5,909

##### (iv) Others

At 30 June 2019, the Group is committed to approximately RMB5,545,000 for short-term leases.

#### 25. PROPERTY AND EQUIPMENT

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Cost</b>						
At 1 January 2018	3,732,129	587,306	706,791	380,000	14,154	5,420,380
Additions	30,332	35,864	111,272	388,091	2,323	567,882
Transfers in/(out) of construction in progress	222,445	282	24,450	(247,177)	—	—
Derecognised on deemed disposals of subsidiaries (Note 51)	(487,987)	(23,006)	(153,795)	(269,824)	(5,175)	(939,787)
Disposals	—	—	(13,716)	—	(977)	(14,693)
At 31 December 2018 and 1 January 2019	3,496,919	600,446	675,002	251,090	10,325	5,033,782
Additions	5,984	2,171	40,996	128,207	190	177,548
Transfers in/(out) of construction in progress	47,336	1,324	17,536	(66,196)	—	—
Disposals	(2,270)	—	(11,782)	(1,681)	(1,224)	(16,957)
At 30 June 2019 (Unaudited)	3,547,969	603,941	721,752	311,420	9,291	5,194,373



## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 25. PROPERTY AND EQUIPMENT (Continued)

	Premises RMB'000	Leasehold improvement RMB'000	Office equipment RMB'000	Construction in progress RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Accumulated depreciation and impairment</b>						
At 1 January 2018	320,374	243,509	388,124	—	12,459	964,466
Provided for the year	113,581	69,793	111,834	—	116	295,324
Eliminated on deemed disposals of subsidiaries (Note 51)	(112,943)	(6,947)	(104,319)	—	(3,772)	(227,981)
Eliminated on disposals	—	—	(6,724)	—	(715)	(7,439)
At 31 December 2018 and 1 January 2019	<b>321,012</b>	<b>306,355</b>	<b>388,915</b>	<b>—</b>	<b>8,088</b>	<b>1,024,370</b>
Provided for the period	<b>71,917</b>	<b>33,003</b>	<b>54,444</b>	<b>—</b>	<b>268</b>	<b>159,632</b>
Eliminated on disposals	<b>(2,270)</b>	<b>—</b>	<b>(2,020)</b>	<b>—</b>	<b>(1,187)</b>	<b>(5,477)</b>
At 30 June 2019 (Unaudited)	<b>390,659</b>	<b>339,358</b>	<b>441,339</b>	<b>—</b>	<b>7,169</b>	<b>1,178,525</b>
<b>Net book value</b>						
At 30 June 2019 (Unaudited)	<b>3,157,310</b>	<b>264,583</b>	<b>280,413</b>	<b>311,420</b>	<b>2,122</b>	<b>4,015,848</b>
At 31 December 2018 (Audited)	3,175,907	294,091	286,087	251,090	2,237	4,009,412

At 30 June 2019, the net book values of premises of which title deeds were not yet finalised by the Group were approximately RMB2,117,337,000 (31 December 2018: approximately RMB2,302,874,000). Among them, the net book values of premises that the Group has obtained housing property title certificates issued by the authorities but no land use right certificates were approximately RMB477,476,000 (31 December 2018: approximately RMB533,783,000).

According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned premises and entitled to occupy, use, transfer, pledge and dispose of these premises.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 25. PROPERTY AND EQUIPMENT (Continued)

At 30 June 2019 and 31 December 2018, the net book values of premises are analysed by the remaining terms of the leases as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Held in Mainland China		
– Long term leases (over 50 years)	76,939	76,068
– Medium term leases (10–50 years)	3,053,011	3,016,806
– Short term leases (less than 10 years)	27,360	83,033
	<b>3,157,310</b>	3,175,907

#### 26. DEFERRED TAXATION

The following is an analysis of the deferred tax balances for financial reporting purposes:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Deferred tax assets	665,280	582,124
Deferred tax liabilities	(167,592)	(176,498)
	<b>497,688</b>	405,626

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 26. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the current period and prior year:

	Provision for impairment losses on assets	Change in fair value of available-for-sale financial assets	Change in fair value of financial asset at FVTOCI	Net losses/ (gains) from fair value changes of financial asset at FVTPL	Tax losses	Others	Net balance of deferred tax assets
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note (i)	Note (ii)	Note (ii)	Note (ii)	Note (iii)		
At 1 January 2018	482,252	109,005	—	(80,559)	43,100	1,848	555,646
Adjustment on opening balance as adoption on IFRS 9	175,101	(109,005)	110,283	(82,428)	—	—	93,951
Credit/(charge) to profit or loss	132,302	—	(849)	(11,204)	13,672	2,662	136,583
Credit to other comprehensive income	—	—	(90,436)	—	—	—	(90,436)
Derecognised on deemed disposals of subsidiaries	(280,650)	—	(7,161)	(2,307)	—	—	(290,118)
At 31 December 2018 and 1 January 2019	<b>509,005</b>	—	<b>11,837</b>	<b>(176,498)</b>	<b>56,772</b>	<b>4,510</b>	<b>405,626</b>
Credit/(charge) to profit or loss	<b>90,999</b>	—	<b>713</b>	<b>8,906</b>	<b>(2,259)</b>	<b>(129)</b>	<b>98,230</b>
Credit to other comprehensive income	—	—	<b>(6,168)</b>	—	—	—	<b>(6,168)</b>
At 30 June 2019 (Unaudited)	<b>600,004</b>	—	<b>6,382</b>	<b>(167,592)</b>	<b>54,513</b>	<b>4,381</b>	<b>497,688</b>

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other financial assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of each of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of each of the reporting period, together with write-offs which fulfill specific criteria as set out in the Mainland China tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.
- (iii) At 30 June 2019, the Group has unused tax losses of RMB218,052,000 (31 December 2018: approximately RMB227,088,000), available for offset against future profits. A deferred tax asset has been recognised in respect of such losses. Such tax losses can be carried forward for five years from the year in which the respective loss arose.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 27. OTHER ASSETS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Other receivables and prepayments (Note (i))	207,136	283,424
Repossessed assets (Note (ii))	258,171	178,852
Long-term deferred expenses (Note (iii))	125,381	133,673
Land use rights (Note (iv))	—	25,783
Dividend receivable	3,579	—
Other	16,896	11,895
	<b>611,163</b>	<b>633,627</b>

Notes:

(i)

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Other receivables and prepayments	218,019	295,692
Less: Provision for impairment losses	(10,883)	(12,268)
	<b>207,136</b>	<b>283,424</b>

As at 30 June 2019, the Group classifies all other receivables in gross amount of approximately RMB66,999,000 in Stage 1, and measures the loss allowance equal to 12-month ECL amounting to approximately RMB10,883,000.

