



鄭州銀行股份有限公司

BANK OF ZHENGZHOU CO., LTD.

(於中華人民共和國註冊成立的股份有限公司)

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

股份代號 Stock Code: 6196

優先股股份代號 Preference Shares Stock Code: 4613



2019 ANNUAL REPORT
年 度 報 告



This annual report is printed on
environment-friendly paper



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* This Report is prepared in both Chinese and English. If there are any discrepancies between the Chinese and English versions, the Chinese version shall prevail.

IMPORTANT NOTICE

The Board of Directors, Board of Supervisors and Directors, Supervisors and senior management of the Bank hereby warrant the truthfulness, accuracy and completeness of the contents of this annual report and that there are no false representations, misleading statements or material omissions, and jointly and severally assume liability for the information hereof.

The full text and the summary of the 2019 annual report (the “**Report**”) were reviewed and approved at the Bank’s eighth meeting of the sixth session of the Board of Directors on 30 March 2020. 12 Directors were eligible to attend the meeting and 12 of them attended in person, with several Supervisors of the Bank being in attendance.

Unless otherwise specified, the financial information set out in this Report represents data from the consolidated financial statements of the Bank and its subsidiaries, namely Henan Jiuding Financial Leasing Co., Ltd., Fugou Zhengyin County Bank Co., Ltd., Xinmi Zhengyin County Bank Co., Ltd., Xunxian Zhengyin County Bank Co., Ltd. and Queshan Zhengyin County Bank Co., Ltd.

The Bank prepared the 2019 annual financial report in accordance with the PRC GAAP and International Financial Reporting Standards, which was audited by KPMG Huazhen LLP and KPMG under the PRC and Hong Kong standards on auditing, respectively. The two firms issued an audit report and an independent auditor’s report respectively, which were both standard and unqualified.

Mr. WANG Tianyu, the legal representative and chairman, Mr. SHEN Xueqing, the president, Mr. FU Chunqiao, the person-in-charge of accounting, and Ms. GAO Chenxin, the head of accounting department of the Bank hereby declare and warrant the truthfulness, accuracy and completeness of the financial statements in this Report.

The Board of the Bank recommended that a cash dividend of RMB1.00 (tax inclusive) for every 10 Shares will be distributed to ordinary Shareholders whose names appeared on the register of Shareholders as at the dividend distribution registration date, and 1 new Share for every 10 Shares will be issued to the above-mentioned ordinary Shareholders by way of conversion of capital reserve and no bonus share will be issued. The profit distribution plan will be proposed at the 2019 annual general meeting for approval.

Forward-looking statements such as future plans mentioned in this Report do not constitute actual commitments of the Bank to investors. Investors and parties concerned should be fully aware of the risks, and understand the differences among plans, estimates and commitments.

During the Reporting Period, the Bank was not aware of any material risk that would adversely affect its future development strategies and business targets. The major risks to which the Bank was exposed in its operations and management and the corresponding measures adopted by the Bank are detailed in this Report. For further information, please refer to the relevant information in the sections headed “Risk Management” and “Future Prospects” in the chapter headed “Management Discussion and Analysis” of this Report.

DEFINITIONS

DEFINITIONS

In this Report, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“2018 AGM”	the annual general meeting of the Bank convened on 24 May 2019
“Articles of Association”	the articles of association of the Bank, as amended from time to time
“A Share(s)”	ordinary shares with a nominal value of RMB1.00 each in the share capital of the Bank, which are listed and traded on the Small and Medium Enterprise (SME) Board of the SZSE (stock code: 002936)
“Bank”, “Bank of Zhengzhou”, or “We”	Bank of Zhengzhou Co., Ltd*. (鄭州銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability on 16 November 1996 in accordance with the PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission, which was officially opened for operation on 8 April 2018 and formed by consolidating the former CBRC and the former China Insurance Regulatory Commission
“CBIRC Henan Office”	China Banking and Insurance Regulatory Commission Henan Office, which was officially opened for operation on 17 December 2018
“Company Law”	Company Law of the People’s Republic of China
“Corporate Governance Code”	Corporate Governance Code set out in Appendix 14 to the Stock Exchange Listing Rules
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Bank
“Former CBRC”	the former China Banking Regulatory Commission
“Former CBRC Henan Office”	the former China Banking Regulatory Commission Henan Office
“Fugou Zhengyin County Bank”	Fugou Zhengyin County Bank Co., Ltd.
“Group”	the Bank and its subsidiaries

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“H Share(s)”	overseas-listed shares in the share capital of the Bank, with a nominal value of RMB1.00 each, which are listed and traded on the Main Board of the Hong Kong Stock Exchange (stock code: 6196)
“Jiuding Financial Leasing Company”	Henan Jiuding Financial Leasing Co., Ltd. (河南九鼎金融租賃股份有限公司)
“Latest Practicable Date”	23 March 2020, being the latest practicable date prior to the printing of this Report for the purpose of ascertaining certain information contained hereof
“Law on Commercial Banks”	Law on Commercial Banks of the People’s Republic of China
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the People’s Republic of China
“Offshore Preference Shares”	59,550,000 shares of non-cumulative perpetual offshore preference shares with a nominal value of RMB100 each issued by the Bank and listed on the Hong Kong Stock Exchange (stock code: 4613)
“PRC” or “China”	the People’s Republic of China, and for the purpose of this Report only, excluding Hong Kong, Macao and Taiwan regions
“Queshan Zhengyin County Bank”	Queshan Zhengyin County Bank Co., Ltd.
“Reporting Period”	the period from 1 January 2019 to 31 December 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	Securities Law of the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)” or “Ordinary Share(s)”	the A Shares and the H Shares
“Stock Exchange Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“Supervisor(s)”	the supervisor(s) of the Bank

DEFINITIONS

“SZSE”	Shenzhen Stock Exchange
“SZSE Listing Rules”	Rules Governing the Listing of Stocks on the Shenzhen Stock Exchange
“Xinmi Zhengyin County Bank”	Xinmi Zhengyin County Bank Co., Ltd.
“Xinzheng Zhengyin County Bank”	Xinzheng Zhengyin County Bank Co., Ltd.
“Xunxian Zhengyin County Bank”	Xunxian Zhengyin County Bank Co., Ltd.
“Yanling Zhengyin County Bank”	Yanling Zhengyin County Bank Co., Ltd.
“Zhongmu Zhengyin County Bank”	Zhongmu Zhengyin County Bank Co., Ltd.

* The Bank is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), and not subject to the supervision of the Hong Kong Monetary Authority, nor being authorized to carry out banking and/or deposit-taking business in Hong Kong.

CHAIRMAN'S STATEMENT

2019 is a milestone for China in building a moderately prosperous society around its 70th anniversary, and marked a start of the Bank of Zhengzhou to think out of the box in pursuit of quality-prioritized growth. With an unchanged commitment to transforming ourselves upon solid fundamentals, we navigated the Bank through the first year after its debut in A-share market, opening a new chapter for transformation to address the profound changes internally and externally.

Towards quality-prioritized growth, our efforts paid off with resilient business results. Over the year, we adhered to the key note of seeking progress amidst stability instead of a rush for scale and speed, and expounded our strategic vision to quality-prioritized growth to refine the roadmap for prudent operations and further transformation. Thanks to the focus of performance assessment around six metrics covering profit, cost, risk, capital-light, low-cost and digitalized operations, the Bank recorded revenue of RMB13,440 million and net profit of RMB3,373 million for the year, laying a solid ground for its quality-prioritized growth. With an asset and liability management function in place, we stepped up relevant programs to optimize our balance sheet. As our total assets exceeded RMB500 billion and ranked No. 227 among 1,000 banks worldwide by core tier-1 capital, we were named as the “Top Strategically Managed City Commercial Bank” by *The Banker*, a China-based magazine, evidencing a broader path for our quality-prioritized growth.

Taking quality-prioritized growth as a cornerstone, we stayed rooted in local real economy. Over the year, we took the initiative to contribute to the Belt and Road national initiative, Henan's program on the “Three Regions and One Cluster” and Zhengzhou's blueprint to build itself into a national central city. To deepen our cooperation with 12 governments at city, district and county levels in the province as a financial boost to local economy, we granted loans totaling RMB195,912 million as at the end of 2019, an increase of 22.77% from the beginning of the year. As a practitioner for inclusive finance, we launched an action plan to grow private economy by introducing a “white list” of private enterprises and innovative offerings such as Micro Second Loan (微秒貸), E Tax Financing (E稅融) and E Purchase Loan (E採貸). As at the end of year, the balance of our loans to small and micro enterprises under the inclusive finance program increased by 23.07% from the beginning of the year, and our loans were granted to 65,260 entities, successfully achieving the goal of “two increases and two controls” and demonstrating our greater support to private small and micro enterprises. Under a finance-enabled plan for 2019 in line with national policies on targeted poverty alleviation, we introduced innovative services with a focus on credit products such as tech loans, poverty alleviation loans and guaranteed insurance loans, and helped 10,095 registered poor people get out of poverty.

Relying on quality-prioritized growth, we remained committed to a unique development approach regardless of the adversities. Over the year, we upgraded the “Five Clouds” to aggressively expand transaction banking, and successfully held the Third Summit of Chinese Trade and Logistics Banking Alliance, leading to a better trade and logistics banking ecosphere as recognized by honors including “Top 50 Logistics Financial Players in China 2019” and the “Chinese Logistics Finance Innovation Award”. Our efforts in building an elite retail team, with a focus on key customer groups and special marketing events, synergized with two applications of the big-data model namely financial product renewal upon maturity and enhanced saving products as well as a string of star products such as Zhengyin Bao (鄭銀寶) and Dingxin (鼎信), leading to better customer stickiness and our well-established position as a “boutique bank for residents”. Regarding small and micro finance, under an “inclusive, small-value and de-guarantee” strategy, we expedited product development with prioritized credit supply to reduce finance cost of small and micro enterprises, while lending more support to the high-growth players. As at the end of 2019, the balance of the Bank's small and micro loans reached RMB86,869 million.

CHAIRMAN'S STATEMENT

Centering on quality-prioritized growth, we spared no efforts in reinforcing our corporate governance foundation. Over the year, we refined the top-level design by integrating the leadership of the Party with corporate governance and leveraging our Party Building system and primary-level Party organizations in alignment with quality-prioritized growth, thus effectively playing the leading role of the Party organization in steering and coordinating all staff. Our tightened equity management, coupled with strict requirements on shareholder qualifications and access, enabled us to improve the related party transaction system and mechanism, which governed shareholders in performing their duties within an increasingly normalized equity management framework. Attaching great importance to risk countermeasures and internal control construction on the basis of "prudence, rationality and resilience", we developed a down-to-earth risk appetite, sped up the disposal of non-performing loans, and improved the pre- and post-lending management mechanism. All these efforts led to significant effect in reducing the existing loan book and containing new origination, ensuring stable and sound asset quality.

Echoing the calls against the COVID-19 epidemic in early 2020, we paid visits to the front in combating coronavirus, and took an array of initiatives supporting enterprises to restart, demonstrating our responsibility as a bank serving the locality. Fortune should favor the diligent, despite a bumpy start of the year and the twists and turns ahead. Staying committed to our mission, we embrace a strong belief that our efforts in transformation based on earnest risk precaution and solid operations in light of our quality-prioritized growth strategy will be translated to value creation for the community and investors.

WANG Tianyu

Chairman

PRESIDENT'S STATEMENT

The year 2019 saw intensifying trade frictions around the world, increasing downward pressure on the domestic economy, persistently tight financial regulation, and frequent occurrence of “black swan” events in the banking industry. Faced with the complex internal and external environment and under the scientific leadership of the Board, the Bank further emphasized its determination to seek high-quality development, soundly coped with all kinds of risks and challenges, and achieved satisfactory results for the investors and all sectors of society.

Over the past year, we put much efforts in asset-liability management, with the main operating indicators rising steadily. The Asset and Liability Management Department was established to prioritize in “pursuing for efficiency and optimizing structure” with a focus on precise assessing “six major indicators” (net profit, net interest margin, NPL ratio, risk assets ratio, cost-to-income ratio, and intermediate business income). As a result, our asset-liability management and budget implementation are greatly improved. As of the end of the Reporting Period, the Bank had total assets of RMB500,478 million, a year-on-year increase of 7.37%, total loans and advances to customers of RMB195,912 million, a year-on-year increase of 22.77%, and total deposits from customers of RMB289,217 million, a year-on-year increase of 9.50%. The Bank’s operating income for the year was RMB13.44 billion, a year-on-year increase of 20.72%; net interest margin was 2.16%, up 0.46 percentage points year on year; cost-to-income ratio was 26.62%, down 1.44 percentage points year on year; and net profit amounted to RMB3,373 million, a year-on-year increase of 8.76%.

Over the past year, we gradually improved asset quality by strengthening risk management. We strengthened the management of risk assets and placed it in an important position for the Bank’s development, specified the management responsibilities of risk control personnel at all levels, fully motivated all staff to facilitate collection in a coordinated way, thus achieving noticeable results. As at the end of the Reporting Period, the Bank’s ratio of overdue loans was 3.64%, down 0.78 percentage points from the end of the previous year; NPL ratio was 2.37%, down 0.10 percentage points from the beginning of the year, indicating that the asset quality was improving.

Over the past year, we adhered to our distinctive positioning and improved quality and efficiency through differentiated operations. We continued to elaborate our feature as a “commerce and logistics bank”, successfully held the 3rd Summit of Commerce and Logistics Bank Alliance, put into operation of all platforms of the “Five-Clouds” and obtained good results, and received a host of honors such as the “Top 50 Logistics Finance Companies in China”. We further promoted the transformation of retail business, built an elite sales team, continuously improved customer rights systems, and precisely developed featured marketing. The Bank newly acquired 520,000 retail customers for the whole year, an increase of 11.4% over the end of the previous year. We insisted on expanding small and micro finance business, relied on technology empowerment such as big data, promoted small and micro business model and product innovation, and successfully realized the goals of “two increases and two controls”.

PRESIDENT'S STATEMENT

Over the past year, we persisted in building a solid foundation for sound development. We vigorously promoted job rotation across the headquarters, branches and sub-branches to build a personnel development mechanism featuring upward and downward adaptation and cross-training; obtained the qualification for standard bond forward business and issued RMB2 billion of green financial bond; expanded our service network by opening 6 service outlets including Zhoukou Branch and Lankao Sub-branch; continued to expand the horizontal and vertical scope of financial services. We established an agile research and development team of “technology + business” through Capability Maturity Model for Software III Certification for DevOps continuous delivery. Relying on major project innovations in the innovation laboratory, technological innovation is changing from supporting development to leading development.

Looking back at 2019, the Bank ranked 227th in the Top 1,000 World Banks 2019 ranking published by The Banker, up 18 places from 2018; won the award of “Best City Commercial Bank in Strategic Management” from The Chinese Banker, making it the only laureate among city commercial banks in Henan Province; and was rated as one of the “Top 10 Most Competitive Financial Institutions of 2019” by China Business Journal. Moreover, the Bank ranked 217th (the second among listed Henan enterprises) in the list of “Top 500 Chinese Service Enterprises 2019”. Operating capability and brand image were widely recognized by the market.

Looking forward to 2020, under the strong leadership of the Board, we will closely follow the spirit of the central, provincial and municipal economic work conferences and the national banking and insurance regulatory work conference, concentrate on the five objectives of “tighter risk control, more effective in the service of the real economy, better corporate governance, more advantageous differentiated development, and greater social reputation” to seek greater breakthroughs in high-quality development, so as to reward shareholders and all sectors of the society with better performance!

SHEN Xueqing

President

CHAPTER I CORPORATE INFORMATION

1 BASIC INFORMATION

Legal name in Chinese:	鄭州銀行股份有限公司 (Abbreviation: 鄭州銀行)
Legal name in English:	Bank of Zhengzhou Co., Ltd. (Abbreviation: ZHENGZHOU BANK)
Legal representative:	Mr. WANG Tianyu
Authorised representatives:	Mr. WANG Tianyu, Mr. FU Chunqiao
Board secretary and contact details:	Mr. FU Chunqiao Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9199 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Joint company secretaries:	Mr. FU Chunqiao, Ms. LEUNG Wing Han Sharon
Securities affairs representative and contact details:	Mr. CHEN Guang Contact address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China Tel: +86-371-6700 9199 Fax: +86-371-6700 9898 E-mail: ir@zzbank.cn
Places of listing, stock short names and codes:	A Shares: SZSE BANK OF ZHENGZHOU 002936 H Shares: Hong Kong Stock Exchange BANK OF ZHENGZHOU 6196 Offshore Preference Shares: Hong Kong Stock Exchange ZZBNK 17USDPREF 4613
Unified Social Credit Code:	914100001699995779
Financial licence number:	B1036H241010001
Registered address and office address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Postal codes of the registered address and office address:	450018

CHAPTER I CORPORATE INFORMATION

Principal place of business in Hong Kong:	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Contact address:	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province, China
Tel:	+86-371-6700 9199
Fax:	+86-371-6700 9898
E-mail:	ir@zzbank.cn
Website:	www.zzbank.cn
Newspapers for information disclosure:	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily
Websites for information disclosure:	Website for publishing the annual report of A Shares: www.cninfo.com.cn Website for publishing the annual report of H Shares: www.hkexnews.hk
Place where the annual report can be obtained:	The General Office of the Board and principal place of business of the Bank
Domestic auditor:	KPMG Huazhen LLP
Address of domestic auditor:	8th Floor, KPMG Tower, Oriental Plaza, 1 East Chang An Avenue, Beijing, China
Undersigned accountants:	HE Qi, HUANG Menglin
International auditor:	KPMG (Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)
Address of international auditor:	8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
Sponsor for continuous supervision:	China Merchants Securities Co., Ltd.
Address of sponsor for continuous supervision:	38-45F, Block A, Jiangsu Building, Yitian Road, Futian District, Shenzhen
Sponsor representatives:	WU Yuhui and LV Yingxia
Continuous supervision period:	From 19 September 2018 to 31 December 2020
PRC legal advisor:	King & Wood Mallesons (Beijing)
Hong Kong legal advisor:	King & Wood Mallesons
Registrar for A Shares:	China Securities Depository and Clearing Corporation Limited, Shenzhen Branch
Registrar for H Shares:	Computershare Hong Kong Investor Services Limited

CHAPTER I CORPORATE INFORMATION

2 COMPANY PROFILE

Bank of Zhengzhou is a regional joint stock commercial bank incorporated in November 1996 upon the approval by the PBoC, based on 48 city credit cooperatives in Zhengzhou City. The Bank was renamed as Zhengzhou Commercial Bank Co., Ltd. in December 2000 and was officially renamed as Bank of Zhengzhou Co., Ltd. in October 2009. The Bank was listed on the main board of the Hong Kong Stock Exchange in December 2015 and SZSE in September 2018, respectively, becoming the first domestic city commercial bank with both its A and H Shares listed.

As at the end of the Reporting Period, the Bank had 4,854 employees and 171 institutional operation sites in the province including 1 operation division of the headquarters, 13 provincial branches and 1 finance service centre for small enterprises. The Bank established Jiuding Financial Leasing Company and managed 7 county banks at Zhongmu, Xinmi, Yanling, Fugou, Xinzheng, Xunxian and Queshan and its comprehensive business operation proceeded steadily. Total assets increased by RMB34,336 million or 7.37% to RMB500,478 million from the beginning of the year; total deposits increased by RMB25,086 million or 9.50% to RMB289,217 million from the beginning of the year; gross loans and advances to customers rose by RMB36,339 million or 22.77% to RMB195,912 million from the beginning of the year; net profit was RMB3,373 million. The capital adequacy ratio was 12.11%, the NPL ratio was 2.37% and the allowance to NPL ratio was 159.85%. All of the major indicators complied with regulatory requirements.

The Bank's principal businesses mainly include corporate banking, retail banking and treasury businesses. The Bank provides corporate banking customers with a wide range of financial products and services, including corporate loans (including trade financing), international business and services, corporate deposits, as well as products and services involving transaction fees and commissions. The Bank provides retail banking customers with a wide variety of products and services, including loans, deposits, bank cards, as well as products and services involving transaction fees and commissions. The Bank's treasury business meets its liquidity needs while seeking maximum returns from non-loan business funds. The Bank's treasury business mainly includes money market transactions, investment in securities and other financial assets, bond underwriting and distribution, inter-bank discounts and rediscounts of bills and treasury business conducted on behalf of customers.

Bank of Zhengzhou has always adhered to the goal of characteristic and differentiated development, focusing on the three distinctive business positioning features of "commerce and logistics bank, financing expert for SMEs, and boutique bank for residents", promoting the transformation of corporate business and retail business and starting to bear fruit. The Bank's operating and management ability continues to improve, receiving wide recognition from various sectors of the community. In the list of the Top 1,000 World Banks 2019 published by the UK magazine, The Banker, the Bank ranked 227th on tier-one capital, up 18 places as compared to 2018; the Bank was awarded as the "Best Strategy Management City Commercial Bank" by the Chinese Banker and is the only listed city commercial bank in Henan Province; the Bank was ranked as the "Top 10 Enterprises with Extraordinary Competitiveness in 2019" by China Business Journal; the Bank ranked 217th in the the list of "Top 500 Enterprises of China's Service Industry", being the second among the shortlisted Henan enterprises.

CHAPTER I CORPORATE INFORMATION

3 ANALYSIS OF CORE COMPETITIVENESS

Leveraging regional advantages to build a “model commerce and logistics bank”. The Bank leverages Zhengzhou’s geographical advantages as an important national comprehensive transportation hub, a national central city and a core city in the Central Plains Economic Zone and the provincial and municipal resources to push forward the construction of a “model commerce and logistics bank”. As of now, the Bank’s “Five-Clouds” platforms, i.e. Cloud Business, Cloud Logistics, Cloud Trading, Cloud Financing and Cloud Service, have all been put into operation. To build a trade and finance ecosystem, the China Commerce and Logistics Bank Alliance has developed 48 members, covering logistics, consumer, Fintech, and financial industries, and has set up three special committees, namely, the logistics committee, the fintech committee and the supply chain finance committee, making a name for “commerce and logistics finance” in China.

Practicing social responsibility and becoming an “SME financing expert”. The Bank closely follows the policies and initiatives of the central, provincial, and municipal governments, keeps in mind its original intention and mission, and supports the development of the real economy with concrete actions. To this end, the Bank draws up a “white list” to support private enterprises, develops products based on the characteristics of private and small and micro enterprises, and provides diversified products to cater to the import and export needs of private enterprises. Thanks to such efforts, the Bank has gradually become a role model in providing financial services for small and medium-sized enterprises in Henan Province.

Building a “boutique bank for residents” that provides financing to everyone. Focused on serving the local economy, small and medium-sized enterprises and urban residents, the Bank constantly improves its vertical management system of finance for everyone and innovates in products and service models to faithfully uphold the provision of finance to everyone. To build a “boutique bank for residents” with ingenuity, the Bank subdivides the functions of service outlets, manages county banks, creates the “Simple Style” loan brand, improves the service quality of customer managers, and explore new offerings based on the basic necessities of citizens.

Building lines of defense against risks to achieve compliance and steady development. The Bank has developed a bottom-line thinking for compliance-based development. With an aim to optimize and effectively implement procedures and regulations, we continually strengthen internal control and compliance management by conducting compliance inspection, building a culture of compliance, and improving and implementing internal regulations. To achieve the objective of “zero risk event”, we perform strict risk management to safeguard the bottom line and control risks.

Developing innovative thinking to accelerate innovation output. In the face of increasingly fierce competition, the Bank gives priority to innovation at the strategic level on the basis of compliance management. The Bank further optimizes the innovation system by overhauling the overall innovation process, and establishes an efficient and clear innovation management mechanism and an innovation assessment and reward mechanism with equal rights and responsibilities to stimulate the innovation passion of all departments and employees and promote the emergence of high-quality innovation projects. Meanwhile, we set up an innovation center and an innovative business assessment team, build a system for hierarchical management of innovation projects and a mechanism for coordination and promotion of innovation work for the Bank, and strengthen the process management of innovation projects.

Creating an excellent corporate culture and adhering to the corporate vision. The Bank upholds the core values of “compliance, innovation and integrity”, and strives to build a corporate culture of “Distinctive Zhengzhou Bank” that pursues excellence and overcoming difficulties. An excellent corporate culture can serve as an endogenous driving force to help the Bank realize its corporate vision of “building a boutique bank with a century of prosperity” and become a competitive “century-old bank” with top-notch management, services, employees and brand.

CHAPTER I CORPORATE INFORMATION

4 MAJOR AWARDS IN 2019

In January 2019, The Banker, a British magazine, released the list of “Top 500 Banking Brands by Brand Value” where the Bank ranked 315th, up 31 places from the previous year.

In February 2019, at the conference on the results of the “GYROSCOPE” evaluation system held by the China Banking Association, the Bank came 6th in the 2018 comprehensive evaluation of city commercial banks with an asset size of more than RMB200 billion.

In March 2019, at the 6th China Supply Chain Finance Innovation Summit (CSCFIS) 2019, the Bank was awarded the title of “China’s Best Financial Institution in Supply Chain Finance in 2019”.

In March 2019, at the 2019 Inter-bank Local Currency Market Conference held by the China Foreign Exchange Trade System, the Bank was awarded the title of “2018 Active Trader in the Inter-bank Local Currency Market”.

In May 2019, the Bank won the “Best Logistics Finance Innovation Bank” award at the Annual Conference of China Logistics Finance.

In May 2019, at the “2019 China Financial Innovation Forum” cum “China Financial Innovation Award Ceremony” co-sponsored by The Chinese Banker and other institutions, the Bank won the “Best Financial Innovation” Comprehensive Award, and the innovation case of the Bank’s “Big Data Intelligent Marketing System” received the “Top Ten Fintech Innovation Award”.

In July 2019, The Banker, a British magazine, issued the Top 1,000 World Banks 2019 ranking where the Bank ranked 227th, up 18 places from 2018.

In July 2019, the Bank received the “five-star” certification in the CCCS certification process, making it the seventh city commercial bank to obtain the five-star certification.

In September 2019, the Bank ranked 217th (and 2nd among Henan-based enterprises) in the list of “Top 500 Chinese Service Enterprises”.

In September 2019, at the 5th China Logistics Finance Innovation Summit, the Bank was rated as one of the “Best 50 Logistics Finance Enterprises of China in 2019”.

In November 2019, The Chinese Banker announced the “2019 Competitiveness Award List of Chinese Commercial Banks” where the Bank received the award of “Best City Commercial Bank in Strategic Management”.

CHAPTER I CORPORATE INFORMATION

In November 2019, at the China Financial Innovation Development Forum, the Bank was awarded the title of “Top 10 Financial Institutions for Financial Innovation in Service of the Real Economy”.

In December 2019, the Bank’s mobile banking received the “Best Mobile Banking Innovation Award 2019” at the 15th Annual Conference of China E-bank.

In December 2019, the Bank’s cloud business platform won the “Best Intelligent Financial Platform Award” issued by China Financial Certification Center (CFCA) and www.cebnet.com.cn.

In December 2019, at the 16th Asia Pacific Wealth Management and Private Banking Annual Meeting 2019, the Bank won the “Golden Plume Award”-Best Wealth Management Service Innovation Award.

In December 2019, at the “11th Most Competitive Financial Institutions Selection Event” held by China Business Journal, the Bank was rated as one of the “Top 10 Most Competitive Financial Institutions of 2019”.

In December 2019, the Bank was granted the “2019 China Logistics Finance Innovation Award” at the 10th China Logistics Investment and Financing Conference.

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

1 MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

The financial data and indicators set forth in this Report is prepared in accordance with the International Financial Reporting Standards. Unless otherwise specified, such information represents the data of the Group stated in RMB.