Movements of allowance for impairment losses

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
At 1 January	12,268	7,036
Impairment losses recognised	—	16,729
Impairment losses reversed	(1,385)	—
Amounts written off as uncollectible	—	(1,041)
Derecognised on deemed disposals of subsidiaries	—	(10,456)
At 30 June/31 December	<b>10,883</b>	<b>12,268</b>

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 27. OTHER ASSETS (Continued)

Notes: (Continued)

(ii)

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Reposessed assets	273,063	193,744
Less: Provision for impairment losses	(14,892)	(14,892)
	<b>258,171</b>	<b>178,852</b>

Movements of allowance for impairment losses

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
At 1 January	14,892	95,178
Impairment losses recognised	—	1,592
Derecognised on deemed disposals of subsidiaries	—	(81,878)
At 30 June/31 December	<b>14,892</b>	<b>14,892</b>

(iii) As at 30 June 2019, long-term deferred expenses represent prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period in 2019. Amortisation of long-term deferred expenses for the period ended 30 June 2019 was approximately RMB12,974,000.

As at 31 December 2018, long-term deferred expenses represent prepaid rent and prepayments for services with average contract terms ranging from one year to five years and amortise at straight line basis over the contract period in 2018. Amortisation of long-term deferred expenses for the year ended 31 December 2018 was approximately RMB12,746,000.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 27. OTHER ASSETS (Continued)

Notes: (Continued)

(iv) Movements of land use rights

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
<b>Cost</b>		
At 1 January	29,370	75,238
Adoption of IFRS 16	(29,370)	—
Derecognised on deemed disposals of subsidiaries	—	(45,868)
At 30 June/31 December	—	29,370
<b>Accumulated amortisation</b>		
At 1 January	3,587	4,452
Adoption of IFRS 16	(3,587)	—
Amortised for the period/year	—	873
Derecognised on deemed disposal of subsidiaries	—	(1,738)
At 30 June/31 December	—	3,587
<b>Carrying amounts</b>		
At 30 June/31 December	—	25,783

These lands are located in PRC with medium term leases (10–50 years).

At 31 December 2018, the net book value of land use rights of which title deeds was not yet finalised by the Group were approximately RMB1,120,000.

According to the opinions of the Group's external legal counsels, the Group is the legal owner of the aforementioned lands and entitled to occupy, use, transfer, pledge and dispose of these lands.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 28. PLEDGED ASSETS

##### (a) Assets pledged as collaterals

Financial assets pledged by the Group as collaterals for liabilities or contingent liabilities mainly include financial assets held under resale agreement and debt securities, which are for repurchase agreements. The carrying amounts of the financial assets pledged as collaterals as at 30 June 2019 is approximately RMB4,765,098,000 (31 December 2018: approximately RMB8,578,500,000).

##### (b) Received pledged assets

The Group and the Bank conducts resale agreements under the usual and customary terms of placements, and holds collaterals for these transactions.

#### 29. BORROWINGS FROM THE CENTRAL BANK

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Borrowings	1,376,400	2,376,520

#### 30. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

##### Analysed by type and location of counterparty

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Deposits in Mainland China		
— Banks	3,341,299	4,711,266

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 31. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Placements in Mainland China		
– Banks	904,786	1,106,496

#### 32. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
In Mainland China		
– Banks	4,934,200	6,715,120
– Other financial institutions	–	1,691,600
	4,934,200	8,406,720

(b) Analysed by collateral

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Debt securities	4,934,200	8,406,720



## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 33. DEPOSITS FROM CUSTOMERS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Demand deposits		
– Corporate customers	23,378,139	26,708,188
– Individual customers	19,158,274	19,116,290
	<b>42,536,413</b>	45,824,478
Time deposits		
– Corporate customers	13,561,807	13,758,454
– Individual customers	53,037,552	46,650,767
	<b>66,599,359</b>	60,409,221
Pledged deposits		
– Acceptances	783,549	922,891
– Guarantees and letters of guarantees	1,826,840	1,998,030
	<b>2,610,389</b>	2,920,921
Others	627,836	366,541
	<b>112,373,997</b>	109,521,161

#### 34. ACCRUED STAFF COSTS

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Salary and bonus payable	60,710	156,180
Social pension schemes payable	1,973	431
Other social insurances payable	904	1,387
Other staff welfare payable	1,891	5,085
	<b>65,478</b>	163,083

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 35. INTERESTS PAYABLE

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Deposits from customers	1,771,670	1,572,979
Deposits and placements from banks and other financial institutions	47,241	124,468
Debts securities issued	61,659	43,876
Others	631	8,425
	<b>1,881,201</b>	<b>1,749,748</b>

#### 36. DEBTS SECURITIES ISSUED

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Fixed rate subordinated debts/tier-two capital bonds issued (Note (i))	2,395,589	2,395,187
Interbank deposits (Note (ii))	19,209,958	18,156,995
	<b>21,605,547</b>	<b>20,552,182</b>

Notes:

- (i) Fixed rate subordinated debts/tier-two capital bonds issued
- (a) Fixed rate subordinated debts at a face value of RMB700,000,000 with a term of ten years were issued on 31 December 2012. The coupon rate is 7.00%. The effective interest rate per annum on the Group's fixed rate subordinated debts issued is 7.06%. As at 30 June 2019, the outstanding balance of this fixed rate subordinated debts issued is RMB698,949,000 (31 December 2018: RMB698,800,000).
- (b) Fixed rate tier-two capital bonds at a face value of RMB800,000,000 with a term of ten years were issued on 13 April 2015. The coupon rate is 6.30%. The Group has an option to redeem the debts on 13 April 2020 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 6.35%. As at 30 June 2019, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB798,612,000 (31 December 2018: approximately RMB798,493,000).
- (c) Fixed rate tier-two capital bonds at a face value of RMB900,000,000 with a term of ten years were issued on 20 October 2016. The coupon rate is 4.20%. The Group has an option to redeem the debts on 20 October 2021 at the nominal amount. The effective interest rate per annum on the Group's tier-two capital bonds issued is 4.24%. As at 30 June 2019, the outstanding balance of this fixed rate tier-two capital bonds issued is approximately RMB898,028,000 (31 December 2018: approximately RMB897,894,000).
- (ii) Interbank deposits
- (a) For the period ended 30 June 2019, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB6,140,000,000 and duration of 1 year. As at 30 June 2019, the outstanding balance of interbank deposits issued is approximately RMB6,014,329,000. The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.15% to 3.50%.
- (b) For the year ended 31 December 2018, the Bank issued a number of zero coupon interbank deposits with total nominal amount of RMB20,480,000,000 and duration between 3 months to 1 year. As at 30 June 2019, the outstanding balance of interbank deposits issued by the Group in 2018 is approximately RMB13,195,629,000 (31 December 2018: RMB18,156,995,000). The ranges of effective interest rates per annum on the Group's interbank deposits issued are 3.50% to 5.32%.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 37. OTHER LIABILITIES

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Other payable and accrued expenses	354,255	242,441
Clearance of inter-bank accounts	109,697	132,925
Other taxes payables	58,042	83,080
Agency business liabilities	7,939	3,292
Dividend payable	717,420	6
Deferred leasing income (Note a)	60,979	31,822
Provisions for credit commitments and financial guarantees (Note b)	229	232
	<b>1,308,561</b>	493,798

Notes:

- (a) Deferred leasing income represents deferred financial leasing income received from lessees under finance leases for which the income will be amortised over the leasing periods.
- (b) As at 30 June 2019 and 31 December 2018, the Group classifies all provision for credit commitments and financial guarantees in Stage 1, and measures the loss allowance equal to 12-month ECL.

#### 38. SHARE CAPITAL

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

Share capital as at the end of the reporting period is as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Registered, issued and fully paid ordinary shares of RMB1 each:		
— Ordinary shares	3,984,797	3,984,797
At the beginning and the end of the period/year	<b>3,984,797</b>	3,984,797

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 38. SHARE CAPITAL (Continued)

As at the end of reporting period, the Bank's issued shares (in thousands of shares) is as follows:

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Domestic shareholders	3,225,797	3,225,797
H shareholders	759,000	759,000
At end of the period/year	<b>3,984,797</b>	3,984,797

#### 39. CAPITAL RESERVE

	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Share premium	5,051,289	5,051,289
Changes in ownership in subsidiaries without changes in control	287,202	279,960
	<b>5,338,491</b>	5,331,249

#### 40. SURPLUS RESERVE AND GENERAL RESERVE

##### (a) Surplus reserve

The surplus reserve at the end of each of the reporting period represented statutory surplus reserve fund and other surplus reserve. The statutory surplus reserve fund as at 30 June 2019 is approximately RMB708,012,000 (31 December 2018: approximately RMB708,012,000), while other surplus reserve is approximately RMB16,659,000 as at 30 June 2019 (31 December 2018: approximately RMB16,659,000). The Bank and its subsidiaries are required to appropriate 10% of its net profit, after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

##### (b) General reserve

With effect from 1 July 2012, pursuant to the "Administrative Measures on Accrual of Provisions by Financial Institutions" issued by the MOF in March 2012, the Group is required, in principle, to set aside a general reserve not lower than 1.5% of the balance of its gross risk-bearing assets at each year end.

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 41. DIVIDENDS

	30 June 2019 (Unaudited) RMB'000	30 June 2018 (Unaudited) RMB'000
2018 final dividend (Note a)	717,264	—
2017 final dividend (Note b)	—	717,264

Notes:

- (a) Pursuant to the resolution of the shareholders meeting of 2018 on 20 June 2019, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 3,984,797,692 shares held amounting to approximately RMB717,264,000 during the period ended 30 June 2019.
- (b) Pursuant to the resolution of the shareholders meeting of 2017 on 18 June 2018, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 3,984,797,692 shares held amounting to approximately RMB717,264,000 during the year ended 30 June 2018.

### 42. STRUCTURED ENTITIES

#### (a) Consolidated structured entities

The condensed consolidated structured entities of the Group mainly include principal-guaranteed wealth management products sponsored by the Bank. As at 30 June 2019 and 31 December 2018, the amount of assets held by the condensed consolidated principal-guaranteed wealth management products sponsored by the Bank amounted to approximately RMB10,832,668,000 and approximately RMB14,463,474,000 respectively.

#### (b) Unconsolidated structured entities

##### (i) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include trust plans, asset management plans and wealth management products issued by other financial institutions.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 42. STRUCTURED ENTITIES (Continued)

##### (b) Unconsolidated structured entities (Continued)

##### (i) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

The following table set out an analysis of the gross carrying amounts of interests held by the Group as at 30 June 2019 and 31 December 2018:

	30 June 2019			
	Financial assets			
	Financial assets at FVTOCI (Unaudited) RMB'000	measured at amortised cost (Unaudited) RMB'000	Carrying amount (Unaudited) RMB'000	Maximum exposure (Unaudited) RMB'000
Trust plans	—	8,938,978	8,938,978	8,938,978
Asset management plans	322,211	7,916,387	8,238,598	8,238,598
Investment funds	—	717,151	717,151	717,151
	322,211	17,572,516	17,894,727	17,894,727

	31 December 2018			
	Financial assets			
	Financial assets at FVTOCI RMB'000	measured at amortised cost RMB'000	Carrying amount RMB'000	Maximum exposure RMB'000
Trust plans	—	9,021,324	9,021,324	9,021,324
Asset management plans	324,651	7,761,214	8,085,865	8,085,865
Investment funds	—	698,111	698,111	698,111
	324,651	17,480,649	17,805,300	17,805,300

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 42. STRUCTURED ENTITIES (Continued)

##### (b) Unconsolidated structured entities (Continued)

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

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interest held by the Group includes investments in units issued by these structured entities and fees charged by providing management services. As at 30 June 2019 and 31 December 2018, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised are not material in the statement of financial positions.

As at 30 June 2019, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, are RMB4,510,390,000 (31 December 2018: approximately RMB3,739,160,000).

###### (iii) Unconsolidated structured entities sponsored by the Group during the period which the Group does not have an interest in as at 30 June 2019 and 31 December 2018:

During the period ended 30 June 2019, the aggregated amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January, but matured before 30 June 2019 amounted to approximately RMB766,670,000 (during the year ended 31 December 2018: approximately RMB4,469,230,000).

#### 43. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management, capital financing management and economic capital management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

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

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

For the Period Ended 30 June 2019

#### **43. CAPITAL MANAGEMENT (Continued)**

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

Since 1 January 2013, the Group started computing its capital adequacy ratios in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and other relevant regulations promulgated by the CBRC.

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collaterals or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with the generally accepted accounting principles in the PRC. During the period/year ended 30 June 2019 and 31 December 2018, the Group has complied with all its externally imposed capital requirements.



## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 43. CAPITAL MANAGEMENT (Continued)

The Group's capital adequacy ratios as at 30 June 2019 and 31 December 2018 calculated in accordance with "Administrative Measures for the Capital of Commercial Banks (Provisional)" and relevant requirements promulgated by the CBRC are as follows:

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Total core tier-one capital		
Share capital	3,984,797	3,984,797
Qualifying portion of capital reserve	5,338,491	5,331,249
Investment revaluation reserve	(8,598)	(30,292)
Surplus reserve	724,671	724,671
General reserve	1,571,192	1,571,192
Retained earnings	1,111,937	1,374,517
Qualifying portions of non-controlling interests	1,027,546	974,182
Core tier-one capital deductions (Note)	(1,581,631)	(1,562,427)
Net core tier-one capital	12,168,405	12,367,889
Eligible portion of non-controlling interests	135,711	128,655
Net tier-one capital	12,304,116	12,496,544
Tier-two capital		
Qualifying portion of tier-two capital instruments issued	1,910,000	1,980,000
Surplus provision for loan impairment	990,741	818,352
Eligible portion of non-controlling interests	274,168	258,865
Net capital base	15,479,025	15,553,761
Total risk weighted assets	137,554,320	131,516,303
Core tier-one capital adequacy ratio	8.85%	9.40%
Tier-one capital adequacy ratio	8.94%	9.50%
Capital adequacy ratio	11.25%	11.83%

Note: Core tier-one capital deductions primarily include other intangible assets excluding land use rights, goodwill, deferred tax assets recognised for tax losses and other regulatory deductions.

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

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

For the Period Ended 30 June 2019

#### **44. FINANCIAL RISK MANAGEMENT**

The primary objectives of risk management of the Group are to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group's risk management policies are designed and controls are set up to identify, analyse, monitor and report risks arising from normal operation. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practices.

Details of the financial instruments are disclosed in respective notes to the condensed consolidated financial statements. The risks associated with these financial instruments include credit risk, liquidity risk and market risk (i.e. interest rate risk and exchange rate risk). The policies on how to mitigate these risks for the six-month period ended June 30, 2019 are the same as those presented in the Group's consolidated financial statements for the year ended 31 December 2018, except that credit risk management has been changed due to the adoption of IFRS 9. Key changes are summarised below:

##### **Credit risk**

After the adoption of IFRS 9, in addition to the credit risk management in prior years, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime ECL rather 12-month ECL.

In order to minimize credit risk, the Group has tasked to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. The credit grading information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgment. The nature of the exposure and the type of counterparty are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 44. FINANCIAL RISK MANAGEMENT (Continued)

##### Credit risk (Continued)

The five category classifications in which the Group classifies its loans and advances to customers and financial assets at amortised cost are set out below:

Category	Description	Basis for recognising ECL
Normal	Borrowers can honour the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.	12-month ECL
		Lifetime ECL — not credit impaired (Only if more than 30 days pass due)
Special mention	Borrowers are able to repay their loans currently, although repayment may be adversely affected by specific factors.	Lifetime ECL — credit impaired (Only if more than 90 days pass due and no reason to doubt their ability to repay principal and interest in full on a timely basis)
		Lifetime ECL — not credit impaired
Substandard	Borrowers' ability to repay their loans is in question and they cannot rely entirely on normal operational revenues to repay principal and interest. Losses may ensue even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired (Only if more than 90 days pass due and repayment may be adversely affected by specific factors)
		Lifetime ECL — credit impaired
Doubtful	Borrowers cannot repay principal and interest in full and significant losses will need to be recognised even when collateral or guarantees are invoked.	Lifetime ECL — credit impaired
Loss	Only a small portion or none of the principal and interest can be recovered after taking all possible measures and exhausting all legal remedies.	Lifetime ECL — credit impaired

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

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

For the Period Ended 30 June 2019

#### **44. FINANCIAL RISK MANAGEMENT (Continued)**

##### **Credit risk (Continued)**

The internal credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases, the difference in risk of default between grades changes. Each exposure is allocated to a credit's risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative information that are indicative of risk of default.

##### **Loan and advance to customers and financial asset at amortised cost**

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

##### **Financial assets at FVTOCI**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of investment securities measured at FVTOCI is at Stage 1 of which the loss allowance is measured at 12-month ECL.

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

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

For the Period Ended 30 June 2019

#### **44. FINANCIAL RISK MANAGEMENT (Continued)**

##### **Financial asset measured at amortised cost**

The Group has applied the general approach in IFRS 9 to measure ECL. The Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

##### **Placements with banks and other financial institutions**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of placements with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12-month ECL.

##### **Deposits with banks and other financial institutions**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of deposits with banks and other financial institutions is at Stage 1 of which the loss allowance is measured at 12-month ECL.

##### **Financial assets held under resale agreements**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial assets held under resale agreements is at Stage 1 of which the loss allowance is measured at 12-month ECL.

##### **Credit commitments and financial guarantees**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial guarantees and loans commitment is at Stage 1 of which the loss allowance is measured at 12-month ECL.

##### **Other receivables**

The Group has applied the general approach in IFRS 9 to measure ECL. A substantial proportion of financial guarantees and loans commitment is at Stage 1 of which the loss allowance is measured at 12-month ECL.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 45. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following balances with an original maturity of less than three months:

	At 30 June 2019 (Unaudited) RMB'000	At 30 June 2018 (Unaudited) RMB'000
Cash on hand	642,983	699,328
Deposits with the central bank	4,796,276	6,226,858
Deposits with banks and other financial institutions	3,998,006	6,374,039
Placements with banks and other financial institutions	453,734	540,000
Financial assets held under resale agreements	194,000	—
<b>Total</b>	<b>10,084,999</b>	<b>13,840,225</b>

#### 46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS

##### (a) Related parties of the Group

##### (i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding, or with the right to appoint a director in the Bank.

Shareholding in the Bank:

	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)
Jilin Province Trust Co., Ltd. ("吉林省信託有限責任公司")	9.61%	9.61%
Changchun Huaxing Construction Co., Ltd. ("長春華星建築有限責任公司")	8.23%	8.23%

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (a) Related parties of the Group (Continued)

##### (ii) Other related parties

Other related parties can be individuals or enterprises, which include members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 46(a)(i) or their controlling shareholders. Transactions with other related parties were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

#### (b) Transactions with related parties other than key management personnel

During the period, the Group had the following material balances and entered into the following material transactions with related parties other than key management personnel under their control. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

##### (i) Transactions between the Bank and subsidiaries

The subsidiaries of the Bank are its related parties. The transactions between the Bank and its subsidiaries and among the subsidiaries are eliminated on consolidation and therefore are not disclosed in this note.