Unit: RMB'000

Major accounting data	2019	2018	Year-on-year increase/decrease (%)	2017	2016	2015
Operating results						
Operating income ⁽¹⁾	13,440,214	11,133,655	20.72	10,212,985	9,980,486	7,861,251
Total profit	4,006,026	3,809,906	5.15	5,547,260	5,257,033	4,361,742
Net profit attributable to shareholders of the Bank	3,285,122	3,058,831	7.40	4,280,024	3,998,768	3,356,371
Net cash flows (used in)/generated from operating activities	(7,850,803)	(25,819,469)	(69.59)	(1,981,394)	54,036,394	7,720,162
Calculated on a per Share basis (RMB/Share)						
Basic earnings per Share ⁽²⁾	0.47	0.47	-	0.80	0.75	0.85
Diluted earnings per Share	0.47	0.47	-	0.80	0.75	0.85
Net assets per share attributable to ordinary shareholders of the Bank ⁽³⁾	5.20	4.87	6.78	4.58	4.00	3.46
Scale indicators	As at the end of 2019	As at the end of 2018	Year-on-year increase/decrease (%)	As at the end of 2017	As at the end of 2016	As at the end of 2015
Total assets	500,478,127	466,142,418	7.37	435,828,887	366,147,972	265,623,089
Gross loans and advances to customers (excluding accrued interest)	195,911,665	159,572,792	22.77	128,456,478	107,633,407	91,604,436
Provision for impairment losses on loans and advances to customers ⁽⁴⁾	7,424,847	6,097,376	21.77	4,000,536	3,458,832	2,689,290
Total liabilities	460,586,505	428,278,919	7.54	402,389,522	344,286,597	247,799,070
Total deposits from customers (excluding accrued interest)	289,216,860	264,130,934	9.50	255,407,398	216,389,640	169,195,471
Share capital	5,921,932	5,921,932	-	5,321,932	5,321,932	5,141,932
Shareholders' equity	39,891,622	37,863,499	5.36	33,439,365	21,861,375	17,824,019
Including: equity attributable to shareholders of the Bank	38,590,322	36,649,739	5.29	32,205,887	21,296,378	17,794,840
Net capital ⁽⁵⁾	46,215,496	45,958,462	0.56	41,614,453	28,463,881	21,182,983
Including: net tier-one capital ⁽⁵⁾	38,353,128	36,618,138	4.74	32,262,545	21,312,985	17,533,808
Net risk-weighted assets ⁽⁵⁾	381,759,225	349,504,822	9.23	307,474,718	242,109,283	173,696,609

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

Major financial indicators	2019	2018	Year-on-year change	2017	2016	2015
Capital adequacy ratio (%)						
Core tier-one capital adequacy ratio ⁽⁵⁾	7.98	8.22	(0.24)	7.93	8.79	10.09
Tier-one capital adequacy ratio ⁽⁵⁾	10.05	10.48	(0.43)	10.49	8.80	10.09
Capital adequacy ratio ⁽⁵⁾	12.11	13.15	(1.04)	13.53	11.76	12.20
Asset quality indicators (%)						
Non-performing loan ratio ⁽⁶⁾	2.37	2.47	(0.10)	1.50	1.31	1.10
Allowance to non-performing loans ⁽⁶⁾	159.85	154.84	5.01	207.75	237.38	258.55
Allowance to total loans ⁽⁶⁾	3.79	3.82	(0.03)	3.11	3.11	2.85
Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans ⁽⁷⁾	89.52	95.36	(5.84)	171.13	129.38	110.10
Profitability indicators (%)						
Weighted average return on net assets ⁽²⁾	9.30	10.03	(0.73)	18.82	20.21	26.22
Return on total assets ⁽⁸⁾	0.70	0.69	0.01	1.08	1.28	1.43
Cost-to-income ratio ⁽⁹⁾	26.62	28.06	(1.44)	26.18	22.26	23.27
Net interest spread ⁽¹⁰⁾	2.28	1.77	0.51	1.94	2.52	2.95
Net interest margin ⁽¹¹⁾	2.16	1.70	0.46	2.08	2.69	3.12
Other financial indicators (%)						
Leverage ratio ⁽¹²⁾	6.34	6.79	(0.45)	6.49	5.15	5.69
Liquidity ratio ⁽¹²⁾	56.44	56.39	0.05	61.72	40.61	44.75
Liquidity coverage ratios ⁽¹²⁾	300.37	304.42	(4.05)	225.20	256.91	390.40
Loan-to-deposit ratio ⁽¹²⁾	72.33	66.06	6.27	50.29	51.34	55.73
Percentage of loans to the single largest customer ⁽¹²⁾	4.11	4.13	(0.02)	3.12	3.51	3.75
Percentage of loans to the top ten single customers ⁽¹²⁾	26.94	21.46	5.48	22.01	24.83	26.97
Percentage of credit granted to the single largest group customer ⁽¹²⁾	7.01	6.02	0.99	4.66	5.58	4.75
Normal loan migration ratio ⁽¹²⁾	3.43	8.81	(5.38)	10.35	9.12	7.15
Special mention loan migration ratio ⁽¹²⁾	28.96	55.14	(26.18)	58.55	44.10	34.74
Substandard loan migration ratio ⁽¹²⁾	97.76	76.71	21.05	29.46	98.00	9.36
Doubtful loan migration ratio ⁽¹²⁾	0.34	0.14	0.20	0.07	0.25	–

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

Notes:

1. Operating income includes net interest income, net fee and commission income, net trading gains, net gains arising from investments and other operating income.
2. Basic earnings per Share and weighted average return on net assets were calculated according to Compilation Rules for Information Disclosures by Companies that Offer Securities to the Public (No.9): Calculation and Disclosure of Rate of Return on Equity and Earnings per Share (2010 Revision). In 2019, the Bank distributed the dividends on the Offshore Preference Shares. In calculating basic earnings per Share and weighted average return on net assets, the distributed dividends of the Offshore Preference Shares for the period have been deducted from the “net profit attributable to shareholders of the Bank”, and the distributed dividends of the Offshore Preference Shares and other equity instruments for the period have been deducted from the “weighted average net assets”.
3. Representing the equity attributable to ordinary shareholders of the Bank after deducting other equity instruments divided by the number of Ordinary Shares at the end of the period.
4. Including the provision for impairment losses on the loans and advances to customers measured at amortised costs and the loans and advances to customers at fair value through other comprehensive income.
5. The capital adequacy ratios and relevant data are calculated in accordance with the Regulation Governing Capital of Commercial Banks (商業銀行資本管理辦法) (Provisional) issued by the former CBRC in 2012 and relevant requirements. The calculations are based on statutory financial statements of the Bank prepared under Accounting Standards for Business Enterprises.
6. Non-performing loan ratio was calculated by dividing total non-performing loan principal (excluding accrued interests) by gross loan and advance principal to customers (excluding accrued interest); the allowance to non-performing loans was calculated by dividing allowance for impairment losses on loans and advances to customers by total non-performing loan principal (excluding accrued interest); and the allowance to total loans was calculated by dividing allowance for impairment losses on loans and advances to customers by gross loan and advance principal to customers (excluding accrued interest).
7. Ratio of loans with principal or interest overdue for more than 90 days to non-performing loans is calculated by total principal of loans with principal or interest overdue for more than 90 days (excluding accrued interest) divided by total principal of non-performing loans (excluding accrued interest).
8. Representing the percentage of net profit for the Reporting Period to the average balance of total assets at the beginning and the end of the period.
9. Calculated by dividing total operating expenses (excluding tax and surcharges) by operating income.
10. Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities based on daily average of the interest-earning assets and the interest-bearing liabilities.
11. Calculated by dividing net interest income by the daily average interest-earning assets based on daily average interest-earning assets.
12. Percentage of loans to the single largest customer and percentage of loans to the top ten single customers were recalculated in accordance with regulatory criteria based on audited data, other indicators represented data reported to regulatory authorities. Loan migration ratios were based on the criteria of the parent of the Bank.

CHAPTER II HIGHLIGHTS OF ACCOUNTING DATA AND MAJOR FINANCIAL INDICATORS

2 DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND INTERNATIONAL ACCOUNTING STANDARDS

The Bank's net assets as at the end of the Reporting Period and the net profit during the Reporting Period as calculated in accordance with the PRC GAAP is the same as that calculated in accordance with International Financial Reporting Standards.

3 MAJOR FINANCIAL INDICATORS BY QUARTER

Unit: RMB'000

Item	Fourth quarter of 2019	Third quarter of 2019	Second quarter of 2019	First quarter of 2019
Operating income	3,858,734	3,349,895	3,379,399	2,852,186
Net profit attributable to shareholders of the Bank	(304,820)	1,120,625	1,422,143	1,047,174
Net cash flows generated from/ (used in) operating activities	320,751	(3,871,613)	(10,281,765)	5,981,824

Note: There is no substantial difference between the aforesaid financial indicators or their sum and those disclosed in the quarterly report and interim report of the Bank.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

1 REVIEW OF THE ECONOMY AND MACRO-ENVIRONMENT

In 2019, the domestic and international economic environment remained complex and challenging. While global economic recovery was slowing down, China's economy was running smoothly with improving quality. Firstly, the economic growth remained stable. In 2019, the gross domestic product ("GDP") exceeded RMB99,086.5 billion, up 6.1% year on year. Specifically, the primary industry, secondary industry and tertiary industry grew by 3.1%, 5.7% and 6.9%, respectively. Secondly, the economic structure was optimized on a continuous basis. In 2019, the value added by the tertiary industry accounted for 53.9% of GDP, up 0.6 percentage point from the previous year and 14.9 percentage points higher than that of the secondary industry, and contributed 59.4% of GDP growth. Thirdly, the living standards of residents were on the rise, with narrowing gap between urban and rural areas. In 2019, the consumer price index rose by 2.90% over the previous year, meeting the expected target of approximately 3%; the per capita disposable income of all residents was RMB30,733, a year-on-year increase of 5.8% in real terms. The per capita disposable income of rural residents grew by 6.2% in real terms, higher than the growth of per capita disposable income of urban residents, indicating that the gap between urban and rural areas was narrowing. Fourthly, key progress was made in the "three major battles". The macro leverage was stabilizing and financial risks were under effective control. As at the end of December 2019, the balance of local government debts amounted to RMB21,307.2 billion, within the limit approved by the National People's Congress; targeted poverty alleviation saw remarkable results, with 11.09 million rural poor people being lifted out of poverty in 2019; the overall quality of the ecological environment was improved. The proportion of clean energy consumption in total energy consumption increased by 1.0 percentage point year on year, and the energy consumption per unit of GDP decreased by 2.6% year on year. Fifthly, investment growth remained stable, and foreign trade grew against the headwinds. In 2019, the investment in fixed assets (excluding rural households) reached RMB55,147.8 billion, a year-on-year increase of 5.4%. Among that, the private investment in fixed assets was RMB31,115.9 billion, up 4.7% year on year; the investment in industry increased by 4.3%; and the investment in infrastructure grew by 3.8%. In 2019, China's foreign trade grew against the headwinds. The total imports and exports of goods grew 3.4% year on year to RMB31,550.5 billion, including total exports of RMB17,234.2 billion (up 5.0%) and total imports of RMB14,316.2 billion (up 1.6%). Yet, the downward pressure on China's economy remains. The economic growth may slow down further in the face of potentially more complex and fickle international political and economic situations and more uncertainties.

In 2019, while adhering to the keynote of finance serving the real economy, the People's Bank of China continued to implement a sound monetary policy with proper adjustments in due course and intensify countercyclical and structural adjustments, in an effort to steadily promote three major tasks—serving the real economy, preventing and controlling financial risks, and deepening financial reform. As at the end of 2019, total social financing was RMB251.31 trillion, a year-on-year increase of 10.7%, 0.9 percentage point higher than the same period of the previous year; the total increase in 2019 was RMB25.58 trillion, RMB3.08 trillion more than the same period of the previous year. The balance of broad money (M2) was RMB198.65 trillion, a year-on-year increase of 8.7%, 0.6 percentage point higher than the same period of the previous year. The balance of RMB loans was RMB153.11 trillion, a year-on-year increase of 12.3% or RMB16.81 trillion, RMB643.9 billion higher than the previous year. In 2019, the banking industry was developing smoothly with a sound momentum. Total assets grew steadily. The local and foreign currency assets of China's banking financial institutions amounted to RMB290 trillion, up 8.1% year on year. The overall quality of credit assets remained stable. The balance of non-performing loans of commercial banks in China was RMB2.41 trillion, with a non-performing loan ratio of 1.86%. Profitability also remained stable. China's commercial banks achieved a total net profit of RMB2.0 trillion, with an average profit margin on equity of 10.96% and an average profit margin on total assets of 0.87%. Risk compensation capability was sufficient. The balance of loan loss reserves of China's commercial banks was RMB4.5 trillion, with the provision coverage ratio and loan provision ratio standing at 186.08% and 3.46%, respectively. Financial services continued to expand. The balance of loans for small and micro enterprises of China's banking financial institutions was RMB36.9 trillion. Liquidity was kept at a sound level. The liquidity coverage ratio, liquidity ratio, RMB excess reserve ratio, and loan-to-deposit ratio of China's commercial banks were 146.63%, 58.46%, 2.61% and 75.40% respectively.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

In 2019, faced with the dual pressures of complex and challenging external environment and internal structural contradictions, the economy of Henan Province progressed steadily. Firstly, the province's economy maintained stable growth. In 2019, the province's gross regional product exceeded RMB5,425.92 billion, up 7.0% year on year, 0.9 percentage point higher than the national average. The province's economic growth, though slowed down a little, remained relatively fast and was better than the national average. The added value of industries above the designated size, the investment in fixed assets (excluding rural households), and the total value of imports and exports increased by 7.8%, 8.0% and 3.6% respectively, all higher than the national average. Secondly, the economic structure of the province was continuously optimized. In 2019, the three major industries accounted for 8.54%, 43.51% and 47.95% of the province's GDP respectively, of which the service (tertiary) industry's driving force for economic growth was growing as it contributed 45.6% of GDP growth, 1.8 percentage points higher than that of the secondary industry. New economic drivers grew rapidly, with the added value of high-tech industries and strategic emerging industries increasing by 9.2% and 13.7%, respectively. Thirdly, the consumer goods market was running smoothly and the foreign trade market became increasingly diversified. Domestic consumption demand was on the rise. In 2019, the total retail sales of social consumer goods in Henan Province reached RMB2,273.3 billion, up 10.4% year on year, 2.4 percentage points higher than the national average. The foreign trade market was obviously going diversified. In 2019, Henan's imports and exports with countries along the Belt and Road, and emerging markets in Latin America and Africa, increased by 14.6%, 11.8% and 14.6%, respectively. Fourthly, the three major battles achieved great results. In 2019, Henan Province continued to push forward the battle of targeted poverty alleviation. 687,000 poor people in rural areas were lifted out of poverty throughout the year. A total of RMB4,734 million within the central budget was invested in 53 poverty-stricken counties, driving a total investment of RMB15,586 million. The battle to prevent and resolve major risks was progressing smoothly. The non-performing loan ratio of the province's banking institutions decreased compared with the beginning of the year. As to online P2P lending, the number of lending institutions, the balance of outstanding loans and the number of investors involved all declined. The battle against pollution saw remarkable achievements, with the ecological environment constantly improving. In 2019, the province's pollution indicators reached the best levels in recent years. The pollution concentration was significantly reduced, the pollution duration substantially shortened, and the pollution peak values slashed. The number of days with good air quality in autumn and winter in 18 cities under the jurisdiction of the province increased by 75 year on year. Meanwhile, there were emerging risks and challenges at home and abroad, and the structural contradictions long fermented in Henan's economic development remained knotty. New problems and challenges became obvious. The downward economic pressure continued to rise. After entering the New Normal, the economic growth of Henan Province was on the decline year by year and dropped from high growth rate to high-medium growth rate. In 2019, the province's GDP growth stood at 7.0%, down 0.6 percentage point year on year, indicating growing downward pressure on the economy. There was no significant improvement in the struggling real economy. In 2019, the province's industrial producer price index and industrial producer purchase price index increased year on year by 0.2% and 1.2%, 3.4 and 2.8 percentage points lower than the previous year respectively, indicating that enterprises are having a tough time with narrowing profit margin.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

2 BUSINESS REVIEW

2019 is an unusual year for the banking industry. Faced with the severe and complex internal and external environment, the Bank, under the scientific and proper guidance of the provincial and municipal governments and regulatory authorities, unswervingly promoted high-quality development, gave priority to profitability and risk control, and earnestly served the real economy and urban and rural residents. The Bank managed to turn around its performance and achieved growth in operating results against the headwinds. During the Reporting Period, the Bank's operations and management had the following characteristics:

Firstly, the Bank recorded sound operating results. As at the end of the Reporting Period, the Bank's total assets amounted to RMB500,478 million, an increase of RMB34,336 million or 7.37% from the beginning of the year; deposits from customers totaled RMB289,217 million, an increase of RMB25,086 million or 9.50% from the beginning of the year; total loans and advances to customers reached RMB195,912 million, an increase of RMB36,339 million or 22.77% from the beginning of the year; operating income for the year was RMB13,440 million, up RMB2,307 million or 20.72% year on year; net profit was RMB3,373 million, up 8.76% year on year; net interest margin was 2.16%, up 0.46 percentage point year on year; cost-to-income ratio was 26.62%, down 1.44 percentage points year on year; the capital adequacy ratio, NPL ratio and provision coverage ratio were 12.11%, 2.37% and 159.85% respectively, all meeting the regulatory requirements.

Secondly, the Bank clung to high-quality development. Based on the macro environment and its development needs, the Bank scientifically formulated its strategy for high-quality development to drive its healthy and sustainable development in the right direction. We have set up the Asset and Liability Management Department to engage in asset and liability management consulting, and established a rolling budget mechanism, an implementation supervision mechanism and a post-income evaluation mechanism, taking asset-liability management to a new level. The Bank initiated bank-wide discussions to solicit advice on high-quality development from all staff, and stringently selected the "Top Ten Practices" in 2020 to provide management insights on high-quality development.

Thirdly, the Bank took the initiative to manage credit risk. The Bank formulated a three-year plan for disposal of non-performing assets and a special incentive plan for risk assets management, and broke down the tasks and assigned them to staff at all levels with strict supervision and assessment; adopted a risk asset management contracting system combining collection by dedicated personnel, AI intelligent robot collection, collection by online collection platforms, and judicial collection, and increased the write-off of non-performing assets, thus greatly reducing the risk burden. As at the end of the Reporting Period, the Bank's NPL ratio was 2.37%, 0.10 percentage point lower than that at the end of the previous year, showing that the asset quality was improving.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Fourthly, the Bank strengthened development with its own characteristics. In respect of trade finance, the Bank reformed the organizational structure of corporate lines according to its business needs, held the 3rd Summit of Commerce and Logistics Bank Alliance, entered into RMB330 billion worth of strategic cooperation agreements with 12 municipal and county governments in the province, continued to upgrade the functions of “Five Clouds”, and launched innovative products such as Ding E Credit (鼎e信), Credit To Note (信轉票) and Entrusted Payment (貸款代付) to expand the market. In respect of finance for residents, the Bank actively explored the application of big data-based marketing models, carried out marketing specific to key customer groups such as users of trade union cards, VIPs and payroll agency clients, and employed innovative models for retail team training including project-based training and training camp. Our retail marketing has been bearing fruits. In 2019, the Bank developed 520,000 new customers, up 11.4% year on year. In respect of small and micro finance, the Bank completed the profiling of “good customers” of operating loans, introduced such online products as Micro Second Loan (微秒貸), E Tax Financing (E稅融) and Medical Loan (醫貸寶), continuously expanded the small and micro finance team, set up a dedicated professional marketing team, and successfully reached the goals of “two increases and two controls”.

3 FINANCIAL STATEMENT ANALYSIS

3.1 Income Statement Analysis

During the Reporting Period, under the leadership of the Board, the Bank actively responded to the complicated and severe economic finance situation, focusing on the main operating line of high-quality development, strictly observing the bottom line of risks, and strengthening risk management. The Bank continued to consolidate positioning features of “finance for commerce and logistics, finance for residents, and finance for small and micro enterprises” and maintained healthy and sound development momentum. In 2019, the Bank recorded operating income and net profit of RMB13.44 billion and RMB3,373 million, representing a year-on-year increase of 20.72% and 8.76%, respectively. Major items of and changes in the Bank’s income statement are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December			Rate of change (%)
	2019	2018	Change	
Net interest income	8,984,198	6,642,683	2,341,515	35.25
Non-interest income	4,456,016	4,490,972	(34,956)	(0.78)
Operating income	13,440,214	11,133,655	2,306,559	20.72
Less: Operating expenses	3,693,321	3,215,750	477,571	14.85
Less: Impairment losses on credit	5,796,660	4,160,169	1,636,491	39.34
Operating profit	3,950,233	3,757,736	192,497	5.12
Share of profits of associates	55,793	52,170	3,623	6.94
Profit before taxation	4,006,026	3,809,906	196,120	5.15
Less: Income tax expenses	632,806	708,450	(75,644)	(10.68)
Net profit	3,373,220	3,101,456	271,764	8.76
Including: Shareholders of the Bank	3,285,122	3,058,831	226,291	7.40
Non-controlling interests	88,098	42,625	45,473	106.68

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1.1 Net Interest Income, Net Interest Spread and Net Interest Margin

During the Reporting Period, the Bank recorded net interest income of RMB8,984 million, representing a year-on-year increase of RMB2,342 million or 35.25% and accounting for 66.85% of the operating income. Specifically, business scale adjustments resulted in an increase of RMB850 million in net interest income and changes in yield or cost rate resulted in an increase of RMB1,492 million in net interest income.

The following table sets forth the average balance of the Bank's interest-earning assets and interest-bearing liabilities, interest income and expenses from these assets and liabilities, average yield of these interest-earning assets and average cost rate of these interest-bearing liabilities during the Reporting Period:

Unit: RMB'000

Item	For the year ended 31 December			2018		
	2019 Average balance ⁽⁶⁾	2019 Interest income/ expense	Average yield/ interest rate (%)	2018 Average balance ⁽⁶⁾	2018 Interest income/ expense	Average yield/ interest rate (%)
Interest-earning assets						
Loans and advances to customers	179,235,899	10,368,621	5.78	141,445,455	8,174,115	5.78
Investment securities and other financial assets ⁽¹⁾	184,458,775	9,640,255	5.23	183,144,430	9,003,837	4.92
Deposits with central bank	30,738,042	465,408	1.51	34,627,024	522,573	1.51
Amounts due from banks and other financial institutions ⁽²⁾	8,652,806	264,148	3.05	18,349,729	549,942	3.00
Finance lease receivables	13,599,972	819,135	6.02	12,900,882	742,503	5.76
Total interest-earning assets	416,685,494	21,557,567	5.17	390,467,520	18,992,970	4.86
Interest-bearing liabilities						
Deposits from customers	277,077,708	7,140,622	2.58	254,378,414	6,012,153	2.36
Amounts due to banks and other financial institutions ⁽³⁾	55,179,680	1,780,675	3.23	64,936,890	2,781,157	4.28
Debt securities issued	97,570,029	3,465,530	3.55	77,971,589	3,469,399	4.45
Borrowing from central bank	5,693,017	186,542	3.28	2,667,869	87,578	3.28
Total interest-bearing liabilities	435,520,434	12,573,369	2.89	399,954,762	12,350,287	3.09
Net interest income		8,984,198			6,642,683	
Net interest spread ⁽⁴⁾			2.28			1.77
Net interest margin ⁽⁵⁾			2.16			1.70

Notes:

- Consisting of financial investments at amortised cost and bonds at fair value through other comprehensive income.
- Consisting of deposits and placements with banks and other financial institutions and financial assets held under resale agreements.
- Consisting of deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements.
- Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities based on the average daily interest-earning assets and interest-bearing liabilities.
- Calculated by dividing net interest income by the average balance of total interest-earning assets based on the average daily interest-earning assets.
- Calculated as the average daily balance of the Bank.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, changes in the volume and interest rate of the Bank led to changes in interest income and interest expenses. Changes in volume are measured by changes in the average balance of the interest-earning assets and interest-bearing liabilities while changes in rate are measured by changes in the average rate of the interest-earning assets and interest-bearing liabilities. Combined effects of changes in volume and rate were included in changes in interest.

Unit: RMB'000

Item	For the year ended 31 December		
	2019 vs. 2018		Net increase/ (decrease) ⁽³⁾
	Increase/(decrease) due to Volume ⁽¹⁾	Rate ⁽²⁾	
Interest-earning assets			
Loans and advances to customers	2,183,905	10,601	2,194,506
Investments securities and other financial assets	64,616	571,802	636,418
Deposits with central bank	(58,690)	1,525	(57,165)
Amounts due from banks and other financial institutions	(290,617)	4,823	(285,794)
Finance lease receivables	40,236	36,396	76,632
Changes in interest income	1,939,450	625,147	2,564,597
Interest-bearing liabilities			
Deposits from customers	536,491	591,978	1,128,469
Amounts due to banks and other financial institutions	(417,888)	(582,594)	(1,000,482)
Debt securities issued	872,046	(875,915)	(3,869)
Borrowing from central bank	99,306	(342)	98,964
Change in interest expenses	1,089,955	(866,873)	223,082

Notes:

1. Represents the average balance for the Reporting Period minus the average balance for the previous period, multiplied by the average yield/cost rate for the previous period.
2. Represents the average revenue/(expenses) for the Reporting Period minus the average revenue/(expenses) for the previous period, multiplied by the average balance for the Reporting Period.
3. Represents interest income/(expenses) for the Reporting Period minus interest income/(expenses) for the previous period.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Net interest spread and net interest margin

During the Reporting Period, the Bank's net interest spread was 2.28% and its net interest margin was 2.16%, representing an increase of 0.51 percentage point and 0.46 percentage point, respectively, as compared to the same period last year. The main reasons for the increase in net interest spread and net interest margin are: (1) the increase in the scale and proportion of high-yield interest-earning assets such as loans and advances to customers and finance lease receivables resulted in an increase in yield rate of interest-earning assets as compared to the same period last year; (2) the optimization of debt structure and the overall easing of market capital in 2019 lowered the average cost ratio of interest-bearing liabilities as compared to the same period last year.

3.1.2 Interest Income

During the Reporting Period, the Bank achieved interest income of RMB21,558 million, a year-on-year increase of RMB2,565 million or 13.50%, mainly due to the scale expansion of interest-earning assets and the optimization of asset structure.

Interest income from loans

During the Reporting Period, the Bank steadily promoted credit granting. The average balance of loans and advances to customers increased by RMB37,790 million as compared to the same period last year. Interest income from loans amounted to RMB10,369 million, an increase of RMB2,195 million or 26.85% as compared to the same period last year. Set out below are the average balance, interest income and average yield for each component of the Bank's loans and advances to customers for the Reporting Period:

Unit: RMB'000

Item	For the year ended 31 December			2018		
	Average balance	2019 Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	117,550,120	6,960,284	5.92	96,597,304	5,571,888	5.77
Personal loans	51,503,213	2,993,177	5.81	38,729,847	2,324,463	6.00
Discounted bills	10,182,566	415,160	4.08	6,118,304	277,764	4.54
Gross loans and advances to customers	179,235,899	10,368,621	5.78	141,445,455	8,174,115	5.78

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Interest income from investment securities and other financial assets

During the Reporting Period, interest income from investment securities and other financial assets of the Bank amounted to RMB9,640 million, a year-on-year increase of RMB636 million or 7.07%, which was principally attributable to the rise in the average return of investment securities and other financial assets.

Interest income from amounts due from banks and other financial institutions

During the Reporting Period, the Bank's interest income from amounts due from banks and other financial institutions amounted to RMB264 million, a decrease of RMB286 million or 51.97% as compared to the same period last year, which was primarily attributable to the decrease in the size of such assets.

Interest income from finance lease receivables

During the Reporting Period, the Bank's interest income from finance lease receivables increased by RMB77 million or 10.32% to RMB819 million as compared to the same period last year, which was primarily attributable to the increase in the size and average yield of finance lease receivables of Jiuding Financial Leasing Company, a subsidiary of the Bank.