##### (ii) Transactions between the Group and associates

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Transactions during the period		
Interest income	89,878	10,527
Interest expense	9,863	1,607
Rental income	—	3,400

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (b) Transactions with related parties other than key management personnel (Continued)

##### (ii) Transactions between the Group and associates (Continued)

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Balances at end of the period/year		
Deposits with banks and other financial institutions	2,809,892	3,076,069
Interest receivable	22,583	17,787
Deposits from banks and other financial institutions	318,000	106,892
Interest payables	2,412	174
Financial assets sold under repurchase agreements	485,000	—

##### (iii) Transactions between the Group and major shareholders

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Transactions during the period		
Interest income	17,820	18,943
Interest expense	399	245
Rental expense	—	87

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Balances at end of the period/year		
Placements with banks and other financial institutions	140,000	140,000
Loans and advances to customers	437,500	377,500
Interests receivable	9,419	187
Interests payable	56	73
Deposits from customers	58,977	749,149



## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (b) Transactions with related parties other than key management personnel (Continued)

##### (iv) Transactions between the Group and other related parties

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Transactions during the period		
Interest income	21,092	19,246
Interest expense	24,603	12,869

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
	Balances at end of the period/year	
Loans and advances to customers	733,560	720,560
Interests receivable	6,914	3,895
Interests payable	380	624
Deposits from customers	789,891	517,804

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

##### (c) Key management personnel

The key management personnel are those persons who have the authority and responsibility to plan, direct and control the activities of the Group, directly or indirectly, board of directors, the supervisory board and executive officers.

##### (i) Transactions between the Group and key management personnel

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Transactions during the period		
Interest income	71	103
Interest expense	23	9
Rental expense	696	1,139

	At 30 June	At 31 December
	2019 (Unaudited) RMB'000	2018 (Audited) RMB'000
Balances at end of the period/year		
Interest payable	31	95
Interest receivable	48	—
Loans and advances to customers	3,673	4,023
Deposits from customers	4,997	10,570

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 46. RELATED PARTIES RELATIONSHIPS AND TRANSACTIONS (Continued)

#### (c) Key management personnel (Continued)

##### (ii) Key management personnel compensation

The aggregate compensation of key management personnel is listed as follows:

	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Short-term staff benefits	3,072	3,010
Retirement benefits		
– Basic social pension insurance	1,038	2,032
	<b>4,110</b>	5,042

#### (d) Loans and advances to directors, supervisors and officers

Loans and advances to directors, supervisors and officers of the Group disclosed pursuant to section 383 to the Hong Kong Companies Ordinance (Cap. 622) are as follows:

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
	Loans and advances to directors, supervisors and officers	3,673

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

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

For the Period Ended 30 June 2019

#### **47. SEGMENT REPORTING**

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

##### **Corporate banking**

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

##### **Retail banking**

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

##### **Treasury operations**

This segment covers the Group's treasury operations. The treasury operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including the issuance of debts.

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 47. SEGMENT REPORTING (Continued)

#### Others

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

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/(expense)". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest (expense)/income".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and expenses are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, land use rights and other long-term assets.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 47. SEGMENT REPORTING (Continued)

##### (a) Segment results, assets and liabilities

	Period ended 30 June 2019				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating income					
External net interest income/(expense)	1,830,607	(436,756)	520,904	(887)	1,913,868
Internal net interest (expense)/income	(400,577)	1,155,184	(754,607)	—	—
Net interest income/(expense)	1,430,030	718,428	(233,703)	(887)	1,913,868
Net fee and commission income	82,799	5,121	582	—	88,502
Net trading gains	—	—	350,785	—	350,785
Dividend income	—	—	—	64,248	64,248
Net gains arising from investment securities	—	—	7,748	—	7,748
Net exchange gains	—	—	—	3,444	3,444
Other operating expense, net	—	—	—	(1,587)	(1,587)
Operating income	1,512,829	723,549	125,412	65,218	2,427,008
Operating expenses	(677,631)	(394,057)	(59,319)	(25,532)	(1,156,539)
Impairment losses on assets	(277,649)	(178,254)	(224,358)	1,385	(678,876)
Operating profit/(loss)	557,549	151,238	(158,265)	41,071	591,593
Share of profits of associates	—	—	—	18,112	18,112
Profit before tax	557,549	151,238	(158,265)	59,183	609,705
Other segment information					
— Depreciation and amortisation	159,707	87,492	11,383	5,442	264,024
— Capital expenditure	104,281	49,173	13,509	10,585	177,548

## Chapter 9 Unaudited Interim Financial Statements Notes to the Condensed Consolidated Financial Statements (Continued)

For the Period Ended 30 June 2019

### 47. SEGMENT REPORTING (Continued)

#### (a) Segment results, assets and liabilities (Continued)

	At 30 June 2019				
	Corporate banking (Unaudited) RMB'000	Retail banking (Unaudited) RMB'000	Treasury operations (Unaudited) RMB'000	Others (Unaudited) RMB'000	Total (Unaudited) RMB'000
	Segment assets	66,784,292	23,125,604	66,683,004	6,445,220
Deferred tax assets	—	—	—	497,688	497,688
<b>Total assets</b>	<b>66,784,292</b>	<b>23,125,604</b>	<b>66,683,004</b>	<b>6,942,908</b>	<b>163,535,808</b>
Segment liabilities	41,388,817	73,721,630	32,355,098	455,877	147,921,422
Dividend payable	—	—	—	717,420	717,420
<b>Total liabilities</b>	<b>41,388,817</b>	<b>73,721,630</b>	<b>32,355,098</b>	<b>1,173,297</b>	<b>148,638,842</b>

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 47. SEGMENT REPORTING (Continued)

##### (a) Segment results, assets and liabilities (Continued)

	Period ended 30 June 2018				
	Corporate	Retail	Treasury	Others	Total
	banking (Unaudited) RMB'000	banking (Unaudited) RMB'000	operations (Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000
Operating income					
External net interest income/(expense)	1,341,134	(394,002)	806,492	—	1,753,624
Internal net interest (expense)/income	(324,732)	1,440,247	(1,115,515)	—	—
Net interest income/(expense)	1,016,402	1,046,245	(309,023)	—	1,753,624
Net fee and commission income	91,994	11,065	24,349	—	127,408
Net trading gains	—	—	385,344	—	385,344
Dividend income	—	—	—	76,512	76,512
Net gains arising from investment securities	—	—	7,303	—	7,303
Loss on deemed disposal of subsidiaries	—	—	—	(6,204)	(6,204)
Net exchange gains	—	—	—	11,368	11,368
Other operating income, net	—	—	—	21,487	21,487
Operating income	1,108,396	1,057,310	107,973	103,163	2,376,842
Operating expenses	(594,467)	(555,377)	(72,154)	(66,255)	(1,288,253)
Impairment losses on assets	(254,488)	(132,883)	(154,435)	(13,612)	(555,418)
Operating profit/(loss)	259,441	369,050	(118,616)	23,296	533,171
Share of profits of associates	—	—	—	35,937	35,937
Profit before tax	259,441	369,050	(118,616)	59,233	569,108
Other segment information					
— Depreciation and amortisation	92,579	78,136	7,283	12,454	190,452
— Capital expenditure	127,616	74,062	13,812	23,676	239,166



## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 47. SEGMENT REPORTING (Continued)

##### (a) Segment results, assets and liabilities (Continued)

	At 31 December 2018				
	Corporate banking (Audited) RMB'000	Retail banking (Audited) RMB'000	Treasury operations (Audited) RMB'000	Others (Audited) RMB'000	Total (Audited) RMB'000
Segment assets	58,221,504	20,766,392	74,652,618	10,207,136	163,847,650
Deferred tax assets	—	—	—	405,626	405,626
<b>Total assets</b>	<b>58,221,504</b>	<b>20,766,392</b>	<b>74,652,618</b>	<b>10,612,762</b>	<b>164,253,276</b>
Segment liabilities	44,556,674	66,920,498	37,382,582	285,878	149,145,632
Dividend payable	—	—	—	6	6
<b>Total liabilities</b>	<b>44,556,674</b>	<b>66,920,498</b>	<b>37,382,582</b>	<b>285,884</b>	<b>149,145,638</b>

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 47. SEGMENT REPORTING (Continued)

##### (b) Geographical information

The Group operates principally in Mainland China.

Non-current assets include property and equipments, right-of-use assets, long-term deferred expenses and land use rights. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Jilin Region” refers to the head quarter of the Bank and the 13 (31 December 2018: 13) subsidiaries of the Group.
- “Mainland China excluding Jilin Region” refers to the following areas serviced by the Bank and its subsidiaries: Anhui Province, Hebei Province, Hubei Province, Guangdong Province, Hainan Province, Heilongjiang Province, Shaanxi Province, Shandong Province and Tianjin City.

	Operating Income	
	Six months ended 30 June	
	2019 (Unaudited) RMB'000	2018 (Unaudited) RMB'000
Jilin Region	2,082,546	2,060,145
Mainland China excluding Jilin Region	344,462	316,697
	<b>2,427,008</b>	2,376,842

	Non-current asset	
	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Jilin Region	4,336,233	3,662,864
Mainland China excluding Jilin Region	678,612	506,004
	<b>5,014,845</b>	4,168,868

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 48. FAIR VALUE OF FINANCIAL INSTRUMENTS

##### (a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

##### (i) Debt securities

Fair values of debt securities investments are determined with reference to the available market values. If quoted market prices are not available, then fair values are estimated on the basis of policy models or discounted cash flows.

##### (ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

##### (iii) Unlisted equity investments

The fair value of the unlisted equity investment has been estimated by using the market approach, using ratio of price to book value ("PB ratio") of certain listed companies in the same industry, in arriving at an indicated value of the unlisted equity interest. The valuation takes account of a discount for lack of marketability on this investment.

##### (iv) Trust plans, asset management plan and other investments

The fair value of the trust plans, asset management plan and other investments are based on the net assets values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses.

##### (v) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on the present value of estimated future cash flows at the end of the reporting period. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

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

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

For the Period Ended 30 June 2019

#### **48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

##### **(b) Fair value measurement**

###### **(i) Financial assets**

The Group's financial assets mainly consist of cash and deposits with the central bank, receivables with banks and other financial institutions, placement with other financial institutions, loans and advances to customers, and investments.

Deposits with the central bank and receivables with banks and other financial institutions are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBOC rates. Accordingly, the carrying amounts approximate the fair values.

Financial assets at FVTPL and financial assets at FVTOCI are stated at fair value.

###### **(ii) Financial liabilities**

The Group's financial liabilities mainly include deposits from banks and other financial institutions, financial assets sold under repurchase agreements, placement with other financial institutions, deposits from customers and debts securities issued.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy

The following table presents the carrying value of financial instruments measured at fair value in the condensed consolidated statements of financial position across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. These three types of inputs have created the following fair value hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2:	Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3:	Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and foreign exchange rates. Where discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is reference to another instrument that is substantially the same.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

	At 30 June 2019			
	Level 1	Level 2	Level 3	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Financial assets at FVTPL (Note 18)				
— Debt instruments	—	11,270,805	—	11,270,805
— Unlisted equity investments measured at FVTPL	—	—	1,017,382	1,017,382
Financial assets at FVTOCI (Note 21)				
— Debt securities	—	3,861,105	—	3,861,105
— Asset management plans	—	322,211	—	322,211
— Unlisted equity investments measured at FVTOCI	—	—	144,617	144,617
	—	15,454,121	1,161,999	16,616,120

	At 31 December 2018			
	Level 1	Level 2	Level 3	Total
	(Audited)	(Audited)	(Audited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>				
Financial assets at FVTPL (Note 18)				
— Debt instruments	—	15,370,253	—	15,370,253
— Unlisted equity investments measured at FVTPL	—	—	1,017,382	1,017,382
Financial assets at FVTOCI (Note 21)				
— Debt securities	—	5,880,421	—	5,880,421
— Asset management plans	—	324,651	—	324,651
— Unlisted equity investments measured at FVTOCI	—	—	144,617	144,617
	—	21,575,325	1,161,999	22,737,324

During the period ended 30 June 2019 and year ended 31 December 2018, there were no significant transfers among each level.

- (i) The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available. The main parameters used in valuation techniques for financial instruments held by the Group include bond prices, interest rates, foreign exchange rates, equity and stocks prices, volatilities, correlations, early repayment rates, counterparty credit spreads and others, which are basically observable and obtainable from open market.

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below:

Financial assets	Fair value as at,		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of key inputs and significant unobservable inputs to fair value
	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000				
<b>Financial assets at FVTPL</b>						
Debt instruments	11,270,805	15,370,253	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Unlisted equity investments measured at FVTPL	1,017,382	1,017,382	Level 3	Market approach adopted. The value is based on price-to-book ratio ("PB ratio"), adjusted by discount for lack of marketability ("DLOM").	The PB ratio is 0.86 (2018: 0.86). The DLOM is 10% (2018: 10%).	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (i))
<b>Financial assets at FVTOCI</b>						
Debt securities – listed	3,861,105	5,880,421	Level 2	Based on valuation results provided by China Central Depository & Clearing Co., determined by using discounted cash flow model	N/A	N/A
Asset management plans	322,211	324,651	Level 2	Based on the net asset values of the investments, determined with reference to observable (quoted) prices of underlying investment portfolio and adjustments of related expenses	N/A	N/A
Unlisted equity investments measured at FVTOCI	144,617	144,617	Level 3	Market approach adopted. The value is based on PB ratio, adjusted by DLOM.	The PB ratio is 0.86 (2018: 0.86). The DLOM is 10% (2018: 10%).	The higher the PB ratio, the higher the fair value. The higher the DLOM, the lower the fair value. (Note (ii))

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 48. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

##### (c) Fair value hierarchy (Continued)

- (ii) The valuation techniques and input used in the fair value measurements of financial instruments as set out below: (Continued)

Notes:

- (i) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTPL by approximately RMB50,869,000 (2018: RMB50,869,000) and vice versa.