3.1.3 Interest Expenses

During the Reporting Period, the Bank's interest expense increased by RMB223 million or 1.81% to RMB12,573 million as compared to the same period last year, which was affected by comprehensive factors including the increase in the scale of interest-bearing liabilities and the decline in the average cost rate of liabilities.

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Interest expenses on deposits from customers

During the Reporting Period, the Bank's interest expense on deposits from customers increased year-on-year by RMB1,128 million or 18.77% to RMB7,141 million, accounting for 56.79% of all interest expenses, which was mainly due to the continuous growth of deposit business as a result of the Bank's strengthened customer development and the expansion of its network of branches and sub-branches. The increase in the average cost rate of deposits from customers was mainly due to fluctuations in market interest rates and a decrease in the percentage of demand deposits.

Unit: RMB'000

Item	For the year ended 31 December			2018		
	2019 Average balance	2019 Interest expenses	2019 Average cost rate (%)	Average balance	Interest expenses	Average cost rate (%)
Corporate deposits						
Demand	77,023,727	422,446	0.55	84,329,030	445,505	0.53
Time	89,488,182	4,051,364	4.53	82,008,133	3,579,821	4.37
Subtotal	166,511,909	4,473,810	2.69	166,337,163	4,025,326	2.42
Personal deposits						
Demand	20,154,816	151,565	0.75	17,355,055	96,641	0.56
Time	67,428,231	2,255,687	3.35	51,854,875	1,630,015	3.14
Subtotal	87,583,047	2,407,252	2.75	69,209,930	1,726,656	2.49
Others	22,982,752	259,560	1.13	18,831,321	260,171	1.38
Total deposits from customers	277,077,708	7,140,622	2.58	254,378,414	6,012,153	2.36

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Interest expenses on debt securities issued

During the Reporting Period, the Bank's interest expense on debt securities issued decreased by RMB4 million to RMB3,466 million year-on-year, which was primarily attributable to the increase in deposits in banks with lower cost rate during the Reporting Period.

Interest expense on amounts due to banks and other financial institutions

During the Reporting Period, the Bank's interest expense on amounts due to banks and other financial institutions decreased by RMB1,000 million or 35.97% to RMB1,781 million year-on-year, which was primarily attributable to the decrease in such liabilities and the overall easing of market capital in 2019.

Interest expense arising from borrowings from central bank

During the Reporting Period, interest expense arising from borrowings from central bank was RMB187 million, increasing by RMB99 million or 113.00% year-on-year, mainly due to the increase in medium-term lending facility and refinancing to small banks during the Reporting Period as compared to last year.

3.1.4 Non-interest Income

During the Reporting Period, the Bank achieved non-interest income of RMB4,456 million, representing a decrease of RMB35 million or 0.78% as compared to the same period last year and accounting for 33.15% of the operating income. Such income includes net fee and commission income of RMB1,610 million, down by RMB265 million from last year, and other non-interest income of RMB2,846 million, up by RMB230 million from last year.

Net fee and commission income

Unit: RMB'000

Item	For the year ended 31 December			
	2019	2018	Change	Rate of change (%)
Fee and commission income				
Agency and custody services fees	1,160,799	1,262,758	(101,959)	(8.07)
Securities underwriting and advisory fees	259,983	410,439	(150,456)	(36.66)
Acceptance and guarantee services fees	163,492	191,991	(28,499)	(14.84)
Bank card services fees	146,941	96,777	50,164	51.83
Others	25,614	25,541	73	0.29
Subtotal	1,756,829	1,987,506	(230,677)	(11.61)
Fee and commission expenses	(147,140)	(113,187)	(33,953)	30.00
Net fee and commission income	1,609,689	1,874,319	(264,630)	(14.12)

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank proactively adapted to new regulations on asset management and market changes, and steadily promoted the transformation and upgrade of intermediary business. Its net fee and commission income amounted to RMB1,610 million, a decrease of RMB265 million or 14.12% as compared to the same period last year, which was mainly affected by decrease in scale of agency business and securities underwriting business.

Other Non-interest Income

Unit: RMB'000

Item	For the year ended 31 December			Rate of change (%)
	2019	2018	Change	
Net trading gains	708,485	365,364	343,121	93.91
Net investment gains	2,097,656	2,190,324	(92,668)	(4.23)
Other operating income	40,186	60,965	(20,779)	(34.08)
Total	2,846,327	2,616,653	229,674	8.78

During the Reporting Period, other non-interest income was RMB2,846 million, an increase of RMB230 million or 8.78% as compared to the same period last year, which was mainly due to fluctuations in the exchange rate of US dollar against RMB and increased gains from tradable bonds.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1.5 Operating Expenses

During the Reporting Period, the Bank continued to strengthen investment in strategic transformation. Its operating expenses was RMB3,693 million, an increase of RMB478 million or 14.85% as compared to the same period last year. During the Reporting Period, the Bank's staff costs was RMB2,199 million, an increase of RMB467 million as compared to the same period last year, which was mainly due to the continuous growth in operation scale and the increase in the number of new branches and employees. Since 1 January 2019, the Bank has begun to implement International Financial Reporting Standards 16 – Lease (the “**New Lease Standards**”) issued by the International Accounting Standards Board in 2016. Affected by the conversion of the New Lease Standards, depreciation and amortization increased by 57.27% during the Reporting Period as compared to the same period last year; rental and property management expenditure decreased by 56.88% as compared to the same period last year.

Unit: RMB'000

Item	For the year ended 31 December			
	2019	2018	Change	Rate of change (%)
Staff costs	2,198,718	1,731,744	466,974	26.97
Depreciation and amortisation	474,790	301,903	172,887	57.27
Rental and property management expenses	98,819	229,157	(130,338)	(56.88)
Office expenses	51,950	73,598	(21,648)	(29.41)
Tax and surcharges	115,617	91,522	24,095	26.33
Others	753,427	787,826	(34,399)	(4.37)
Total operating expenses	3,693,321	3,215,750	477,571	14.85

The following table sets forth the major components of staff costs of the Bank during the Reporting Period:

Unit: RMB'000

Item	For the year ended 31 December			
	2019	2018	Change	Rate of change (%)
Salaries, bonuses and allowances	1,607,809	1,160,730	447,079	38.52
Social insurance and annuity	251,867	245,223	6,644	2.71
Supplementary retirement benefits	15,397	13,890	1,507	10.85
Staff welfare	172,375	189,085	(16,710)	(8.84)
Housing allowances	89,090	73,057	16,033	21.95
Others	62,180	49,759	12,421	24.96
Total	2,198,718	1,731,744	466,974	26.97

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.1.6 Impairment Losses on Credit

During the Reporting Period, the Bank's impairment losses on credit increased by RMB1,636 million or 39.34% to RMB5,797 million year-on-year. The impairment losses of loans and advances to customers was RMB4,739 million, an increase of RMB1,289 million or 37.37% as compared to the same period last year. This is mainly due to the fact that the Bank continued to comply with the principle of prudent operation, appropriately increased the provision for asset impairment, and further strengthened risk-resistance capability based on market operating environment and asset structure changes.

Unit: RMB'000

Item	For the year ended 31 December			Rate of change (%)
	2019	2018	Change	
Impairment losses on loans and advances to customers	4,739,054	3,449,971	1,289,083	37.37
Impairment losses on financial investments at amortised cost	837,322	565,957	271,365	47.95
Impairment losses on finance lease receivables	170,001	165,373	4,628	2.80
Impairment losses on off-balance sheet credit commitments	50,801	(19,831)	70,632	(356.17)
Impairment losses on financial investments at fair value through other comprehensive income	541	(207)	748	(361.35)
Others ^(Note)	(1,059)	(1,094)	35	(3.20)
Total provision for credit impairment losses	5,796,660	4,160,169	1,636,491	39.34

Note: Others consist of impairment losses on items such as deposits with banks, financial assets held under resale agreements, placements with banks and other financial institutions and other assets.

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3.1.7 Income Tax Expenses

During the Reporting Period, the Bank's income tax expenses decreased by RMB76 million or 10.68% to RMB633 million as compared to the same period last year. During the Reporting Period, the Bank's effective tax rate was 15.80%, lower than the statutory tax rate of 25%, which was mainly due to the fact that the interest income from PRC government bonds and local government bonds held by the Bank is tax-exempt income according to the tax law.

Unit: RMB'000

Item	For the year ended 31 December			
	2019	2018	Change	Rate of change (%)
Current income tax	1,442,569	1,185,384	257,185	21.70
Deferred income tax	(905,865)	(420,987)	(484,878)	115.18
Adjustments to income tax for prior years	96,102	(55,947)	152,049	(271.77)
Total income tax expenses	632,806	708,450	(75,644)	(10.68)

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2 Balance Sheet Analysis

3.2.1 Assets

As at the end of the Reporting Period, the Bank's total assets amounted to RMB500,478 million, an increase of RMB34,336 million or 7.37% from the end of the previous year. The increase of total assets was mainly due to the increase in loans and advances to customers and financial asset investments. The balances (after provision) and breakdowns of the components of the Bank's total assets are as follows:

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
Assets						
Cash and deposits with central bank	38,465,676	7.69	46,224,453	9.92	(7,758,777)	(2.23)
Deposits with banks and other financial institutions	1,930,394	0.39	2,156,931	0.46	(226,537)	(0.07)
Placements with banks and other financial institutions	2,784,681	0.56	3,768,759	0.81	(984,078)	(0.25)
Derivative financial assets	94,602	0.02	231,551	0.05	(136,949)	(0.03)
Financial assets held under resale agreements	2,998,744	0.60	3,452,125	0.74	(453,381)	(0.14)
Loans and advances to customers	189,266,541	37.82	153,999,381	33.04	35,267,160	4.78
Financial asset investments						
– Financial investments at fair value through profit or loss	55,062,294	11.00	60,032,975	12.88	(4,970,681)	(1.88)
– Financial investments at fair value through other comprehensive income	15,751,610	3.15	8,175,758	1.75	7,575,852	1.40
– Financial investments at amortised cost	173,168,422	34.60	167,830,054	36.00	5,338,368	(1.40)
Finance lease receivables	12,501,697	2.50	13,710,666	2.94	(1,208,969)	(0.44)
Interest in associates	376,874	0.08	321,081	0.07	55,793	0.01
Property and equipment	2,372,354	0.47	2,081,350	0.45	291,004	0.02
Deferred tax assets	2,834,990	0.57	1,947,787	0.42	887,203	0.15
Other assets	2,869,248	0.55	2,209,547	0.47	659,701	0.08
Total assets	500,478,127	100.00	466,142,418	100.00	34,335,709	-

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Loans and advances to customers

As at the end of the Reporting Period, the Bank's total loans and advances to customers amounted to RMB195,912 million, representing an increase of RMB36,339 million or 22.77% as compared with the end of the previous year. The Bank's loans and advances to customers are mainly composed of corporate loans, personal loans and discounted bills. Set out below is a breakdown of the Bank's loans by business line:

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans ⁽¹⁾	124,565,616	63.58	107,861,781	67.60
Personal loans	59,593,823	30.42	43,919,211	27.52
Discounted bills	11,752,226	6.00	7,791,800	4.88
Total loans and advances to customers	195,911,665	100.00	159,572,792	100.00
Add: Accrued interest	682,722		489,560	
Less: Provision for impairment losses ⁽²⁾	7,327,846		6,062,971	
Book value of loans and advances to customers	189,266,541		153,999,381	

Notes:

1. Forfeiting is included in the corporate loans.
2. Excluding provision for impairment losses on forfeiting and discounted bills, provision for impairment losses on forfeiting and discounted bills was included in other comprehensive income.

(1) *Corporate loans*

Corporate loan is the largest component of the Bank's loans and advances to customers. As at the end of the Reporting Period, the Bank's corporate loans reached RMB124,566 million, accounting for 63.58% of the Bank's total loans and advances to customers and representing an increase of RMB16,704 million or 15.49% from the end of the previous year. It was mainly because the Bank actively responded to the situation changes on credit demand, closely adhered to three distinctive business positioning features of "finance for commerce and logistics, finance for small and micro enterprises, and finance for residents", continuously strived to meet the capital needs of the rapidly-growing wholesale and retail industry and provided loan services to small and micro enterprises in the principle of prudent credit granting, thereby achieving steady growth in corporate loans.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth a breakdown of the Bank's corporate loans by collateral:

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Unsecured loans	18,968,452	15.23	12,630,836	11.71
Guaranteed loans	55,088,693	44.22	46,328,650	42.95
Loans secured by mortgages	31,853,512	25.57	24,382,880	22.61
Loans secured by pledges	18,654,959	14.98	24,519,415	22.73
Total corporate loan principal	124,565,616	100.00	107,861,781	100.00

(2) *Personal loans*

As at the end of the Reporting Period, the Bank's total personal loans amounted to RMB59,594 million, accounting for 30.42% of the Bank's total loans and advances to customers and representing an increase of RMB15,675 million or 35.69% from the end of the previous year. Of which, total personal business loans and total personal residential mortgage loans were RMB20,913 million and RMB30,053 million, respectively, representing an increase of 25.64% and 84.76% from the end of the previous year, which was mainly due to the growth of personal business loans and personal residential mortgage loans business scale.

The following table sets forth a breakdown of the Bank's personal loans by product type:

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Personal business loans	20,912,865	35.10	16,645,672	37.90
Personal residential mortgage loans	30,052,807	50.43	16,265,454	37.03
Personal consumption loans	5,807,222	9.74	9,107,358	20.74
Credit card loans	2,820,929	4.73	1,900,727	4.33
Total personal loan principal	59,593,823	100.00	43,919,211	100.00

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(3) Discounted bills

As at the end of the Reporting Period, the Bank's discounted bills amounted to RMB11,752 million, an increase of RMB3,960 million or 50.83% from the end of the previous year. During the Reporting Period, the Bank flexibly adjusted the scale of bill financing according to the needs of business development and the financing needs of customers.

Investments in securities and other financial assets

As at the end of the Reporting Period, the Bank's total investments in securities and equity instruments amounted to RMB244,787 million, representing an increase of RMB8,622 million or 3.65% from the end of the previous year. Details are set out as follows:

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Financial investments at amortised cost	174,300,504	71.20	168,129,541	71.19
Financial investments at fair value through other comprehensive income	15,424,513	6.30	8,002,724	3.39
Financial investments at fair value through profit or loss	55,062,294	22.50	60,032,975	25.42
Total investment securities and other financial assets	244,787,311	100.00	236,165,240	100.00
Add: Accrued interest	1,758,957		1,600,167	
Less: Provision for impairment ^(Note)	2,563,942		1,726,620	
Book value of investment securities and other financial assets	243,982,326		236,038,787	

Note: Excluding provision for impairment losses on financial investments at fair value through other comprehensive income.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

The Bank's investments in securities are classified into debt instruments and equity instruments. Set out below is a breakdown of the Bank's investment in securities by product:

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Debt securities investments				
Government bonds	31,614,484	12.92	28,870,802	12.23
Debt securities issued by policy banks	33,995,748	13.89	36,828,489	15.59
Debt securities issued by banks and other financial institutions	2,974,444	1.22	2,837,932	1.20
Debt securities issued by corporate issuers	8,468,274	3.46	8,261,101	3.50
Subtotal	77,052,950	31.49	76,798,324	32.52
Investment products under trust schemes	77,489,646	31.66	76,963,156	32.59
Investment products managed by securities companies	62,966,123	25.72	57,733,785	24.45
Others ^(Note)	27,270,192	11.13	24,661,575	10.44
Total debt instruments	244,778,911	100.00	236,156,840	100.00
Equity instruments	8,400		8,400	
Total investments securities and other financial assets	244,787,311		236,165,240	

Note: Others consist of debt financing schemes.

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The following table sets forth a breakdown of the top ten financial bonds held by the Bank as at the end of the Reporting Period:

Unit: RMB'000

No.	Type of bonds	Nominal value balance	Interest rate (%)	Maturity date	Impairment
1	2016 Financial Bond	3,250,000	3.33	2026-02-22	173
2	2016 Financial Bond	2,490,000	3.33	2026-01-06	134
3	2016 Financial Bond	2,200,000	3.24	2023-02-25	118
4	2019 Financial Bond	1,998,262	3.28	2024-02-11	48
5	2016 Financial Bond	1,900,000	3.32	2023-01-06	102
6	2015 Financial Bond	1,510,000	3.86	2022-02-05	46
7	2016 Financial Bond	1,150,000	3.18	2026-04-05	62
8	2016 Financial Bond	1,000,000	3.37	2026-02-26	54
9	2016 Financial Bond	1,000,000	3.28	2023-02-26	54
10	2016 Financial Bond	990,000	3.18	2026-09-05	53

Derivative financial instruments

During the Reporting Period, there were two-way fluctuations in the exchange rate between US dollar and RMB, the Bank reasonably used foreign exchange forwards to effectively mitigate market risks and maintain a sound trading style.

Unit: RMB'000

Derivative financial instruments	As at 31 December 2019			As at 31 December 2018		
	Contractual/ notional amount	Fair value of assets	Fair value of liabilities	Contractual/ notional amount	Fair value of assets	Fair value of liabilities
Currency swap contracts	-	-	-	3,019,808	164,337	-
Currency options contracts	-	-	-	3,431,600	-	(37,976)
Interest rate swap contracts	-	-	-	200,000	-	(525)
Forward foreign exchange contracts	11,022,396	94,602	(4,944)	10,294,800	67,214	-
Total	11,022,396	94,602	(4,944)	16,946,208	231,551	(38,501)

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2.2 Liabilities

As at the end of the Reporting Period, the Bank's total liabilities amounted to RMB460,587 million, an increase of RMB32,308 million or 7.54% from the end of the previous year, which was mainly due to the increase in liabilities including deposits from customers, debt securities issued and borrowings from central bank.

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018		Change	
	Amount	% of total (%)	Amount	% of total (%)	Amount	% of total (%)
Borrowings from central bank	9,954,864	2.16	4,196,194	0.98	5,758,670	1.18
Deposits from banks and other financial institutions	18,906,118	4.10	27,398,665	6.40	(8,492,547)	(2.30)
Placements from banks and other financial institutions	14,113,018	3.06	13,652,888	3.19	460,130	(0.13)
Derivative financial liabilities	4,944	0.01	38,501	0.01	(33,557)	-
Financial assets sold under repurchase agreements	16,385,737	3.56	18,956,133	4.43	(2,570,396)	(0.87)
Deposits from customers	292,125,786	63.42	267,758,206	62.52	24,367,580	0.90
Tax payable	745,840	0.16	428,752	0.10	317,088	0.06
Debt securities issued	105,245,667	22.85	93,649,019	21.87	11,596,648	0.98
Other liabilities ^(Note)	3,104,531	0.68	2,200,561	0.50	903,970	0.18
Total	460,586,505	100.00	428,278,919	100.00	32,307,586	

Note: Other liabilities primarily consist of items in the process of clearance and settlement, staff costs payable, dormant accounts and estimated liabilities.

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Deposits from customers

As at the end of the Reporting Period, the Bank's gross deposits from customers amounted to RMB289,217 million, an increase of RMB25,086 million or 9.50% from the end of the previous year. The steady growth in the Bank's deposits from customers was mainly attributable to the growth of the Bank's overall business arising from its continuous expansion of deposit customers and branch network. Set out below is a breakdown of the Bank's deposits from customers by product type and maturity profile:

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand	79,289,145	27.42	82,621,581	31.28
Time	87,157,489	30.13	83,458,939	31.60
Subtotal	166,446,634	57.55	166,080,520	62.88
Personal deposits				
Demand	23,333,801	8.07	19,547,870	7.40
Time	72,253,415	24.98	60,168,717	22.78
Subtotal	95,587,216	33.05	79,716,587	30.18
Other deposits	27,183,010	9.40	18,333,827	6.94
Gross deposits from customers	289,216,860	100.00	264,130,934	100.00
Add: Accrued interest	2,908,926		3,627,272	
Total deposits from customers	292,125,786		267,758,206	

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2.3 Shareholders' Equity

As at the end of the Reporting Period, the Bank's total shareholders' equity reached RMB39,892 million, an increase of RMB2,028 million or 5.36% from the end of the previous year. The total equity attributable to shareholders of the Bank reached RMB38,590 million, an increase of RMB1,941 million or 5.29% from the end of the previous year. The increase in shareholders' equity was mainly due to continuous profit.

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Shareholders' equity				
Share capital	5,921,932	14.85	5,921,932	15.64
Capital reserve	5,163,655	12.94	5,163,655	13.64
Surplus reserve	2,675,548	6.71	2,356,214	6.22
General risk reserve	6,619,553	16.59	5,870,320	15.50
Investment revaluation reserve	97,063	0.24	38,590	0.10
Remeasurement of net defined benefit liability	(46,424)	(0.12)	(44,492)	(0.12)
Retained earnings	10,333,487	25.90	9,518,012	25.14
Other equity instruments	7,825,508	19.62	7,825,508	20.67
Total equity attributable to shareholders of the Bank	38,590,322	96.73	36,649,739	96.79
Non-controlling interests	1,301,300	3.27	1,213,760	3.21
Total shareholders' equity	39,891,622	100.00	37,863,499	100.00

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.2.4 Off-balance Sheet Commitments

The following table sets forth a breakdown of the Bank's off-balance sheet credit commitments as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 31 December 2019	As at 31 December 2018
Credit commitments		
Bank acceptances	103,738,951	68,168,889
Letters of credit	8,162,623	9,294,124
Guarantees	2,692,880	3,993,775
Unused credit card commitments	2,785,006	1,778,943
Total	117,379,460	83,235,731

In addition, as at the end of the Reporting Period, there was no material litigation in which the Bank or any of its subsidiary is a defendant. As at the date of this Report, the Bank had no significant contingent liabilities. Details of off-balance sheet commitments are disclosed in "Credit Commitment" of Commitment or Contingency in Note 42 to the financial statements of the chapter headed "Independent Auditor's Report" of this Report.

3.2.5 Asset Right Restriction as at the End of the Reporting Period

Details of pledged assets are disclosed in "Pledged Assets" of Commitment or Contingency in Note 42 to the financial statements of the chapter headed "Independent Auditor's Report" of this Report.

3.3 Loan Quality Analysis

During the Reporting Period, the Bank continuously strengthened credit risk management and accelerated the disposal of non-performing loans, keeping the overall quality of loans under control. As at the end of the Reporting Period, the balance of non-performing loans amounted to RMB4,645 million, and the non-performing loan ratio was 2.37%, down by 0.10 percentage point from the end of the previous year.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.1 Distribution of Loans by Five-Category Loan Classification

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Normal	187,187,713	95.55	150,934,330	94.59
Special mention	4,079,072	2.08	4,700,526	2.95
Substandard	2,669,799	1.36	2,859,261	1.79
Doubtful	1,961,656	1.00	1,073,407	0.67
Loss	13,425	0.01	5,268	-
Total loans and advances to customers	195,911,665	100.00	159,572,792	100.00
NPLs and NPL ratio^(Note)	4,644,880	2.37	3,937,936	2.47

Note: NPL ratio is calculated by dividing total NPL principal (excluding accrued interest) by total loan and advance principal to customers (excluding accrued interest).

According to the five-category loan classification system, the Bank classified its NPLs into substandard, doubtful and loss categories.

3.3.2 Classification of Loans and Non-Performing Loans by Product Type

Unit: RMB'000

Item	As at 31 December 2019				As at 31 December 2018			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Corporate loans								
Short-term loans	44,581,659	22.76	2,198,763	4.93	55,266,716	34.64	1,951,014	3.53
Medium and long-term loans	79,983,957	40.83	1,437,389	1.80	52,595,065	32.96	1,223,517	2.33
Subtotal	124,565,616	63.59	3,636,152	2.92	107,861,781	67.60	3,174,531	2.94
Discounted bills	11,752,226	6.00	-	-	7,791,800	4.88	-	-
Personal loans								
Personal business loans	20,912,865	10.67	671,249	3.21	16,645,672	10.43	498,639	3.00
Personal residential mortgage loans	30,052,807	15.34	34,051	0.11	16,265,454	10.19	14,917	0.09
Personal consumption loans	5,807,222	2.96	259,817	4.47	9,107,358	5.71	232,471	2.55
Credit card balance	2,820,929	1.44	43,611	1.55	1,900,727	1.19	17,378	0.91
Subtotal	59,593,823	30.41	1,008,728	1.69	43,919,211	27.52	763,405	1.74
Total	195,911,665	100.00	4,644,880	2.37	159,572,792	100.00	3,937,936	2.47

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank adhered to main operation line of high-quality development, intensified risk management, steadily reduced excessive credit granting, and strengthened the effort on the collection and disposal of non-performing assets, continuously improving asset quality. As at the end of the Reporting Period, the NPL ratio of corporate loans (excluding discounted bills) was 2.92%, down by 0.02 percentage point from the end of the previous year; the NPL ratio of personal loans was 1.69%, down by 0.05 percentage point from the end of the previous year.

3.3.3 Classification of Loans and Non-Performing Loans by Industry

Unit: RMB'000

Item	As at 31 December 2019				As at 31 December 2018			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Wholesale and retail	27,095,140	13.83	1,152,189	4.25	36,467,388	22.85	909,599	2.49
Manufacturing	14,577,464	7.44	1,578,003	10.82	14,407,170	9.03	1,911,745	13.27
Construction	12,156,369	6.21	215,134	1.77	10,518,173	6.59	92,348	0.88
Real estate	26,677,880	13.62	39,897	0.15	18,098,412	11.34	32,235	0.18
Leasing and commercial services	10,892,165	5.56	61,242	0.56	5,994,122	3.76	12,954	0.22
Water, environment and public facility management	16,128,317	8.23	43,580	0.27	8,119,439	5.09	12,400	0.15
Agriculture, forestry, animal husbandry and fishery	1,685,307	0.86	360,247	21.38	1,876,474	1.18	98,317	5.24
Transportation, storage and postal services	2,604,391	1.33	57,079	2.19	1,927,392	1.21	10,000	0.52
Production and supply of electricity, heat, gas and water	2,369,014	1.21	10,000	0.42	2,312,929	1.45	-	-
Accommodation and catering	1,317,211	0.67	40,384	3.07	1,477,051	0.92	50,000	3.39
Mining	322,300	0.16	4,000	1.24	361,158	0.23	4,000	1.11
Culture, sports and entertainment	1,808,720	0.92	1,000	0.06	287,210	0.18	-	-
Others	6,931,338	3.54	73,397	1.06	6,014,863	3.77	40,933	0.68
Total corporate loans	124,565,616	63.58	3,636,152	2.92	107,861,781	67.60	3,174,531	2.94
Total personal loans	59,593,823	30.42	1,008,728	1.69	43,919,211	27.52	763,405	1.74
Discounted bills	11,752,226	6.00	-	-	7,791,800	4.88	-	-
Total	195,911,665	100.00	4,644,880	2.37	159,572,792	100.00	3,937,936	2.47

As at the end of the Reporting Period, the non-performing corporate loans of the Bank were mainly concentrated in (1) the wholesale and retail industry, (2) the manufacturing industry and (3) the agriculture, forestry, animal husbandry and fishery industry, with NPL ratios of 4.25%, 10.82%, and 21.38%, respectively.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.3.4 Classification of Loans and Non-Performing Loans by Collateral

The following table sets forth a breakdown of the Bank's loans and non-performing loans by collateral:

Unit: RMB'000

Item	As at 31 December 2019				As at 31 December 2018			
	Amount	% of total (%)	NPL amount	NPL ratio (%)	Amount	% of total (%)	NPL amount	NPL ratio (%)
Unsecured loans	26,395,641	13.47	118,447	0.45	20,781,632	13.02	72,205	0.35
Guaranteed loans	59,539,001	30.39	3,194,275	5.37	52,852,673	33.12	2,880,522	5.45
Loans secured by mortgages	77,715,145	39.67	1,002,805	1.29	54,390,463	34.09	860,413	1.58
Loans secured by pledges	32,261,878	16.47	329,353	1.02	31,548,024	19.77	124,796	0.40
Total	195,911,665	100.00	4,644,880	2.37	159,572,792	100.00	3,937,936	2.47

3.3.5 Borrower Concentration

As at the end of the Reporting Period, the Bank's loan balance to any single borrower did not exceed 10% of the Bank's net capital. The following table sets forth, as at the end of the Reporting Period, the Bank's loan balance to the ten largest single borrowers (excluding group borrowers), all of which were classified as normal.