A 5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTPL by approximately RMB50,869,000 (2018: RMB50,869,000) and vice versa.

- (ii) A 5% increase in PB ratios used in isolation would result in an increase in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB7,231,000 (2018: RMB7,231,000) and vice versa.

A 5% increase in DLOM used in isolation would result in a decrease in fair value measurement of unlisted equity investments at FVTOCI by approximately RMB7,231,000 (2018: RMB7,231,000) and vice versa.

#### 49. ENTRUSTED LENDING BUSINESS

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statements of financial position. Surplus funding is accounted for as deposits from customers.

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Entrusted loans	7,105,474	7,723,044
Entrusted funds	7,105,474	7,723,044



## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 50. COMMITMENTS

##### (a) Credit commitments

The Group's credit commitments take the form of acceptances, letters of guarantees, letters of credit and unused credit card commitments.

Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Acceptances	1,755,044	1,976,960
Letters of guarantees	2,678,566	2,665,165
Letters of credit	74,975	195,678
Unused credit card commitments	148,655	140,035
	<b>4,657,240</b>	4,977,838

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

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 50. COMMITMENTS (Continued)

##### (b) Operating lease commitments

At 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases for properties are as follows:

##### The Group as lessee

	At 31 December 2018 (Audited) RMB'000
Within one year	198,977
In the second to fifth years inclusive	596,075
Over five years	167,966
	963,018

##### (c) Capital commitments

At 30 June 2019 and 31 December 2018, the Group's authorised capital commitments are as follows:

	At 30 June 2019 (Unaudited) RMB'000	At 31 December 2018 (Audited) RMB'000
Purchase of property and equipment — Contracted for but not provided	52,733	53,831

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 51. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES

##### (i) Deemed disposal of interest in Jilin Gongzhuling Rural Commercial Bank

On 28 May 2018, three of the shareholders who holds 30% of ownership and voting power of Jilin Gongzhuling Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Jilin Gongzhuling Rural Commercial Bank.

The Group holds 30% equity interest in and has significant influence in Jilin Gongzhuling Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

**Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:**

	RMB'000
Cash and deposits with the central bank	1,704,252
Deposits with banks and other financial institutions	597,941
Financial assets at fair value through profit or loss	16,000
Interest receivable	37,274
Loans and advances to customers	7,974,198
Financial assets at fair value through other comprehensive income	1,031,633
Financial assets measured at amortised costs	2,370,884
Property and equipment	162,318
Deferred tax assets	117,284
Other assets	322,509
Borrowing from the central bank	(18,238)
Placements from banks and other financial institutions	(790,000)
Deposits from banks and other financial institutions	(879,701)
Financial assets sold under repurchase agreements	(116,800)
Deposits from customers	(11,275,854)
Accrued staff costs	(21,826)
Taxes payable	(11,711)
Interests payable	(224,860)
Other liabilities	(36,117)
Net assets disposed of	959,186

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 51. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (i) Deemed disposal of interest in Jilin Gongzhuling Rural Commercial Bank (Continued)

###### Loss on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interests in associates	422,899
Net assets disposed of	(959,186)
Goodwill	(135,142)
Release of reserve upon deemed disposal of a subsidiary	(4,101)
Non-controlling interests	671,429
	<hr/>
Loss on deemed disposal	(4,101)
	<hr/>

###### Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(939,974)
	<hr/>
	(939,974)
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## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 51. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (ii) Deemed disposal of interest in Changbai Mountain Rural Commercial Bank

On 28 May 2018, three of the shareholders who holds 27.9% of ownership and voting power of Changbai Mountain Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Changbai Mountain Rural Commercial Bank.

The Group holds 38.8% equity interest in and has significant influence in Changbai Mountain Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

**Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:**

	RMB'000
Cash and deposits with the central bank	341,868
Deposits with banks and other financial institutions	556,380
Placement with banks and other financial intuition	99,882
Financial assets at fair value through profit or loss	252,520
Interest receivable	14,733
Loans and advances to customers	2,011,650
Financial assets at fair value through other comprehensive income	200
Financial assets measured at amortised costs	596,208
Property and equipment	81,791
Deferred tax assets	11,355
Taxes recoverable	77
Other assets	6,779
Borrowing from the central bank	(102,160)
Deposits from banks and other financial institutions	(575,456)
Financial assets sold under repurchase agreements	(147,140)
Deposits from customers	(2,374,168)
Accrued staff costs	(3,099)
Interests payable	(32,496)
Other liabilities	(6,603)
Net assets disposed of	732,321

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 51. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (ii) Deemed disposal of interest in Changbai Mountain Rural Commercial Bank (Continued)

###### Gain on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interests in associates	441,346
Net assets disposed of	(732,321)
Goodwill	(157,206)
Non-controlling interests	448,181
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Gain on deemed disposal	—

###### Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(396,701)
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	(396,701)

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 51. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (iii) Deemed disposal of interest in Jilin Chuncheng Rural Commercial Bank

On 28 May 2018, four of the shareholders who holds 40% of ownership and voting power of Jilin Chuncheng Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Jilin Chuncheng Rural Commercial Bank.

The Group holds 30% equity interest in and has significant influence in Jilin Chuncheng Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

**Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:**

	RMB'000
Cash and deposits with the central bank	384,376
Deposits with banks and other financial institutions	600,660
Interest receivable	9,642
Loans and advances to customers	3,132,242
Financial assets at fair value through other comprehensive income	60
Financial assets measured at amortised costs	1,225,129
Property and equipment	292,480
Deferred tax assets	21,502
Taxes recoverable	1,225
Other assets	23,616
Deposits from banks and other financial institutions	(1,190,000)
Deposits from customers	(3,731,223)
Accrued staff costs	(2,582)
Interests payable	(54,115)
Other liabilities	(20,477)
Net assets disposed of	692,535

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 51. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (iii) Deemed disposal of interest in Jilin Chuncheng Rural Commercial Bank (Continued)

###### Gain on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interest in the associate	408,876
Net assets disposed of	(692,535)
Goodwill	(201,115)
Non-controlling interests	484,774
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Gain on deemed disposal	—

###### Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(424,636)
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	(424,636)



## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 51. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (iv) Deemed disposal of interest in Jilin Dehui Rural Commercial Bank

On 28 May 2018, two of the shareholders who holds 20% of ownership and voting power of Jilin Dehui Rural Commercial Bank terminated the act in concert contracts. Hence, the Group loss control over this bank as the Group did not obtain more than half of the voting power in the shareholder meeting of Jilin Dehui Rural Commercial Bank.