Unit: RMB'000

Item	Industry	As at 31 December 2019		
		Principal balance	% of total loans (%)	% of net capital (%)
Borrower A	Water, environment and public facility management	1,900,000	0.97	4.11
Borrower B	Water, environment and public facility management	1,550,000	0.79	3.35
Borrower C	Water, environment and public facility management	1,300,000	0.66	2.81
Borrower D	Real estate	1,279,750	0.65	2.77
Borrower E	Culture, sports and entertainment	1,175,000	0.60	2.54
Borrower F	Leasing and commercial services	1,114,000	0.57	2.41
Borrower G	Manufacturing	1,100,000	0.56	2.38
Borrower H	Leasing and commercial services	1,100,000	0.56	2.38
Borrower I	Construction	990,000	0.51	2.14
Borrower J	Water, environment and public facility management	946,800	0.48	2.05
Total		12,455,550	6.35	26.94

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3.3.6 Overdue Loans

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Current loans	188,768,138	96.36	152,523,448	95.58
Loans past due for ^(Note)				
3 months (inclusive) or less	3,025,224	1.54	3,294,319	2.07
3 months to 1 year (inclusive)	1,899,785	0.97	2,087,694	1.31
1 year or more	2,218,518	1.13	1,667,331	1.04
Subtotal	7,143,527	3.64	7,049,344	4.42
Gross principal loans	195,911,665	100.00	159,572,792	100.00

Note: Representing the principal amount of the loans on which principal or interest is overdue.

As at the end of the Reporting Period, the Bank's overdue loans amounted to RMB7,144 million, representing an increase of RMB94 million or 1.34% as compared with the end of the previous year. Overdue loans accounted for 3.64% of the total loans, decreasing by 0.78 percentage point as compared with the end of the previous year.

3.3.7 Repossessed assets and provision for impairment

As at the end of the Reporting Period, the Bank had no repossessed assets.

3.3.8 Provision and Write-off of Allowance for Impairment Losses on Loans

During the Reporting Period, the Bank made a total loan loss reserve of RMB4,739 million, with RMB4,676 million provided for loans and advances to customers measured at amortised cost, and RMB63 million for loans and advances to customers measured at fair value through other comprehensive income. RMB3,112 million of non-performing loans was written off, and RMB458 million of written-off loans was recovered. As at the end of the Reporting Period, the balance of the Bank's loan loss reserve was RMB7,425 million, of which the balance of the provision for impairment losses on loans and advances to customers measured at amortised cost was RMB7,328 million and the balance of the provision for impairment losses on loans and advances to customers measured at fair value through other comprehensive income were RMB97 million.

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Changes in provision for impairment losses on loans and advances to customers at amortised cost are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December	
	2019	2018
Opening balance	6,062,971	4,000,536
Change in accounting policies	–	327,748
Provision for the period	4,676,458	3,420,277
Write-off for the period	(3,111,852)	(1,779,584)
Recovery of written-off loans	458,000	93,994
Others	(757,731)	–
Closing balance	7,327,846	6,062,971

Changes in provision for impairment losses on loans and advances to customers at fair value through other comprehensive income are set out as follows:

Unit: RMB'000

Item	For the year ended 31 December	
	2019	2018
Opening balance	34,405	–
Change in accounting policies	–	4,711
Provision for the period	62,596	29,694
Closing balance	97,001	34,405

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.4 Cash Flow Statement Analysis

During the Reporting Period, the Bank's net cash outflow from operating activities was RMB7,851 million, where the cash inflow was RMB56,998 million, an increase of RMB9,360 million from the previous year, mainly due to the increase in the net increase amount in deposits from customers; and the cash outflow was RMB64,849 million, a decrease of RMB8,609 million from the previous year, mainly due to the decrease in financial assets held for trading purpose.

During the Reporting Period, the Bank's net cash outflow from investing activities was RMB3,519 million, where the cash inflow was RMB127,898 million, an decrease of RMB46,879 million from the previous year, mainly due to the decrease in cash flow received from the recovery of investments; the cash outflow was RMB131,417 million, an decrease of RMB33,487 million from the previous year, mainly due to the decrease in cash outflow for investment payments.

During the Reporting Period, the Bank's net cash inflow from financing activities was RMB6,587 million, where the cash inflow was RMB124,738 million, an increase of RMB10,195 million from the previous year, mainly due to the increase in cash inflows received from the issuance of bonds; the cash outflow was RMB118,151 million, an increase of RMB22,621 million from the previous year, mainly due to the increase in cash outflows for the repayment of the principal of the bonds due.

Unit: RMB'000

Item	For the year ended 31 December		
	2019	2018	Year-on-year change
Subtotal of cash inflows from operating activities	56,998,259	47,638,737	9,359,522
Subtotal of cash outflows from operating activities	64,849,062	73,458,206	(8,609,144)
Net cash flows used in operating activities	(7,850,803)	(25,819,469)	17,968,666
Subtotal of cash inflows from investing activities	127,898,449	174,777,317	(46,878,868)
Subtotal of cash outflows from investing activities	131,417,013	164,904,276	(33,487,263)
Net cash flows (used in)/generated from investing activities	(3,518,564)	9,873,041	(13,391,605)
Subtotal of cash inflows from financing activities	124,738,282	114,543,644	10,194,638
Subtotal of cash outflows from financing activities	118,151,408	95,530,561	22,620,847
Net cash flows generated from financing activities	6,586,874	19,013,083	(12,426,209)
Effect of exchange rate changes on cash and cash equivalents	27,942	200,405	(172,463)
Net (decrease)/increase in cash and cash equivalents	(4,754,551)	3,267,060	(8,021,611)

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.5 Business Segment Report

The following table sets forth the Bank's total operating income by business segment for the periods indicated.

Unit: RMB'000

Item	As at 31 December 2019		As at 31 December 2018	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking business	5,831,562	43.39	4,172,264	37.47
Retail banking business	1,740,291	12.95	1,590,355	14.28
Treasury business	5,828,175	43.36	5,316,892	47.76
Others ^(Note)	40,186	0.30	54,144	0.49
Total operating income	13,440,214	100.00	11,133,655	100.00

Note: This segment consists primarily of equity investment and relevant income, and any other businesses that cannot constitute a reporting segment alone.

3.6 Significant Accounting Policies, Accounting Estimates and Accounting Methods

3.6.1 Explanation of changes in accounting policies, accounting estimates and accounting methods as compared with the financial report of the previous year

The Bank has changed its accounting policies in accordance with the provisions of the New Lease Standards, which have been reviewed and approved by the Board. The Bank has implemented the New Lease Standards since 1 January 2019 without restating the comparable data for the end of 2018. The implementation of the above standards will not have any significant impact on the Bank's financial report. For details, please refer to Note 2 "Change in accounting policies" to the financial statements of the independent auditor's report in this Report.

In accordance with the provisions of the International Accounting Standards Board, "International Financial Report Interpretation Committee 23-Uncertainty in Income Tax Treatment" became effective on 1 January 2019. The adoption of this interpretation has no significant impact on the financial position and operating results of the Group.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.6.2 Explanation of major accounting errors correction during the Reporting Period that require retrospective restatement

During the Reporting Period, the Bank did not have any major accounting errors correction that need to be retrospectively restated.

3.6.3 Explanation of changes in the scope of the consolidated statements as compared with the financial report of the previous year

The scope of the consolidated statements for the current period is consistent with that of the financial report for the previous year.

3.7 Assets and Liabilities at Fair Value

Unit: RMB'000

Item	Opening balance	Gains and losses from changes in fair value for the period	Accumulated changes in fair value recognised in equity	Impairment accrued during the period	Closing balance
Financial investments at fair value through profit or loss (excluding derivative financial assets)	60,032,975	(897,147)	-	-	55,062,294
Derivative financial assets	231,551	-	-	-	94,602
Financial investments at fair value through other comprehensive income	8,175,758	-	96,316	(541)	15,751,610
Subtotal of financial assets	68,440,284	(897,147)	96,316	(541)	70,908,506
Derivative financial liabilities	38,501	525	-	-	4,944
Subtotal of financial liabilities	38,501	525	-	-	4,944

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

3.8 Major Statement Items and Financial Indicators with Changes of More Than 30% and the Main Reasons for the Changes

Unit: RMB'000

Item	For the year ended 31 December			Main Reason Analysis
	2019	2018	Change compared to the same period of the previous year (%)	
Net interest income	8,984,198	6,642,683	35.25	Mainly due to the increase in business scale.
Fee and commission expenses	147,140	113,187	30.00	Mainly due to the increase in the scale of settlement and credit card business.
Net trading gains	708,485	365,364	93.91	Due to the exchange rate fluctuations of US dollar against RMB and the gains increase from trading bonds during the Reporting Period.
Other operating income	40,186	60,965	(34.08)	Mainly due to decrease in income from dormant accounts as compared with the previous period.
Impairment losses on credit	5,796,660	4,160,169	39.34	The Banks further strengthens its risk-resistance capability based on market operation environment, asset structure changes and increase in provision for assets impairment.
Net profit/non-controlling interests	88,098	42,625	106.68	Mainly due to the increase in profit of subsidiaries of the Bank for the current period as compared with the previous period.
Total comprehensive gains/non-controlling interests	87,540	43,173	102.77	

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

Unit: RMB'000

Item	As at 31 December 2019	As at 31 December 2018	Change compared to the end of the previous year (%)	Main Reason Analysis
Derivative financial assets	94,602	231,551	(59.14)	During the Reporting Period, there were two-way fluctuations in the exchange rate between US dollar against RMB; the Bank reasonably increased foreign exchange forwards to effectively mitigate market risks.
Derivative financial liabilities	4,944	38,501	(87.16)	
Financial investments at fair value through other comprehensive income	15,751,610	8,175,758	92.66	Due to the increase in debt instruments at fair value through other comprehensive income.
Deferred income tax assets	2,834,990	1,947,787	45.55	Increase in deductible temporary difference arising from provision for asset impairment losses.
Other liabilities	3,104,531	2,200,561	41.08	The Bank implemented the New Lease Standards on 1 January 2019, and included operating leases into the balance sheet to recognize right-of-use assets and lease liabilities.
Borrowings from central bank	9,954,864	4,196,194	137.24	Increase in medium-term lending facility and refinancing to small banks.
Deposits from banks and other financial institutions	18,906,118	27,398,665	(31.00)	Mainly due to the decrease in time deposits with banks at the end of the Reporting Period.
Tax payable	745,840	428,752	73.96	The corporate income tax payable at the end of the Reporting Period increased as compared with the end of the previous year.
Investment revaluation reserve	97,063	38,590	151.52	Mainly due to the increase in the scale of loans and advances to customers at fair value through other comprehensive income during the Reporting Period leading to the increase in the balance of provision for impairment losses.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

4 INVESTMENT ANALYSIS

4.1 Overview

The following table sets out details of the Bank's equity investment as at the end of the Reporting Period:

Unit: RMB'000

Item	As at 31 December 2019	As at 31 December 2018	The Bank's share of the interest in the investee (%)
Jiuding Financial Leasing Company	1,020,000	1,020,000	51.00
Fugou Zhengyin County Bank	30,120	30,120	50.20
Xinmi Zhengyin County Bank	64,000	64,000	51.20
Xunxian Zhengyin County Bank	25,500	25,500	51.00
Queshan Zhengyin County Bank	25,500	25,500	51.00
Zhongmu Zhengyin County Bank	104,000	104,000	18.53
Yanling Zhengyin County Bank	18,000	18,000	30.00
Xinzheng Zhengyin County Bank	17,280	17,280	25.00
China UnionPay Co., Ltd.	8,000	8,000	0.27
Funds Clearing Centre for City Commercial Banks	400	400	1.29
Total	1,312,800	1,312,800	

For details of the Bank's other investments as at the end of the Reporting Period, please refer to the paragraph headed "Balance Sheet Analysis" in the chapter headed "Management Discussion and Analysis".

4.2 Significant Equity Investments Made During the Reporting Period

During the Reporting Period, the Bank did not make any significant equity investment.

4.3 Significant Non-equity Investments in Progress During the Reporting Period

During the Reporting Period, the Bank did not have any significant non-equity investment in progress.

4.4 Use of Proceeds

During the Reporting Period, there was no use of proceeds for the Bank .

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

4.5 Financial Investments at Fair Value

For details of the Bank's fair value measurement methods and items measured at fair value as at the end of the Reporting Period, please refer to the paragraph headed "Assets and Liabilities at Fair Value" in the chapter headed "Management Discussion and Analysis".

4.6 Operations of Subsidiaries

4.6.1 Operations of Subsidiaries

Jiuding Financial Leasing Company

As at the end of the Reporting Period, the Bank held 51% equity interest in Jiuding Financial Leasing Company, a subsidiary of the Bank with a registered capital of RMB2 billion. Jiuding Financial Leasing Company was established in China where it carries out its business. Its principal businesses include: (1) financial leasing business; (2) outward or inward transfer of financial leasing assets; (3) fixed income securities investment business; (4) acceptance of leasing deposits from lessees; (5) taking time deposits with a term of three months or more from non-banking shareholders; (6) interbank lending; (7) borrowing from financial institutions; (8) offshore borrowing; (9) sale and disposal of leased assets; (10) economic consultancy; (11) other business approved by the CBRC (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Jiuding Financial Leasing Company had total assets of RMB16,967 million, net assets of RMB2,492 million, and balance of financial leasing of RMB12,924 million. During the Reporting Period, it recorded operating income of RMB501 million, operating profit of RMB267 million and net profit of RMB201 million.