The Group holds 45% equity interest in and has significant influence in Jilin Dehui Rural Commercial Bank. As a result, it is classified as an associate of the Group. The Group remeasures its retained interest in the associate at fair value at the date it loses control.

**Assets disposed and liabilities derecognised at the date of deemed disposal are as follow:**

	RMB'000
Cash and deposits with the central bank	1,109,174
Deposits with banks and other financial institutions	733,881
Financial assets at fair value through profit or loss	23,794
Interest receivable	19,540
Loans and advances to customers	5,966,056
Financial assets at fair value through other comprehensive income	87,860
Financial assets at amortised cost	3,052,428
Property and equipment	175,217
Deferred tax assets	139,977
Taxes recoverable	2,446
Other assets	98,012
Deposits from banks and other financial institutions	(520,000)
Financial assets sold under repurchase agreements	(704,500)
Deposits from customers	(9,291,827)
Accrued staff costs	(2,385)
Interests payable	(194,272)
Other liabilities	(32,454)
Net assets disposed of	662,947

## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 51. DEEMED DISPOSAL OF INTEREST IN SUBSIDIARIES (Continued)

##### (iv) Deemed disposal of interest in Jilin Dehui Rural Commercial Bank (Continued)

###### Loss on deemed disposal of a subsidiary:

	RMB'000
Fair value of retained interest recognised as interests in associates	588,055
Net assets disposed of	(662,947)
Goodwill	(289,729)
Release of reserve upon deemed disposal of a subsidiary	(2,103)
Non-controlling interests	364,621
	<hr/>
Loss on deemed disposal	(2,103)
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###### Net cash outflow arising on disposal

	RMB'000
Cash consideration	—
Less: cash and cash equivalent balances disposed of	(475,032)
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	(475,032)
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## Chapter 9 Unaudited Interim Financial Statements

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

For the Period Ended 30 June 2019

#### 52. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's condensed consolidated statement of cash flows from financing activities.

	Non-cash change					30 June 2019 (Unaudited) RMB'000
	1 January 2019 (Unaudited) RMB'000	Financing cash flows (Unaudited) RMB'000	Finance cost incurred (Unaudited) RMB'000	Dividend arrangement declared (Unaudited) RMB'000	New lease entered (Unaudited) RMB'000	
<b>Liabilities</b>						
Debt securities issued (Note 36)	20,552,182	682,490	370,875	—	—	21,605,547
Interest payable arising from debt securities issued (Note 35)	43,876	(49,878)	67,661	—	—	61,659
Dividend payable (Note 37)	6	(48,185)	—	765,599	—	717,420
Lease liabilities (Note 24)	846,999	(94,990)	17,830	—	17,414	787,253
	<b>21,443,063</b>	<b>489,437</b>	<b>456,366</b>	<b>765,599</b>	<b>17,414</b>	<b>23,171,879</b>

	Non-cash change					30 June 2018 (Unaudited) RMB'000
	1 January 2018 (Unaudited) RMB'000	Financing cash flows (Unaudited) RMB'000	Finance cost incurred (Unaudited) RMB'000	Dividend declared (Unaudited) RMB'000	New lease entered (Unaudited) RMB'000	
<b>Liabilities</b>						
Debt securities issued (Note 36)	20,039,565	(710,380)	446,468	—	—	19,775,653
Interest payable arising from debt securities issued (Note 35)	43,876	(50,253)	68,036	—	—	61,659
Dividend payable (Note 37)	502	(147,032)	—	874,590	—	728,060
	<b>20,083,943</b>	<b>(907,665)</b>	<b>514,504</b>	<b>874,590</b>	<b>—</b>	<b>20,565,372</b>

#### 53. EVENT AFTER THE REPORTING PERIOD

On 16 August 2019, the Bank issued 199,239,885 ordinary shares with a par value of RMB1 per share by way of capitalisation of capital reserve of the Bank on the basis of 5% shares of existing ordinary shares. Total ordinary shares are increased to 4,184,037,577.

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

### 1. Leverage ratio (%)

	At June 30, 2019
Leverage Ratio	7.40%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the CBIRC and was effective since April 1, 2015, a minimum leverage ratio 4% is required.

The above leverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

### 2. Currency concentrations

	At June 30, 2019		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	33,029	3,045	36,074
Spot liabilities	(32,638)	(3,074)	(35,712)
<b>Net position</b>	<b>391</b>	<b>(29)</b>	<b>362</b>

	At December 31, 2018		Total
	USD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	70,931	2,174	73,105
Spot liabilities	(79,511)	(2,174)	(81,685)
<b>Net position</b>	<b>(8,580)</b>	<b>—</b>	<b>(8,580)</b>

The above information is computed in accordance with the provisions of the CBIRC. The Group has no structural position as at the end of each Reporting Period.

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

### 3. International claims

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China as international claims.

International claims include loans and advances to customers, balances with the central bank, deposit and placement with banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	At June 30, 2019	At December 31, 2018
Deposit with banks		
Asia Pacific excluding Mainland China	219	811
Europe	—	—
	219	811

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

	At June 30, 2019	At December 31, 2018
Jilin Region	1,601,547	1,331,045
Mainland China excluding Jilin Region	370,753	297,671
Total	1,972,300	1,628,716

## Chapter 10 Unaudited Supplementary Financial Information

(Amounts in thousands of Renminbi, unless otherwise stated)

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

	At June 30, 2019	At December 31, 2018
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
— Between three months and six months (inclusive)	314,112	127,324
— Between six months and one year (inclusive)	210,023	437,923
— Between one year and three years	883,416	632,475
— Over three years	564,749	436,994
<b>Total</b>	<b>1,972,300</b>	<b>1,628,716</b>
As a percentage of total gross loans and advances		
— Between three months and six months (inclusive)	0.36%	0.16%
— Between six months and one year (inclusive)	0.24%	0.56%
— Between one year and three years	1.01%	0.82%
— Over three years	0.65%	0.56%
<b>Total</b>	<b>2.26%</b>	<b>2.10%</b>

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

### 6. Non-bank mainland China exposure

The Bank is a commercial bank incorporated in mainland China with its banking business conducted in mainland China. At June 30, 2019 and December 31, 2018, substantial amounts of the Bank's exposures arose from business with mainland China entities or individuals.



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