Fugou Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 50.2% equity interest in Fugou Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB60 million. Fugou Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) debit card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent; (9) other business approved by the banking regulatory authority of the PRC (business activities requiring licensing shall be carried out with valid permits or qualification certificates). As at the end of the Reporting Period, Fugou Zhengyin County Bank had total assets of RMB737 million, net assets of RMB67 million, total loans and advances to customers of RMB396 million, total deposits from customers of RMB552 million. During the Reporting Period, it recorded operating income of RMB24 million, operating profit of RMB5 million, and net profit of RMB4 million.

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Xinmi Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51.2% equity interest in Xinmi Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB125 million. Xinmi Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xinmi Zhengyin County Bank had total assets of RMB929 million, net assets of RMB158 million, total loans and advances to customers of RMB550 million, total deposits from customers of RMB760 million. During the Reporting Period, it recorded operating income of RMB25 million, operating profit of RMB3 million, and net profit of RMB2 million.

Xunxian Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51% equity interest in Xunxian Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Xunxian Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) acting as issuing agent, cashing agent and underwriter of government bonds; (6) interbank lending; (7) debit card business; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business operations requiring permits shall be carried out after obtaining relevant permits from the competent authorities) (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Xunxian Zhengyin County Bank had total assets of RMB790 million, net assets of RMB47 million, total loans and advances to customers of RMB452 million, total deposits from customers of RMB706 million. During the Reporting Period, it recorded operating income of RMB31 million, operating profit of RMB9 million, and net profit of RMB6 million.

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Queshan Zhengyin County Bank

As at the end of the Reporting Period, the Bank held 51% equity interest in Queshan Zhengyin County Bank, a subsidiary of the Bank with a registered capital of RMB50 million. Queshan Zhengyin County Bank was established in China where it carries out its business. Its principal businesses include: (1) taking deposits from the public; (2) issuing short-term, medium-term and long-term loans; (3) domestic settlement; (4) bill acceptance and discounting; (5) interbank lending; (6) banking card business; (7) acting as issuing agent, cashing agent and underwriter of government bonds; (8) acting as collection and payment agent and insurance agent; (9) other business approved by the banking regulatory authority (business activities subject to approval according to law may be carried out only after being approved by the competent authorities). As at the end of the Reporting Period, Queshan Zhengyin County Bank had total assets of RMB454 million, net assets of RMB44 million, total loans and advances to customers of RMB212 million, total deposits from customers of RMB390 million. During the Reporting Period, it recorded operating income of RMB15 million, operating profit of RMB462,800, and net profit of RMB466,700.

4.6.2 Operations of Investee Companies

As at the end of the Reporting Period, the Bank held 18.53%, 30.00% and 25.00% equity interest in Zhongmu Zhengyin County Bank, Yanling Zhengyin County Bank and Xinzheng Zhengyin County Bank, respectively. Three county banks had total assets of RMB21,339 million, total loans and advances to customers of RMB13,677 million, and total deposits from customers of RMB18,822 million.

Zhengyin county banks have always committed to serving “agriculture, farmers and rural areas” and supporting “small and medium-sized enterprises”. With a growing asset size and an increasingly balanced structure of deposits and loans, the bank has stepped up its efforts to support agricultural enterprises and increased shareholder returns year by year. As a result, Zhongmu Zhengyin County Bank is ranked at the forefront among all county banks in the country in terms of comprehensive strength.

4.6.3 Acquisition and Disposal of Subsidiaries During the Reporting Period

During the Reporting Period, the Bank did not acquire or dispose of any subsidiary.

4.7 Structured Entities Controlled by the Bank

Details of the structured entities controlled by the Bank are set out in Note 43 to the financial statements of the chapter headed “Independent Auditor’s Report” of this Report.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

5 CAPITAL MANAGEMENT

The Bank's goals of capital management include: (1) maintaining stable capital adequacy ratio level and solid capital base, supporting the development of the Bank's various businesses and the implementation of strategical planning, improving capability to resist risk, and realizing comprehensive, coordinated and sustainable development; (2) perfecting "economic-profit-centered" performance management system constantly, measuring and covering all types of risks accurately, and optimizing the Bank's resource allocation and operational management mechanism, so as to create the best return for shareholders; (3) utilizing a variety of capital instruments rationally, optimizing the total amount and structure of capital, and enhancing capital quality. The Bank's capital management mainly includes capital adequacy ratio management and capital financing management, etc.

Capital adequacy ratio management is at the core of the Bank's capital management. In accordance with the requirements of the CBIRC, the Bank monitors the capital adequacy ratio regularly and submits required information to the CBIRC Henan office quarterly. The Bank carries out capital adequacy ratio prediction monthly to ensure that indicators meet regulatory requirements via pressure testing. Through promoting the construction of comprehensive risk management, the Bank can further improve its risk identification and assessment capability and calculate risk weighted assets more accurately based on the business nature.

Capital financing management aims to further strengthen capital capacity, improve capital structure and enhance capital quality. The Bank focuses on capital's endogenous growth, strives to realize the balance and coordination of scale expansion, profitability and capital restriction, replenishes capital via measures like profit growth, keeps surplus reserve and allocating sufficient provision for impairment losses on loans, and optimizes capital structure and raises capital adequacy ratio level, so as to improve the Bank's capability to resist risk and support real economy's development.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

5.1 Capital Adequacy Ratio Analysis

The Bank continued to refine its business structure and strengthen its capital management. Set out below are the Bank's capital adequacy ratios as at the end of the Reporting Period and the end of the previous year calculated in accordance with the Administrative Measures for Capital of Commercial Banks (Provisional) issued by the CBIRC in 2012 and other relevant requirements issued:

Unit: RMB'000

Item	As at 31 December 2019	As at 31 December 2018
Core tier-one capital		
– Share capital	5,921,932	5,921,932
– Valid portion of capital reserve	5,163,655	5,163,655
– Other comprehensive income	50,639	(5,902)
– Surplus reserve	2,675,548	2,356,214
– General reserve	6,619,553	5,870,320
– Retained earnings	10,333,487	9,518,012
– Valid portion of minority interests	601,657	602,538
Total core tier-one capital	31,366,471	29,426,769
Core tier-one capital deductions	(918,036)	(714,478)
Net core tier-one capital	30,448,435	28,712,291
Additional tier-one capital	7,904,693	7,905,847
– Additional tier-one capital instruments and related premium	7,825,508	7,825,508
– Valid portion of minority interests	79,185	80,339
Net tier-one capital	38,353,128	36,618,138
Tier-two capital		
– Qualifying portion of tier-two capital instruments issued	5,000,000	7,000,000
– Surplus provision for loan impairment	2,701,779	2,179,647
– Valid portion of minority interests	160,589	160,677
Net tier-two capital	7,862,368	9,340,324
Net capital base	46,215,496	45,958,462
Total risk-weighted assets	381,759,225	349,504,822
Core tier-one capital adequacy ratio (%)	7.98	8.22
Tier-one capital adequacy ratio (%)	10.05	10.48
Capital adequacy ratio (%)	12.11	13.15

Note: For details, please refer to the column headed "Financial Summary" under Investor Relations on the Bank's website.

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

5.2 Leverage Ratio Analysis

Unit: RMB'000

Item	31 December 2019	30 September 2019	30 June 2019	31 March 2019
Net tier-one capital	39,563,666	40,592,640	39,624,410	39,049,910
Balance of on/off-balance sheet assets after adjustment	624,365,354	609,094,715	578,299,950	591,270,708
Leverage ratio (%)	6.34	6.66	6.85	6.60

Note: Indicators related to leverage ratio as at the end of the Reporting Period, the end of the third quarter of 2019, the end of the half of 2019 and the end of the first quarter of 2019 are calculated based on the requirements of the Administrative Measures for Leverage Ratio Management of Commercial Banks (Amended) (Former CBRC Order [2015] No. 1) coming into effect on 1 April 2015 which are consistent with the data reported to the regulatory authorities. For details, please refer to the column headed "Financial Summary" under Investors Relation of the Bank's website.

6 BUSINESS OPERATION

6.1 Corporate Banking Business

6.1.1 Corporate Deposits

During the Reporting Period, the Bank effectively promoted the continuous transformation and upgrade of corporate business to ensure the rapid and stable growth of corporate deposits, which is stimulated by online and offline transaction banking business and investment banking business; continued to develop business marketing on institutional customers to constantly improve the comprehensive contribution of corporate customers; actively participated in provincial and municipal institutional customers' tender projects and successfully secured numerous key accounts and deposit projects, including Henan Provincial Financial Special Account Time Deposit, Henan Provincial Treasury Cash Management, Henan Provincial Agricultural Credit Guarantee, Zhengzhou Airport Public Resources Trading Center, and Zhengzhou Social Security Time Deposit; realized complete coverage on institutional customers' capital marketing and management. As at the end of the Reporting Period, the balance of the Bank's corporate deposit was RMB193,630 million, representing an increase of RMB9,216 million or 5% from the beginning of the year.

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6.1.2 Corporate loans

During the Reporting Period, the Bank continued to uphold its featured positioning in “trade finance” and focus on supporting the financing needs of private small and micro enterprises in Henan Province through internal policies. Meanwhile, with a focus on improving the approval mechanism and preventing risks, the Bank further strengthened the management of credit assets by improving the credit review and approval mechanism, strengthening the management of credit services for group customers, and preventing risks in key areas. The Bank continuously reduced exposure to industries with overcapacity, promoted industry transformation and upgrading, and pushed ahead the construction of a green credit system and the adjustment of credit structure. As at the end of the Reporting Period, the total corporate loans (including forfeiting and discounted bills) of the Bank amounted to RMB136,318 million, an increase of RMB20,664 million or 17.87% over the beginning of the year.

6.1.3 Corporate Customers

During the Reporting Period, the Bank strengthened customer management and improved the work efficiency of customer managers to promote the healthy development of its corporate business. The Bank established a sales management mechanism and a sales review mechanism to conduct fine management of its corporate business, and drove the average daily business volume of corporate business line to RMB43.2 billion; optimized the customer relationship management (CRM) system and realized online intelligent analysis of process management to improve dynamic customer management in an all-round way; created a map of customers to develop upstream and downstream customers, strengthened marketing and management, and acquired 1,200 new key customers in the upstream and downstream sectors; constantly optimized the distribution of service outlets in the province, enriched the services of the outlets, and improved the customer service of the outlets.

6.1.4 Institutional Business

During the Reporting Period, the Bank completed the reform of organizational structure of the corporate business line, reshaped the marketing system of institutional business, effectively steered and promoted the development of institutional business, and opened 562 new institutional accounts; stepped up the support for e-government products, and developed such hit products as “Non-tax Collection 2.0” (非税易2.0), “Tendering Connect” (招標通) and “Bank-Court Connect” (銀法通). E-government transaction volume amounted to RMB43.37 billion, an increase of RMB13.75 billion from the previous year.

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6.2 Retail Banking Business

6.2.1 Personal Deposits

Upholding its featured positioning in building a “boutique bank for residents”, the Bank continuously developed personal deposit products to enrich product categories; developed key customer groups, drove the growth of basic deposits, and optimized the structure of savings deposits; strengthened cross-selling of products, actively developed collection and payment agency services, and expanded the customer base; leveraged the Bank’s products such as financial IC card, city card and union membership card to improve customer experience, consolidate the personal customer base, and increase customer stickiness. As at the end of the Reporting Period, the balance of the Bank’s personal deposits amounted to RMB95,587 million, an increase of RMB15,871 million or 19.91% from the end of the previous year.

6.2.2 Personal Loans

During the Reporting Period, the Bank sped up the innovation of personal products and services and vigorously developed such personal services as Housing E-finance (房e融), Housing Mortgage and Preferential Loan (優先貸). We held an exchange meeting for Housing E-finance to strengthen the management of partners, and connected with Zhengzhou Real Estate Registration Center to enable online mortgaging and issuance of electronic certificate of real estate registration for Housing E-finance business, greatly improving the handling efficiency; specified the criteria of approval and checklist for Preferential Loan, conducted funnel analysis on Online Preferential Loan, and improved product design based on the analysis results; and released product manuals for commercial vehicles and private vehicles to standardize operation procedures. As at the end of the Reporting Period, the balance of the Bank’s personal loans amounted to RMB59,594 million, an increase of RMB15,675 million or 35.69% from the end of the previous year.

6.2.3 Bank Cards

Based on Shangding Card (商鼎卡) as the basic debit card, the Bank constantly enriches debit card types and improves their functions. During the Reporting Period, the Bank issued a series of special cards including Henan Union Membership Card (General Union of Xuchang), Shangding Eye Protection Card (商鼎護眼卡), Puyang Longdu Card (濮陽龍都卡), Shangding Yongjun Exclusive Card (商鼎擁軍專屬卡) and Shangding Baby Growth Plan Card (商鼎寶貝兒成長計劃卡), with a steady growth in new card issuances. As of the end of the Reporting Period, the Bank had issued a total of 6,070.4 thousand debit cards, an increase of 758.6 thousand compared with the end of the previous year.

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The Bank's credit cards provide high-quality financial services and convenient user experience based on the real needs of customers. During the Reporting Period, the Bank issued two co-branded credit cards, namely the Shangding Rui Card (商鼎瑞卡) and Gongyi Youth Home Card (鞏義青年之家卡). As of the end of the Reporting Period, the Bank had issued a total of 69,927 Shangding Rui Cards and Gongyi Youth Home Cards, with the total number of Shangding credit cards issued reaching 426,603, representing an aggregate transaction amount of RMB53.7 billion. During the Reporting Period, the Bank's credit card spending amounted to RMB21.3 billion, realizing a profit or loss of RMB164 million (cumulative profit or loss: RMB377 million).

6.3 Treasury Business

6.3.1 Money Market Transactions

During the Reporting Period, the Bank strengthened its pre-judgment on the money market, summed up the law of money price fluctuations, and scientifically set the maturity structure of liabilities on the basis of ensuring safe and sound liquidity to control financing costs and increase efficiency; expanded counterparties in multiple dimensions from the perspective of supply and demand of funds, analyzed the different needs and preferences of customer groups, and further increased the autonomy of liability business. As at the end of the Reporting Period, the total balance of the Bank's deposits with banks and other financial institutions and financial assets held under resale agreements was RMB7,714 million, accounting for 1.55% of the Bank's total assets; and the total balance of deposits from banks and other financial institutions and financial assets sold under repurchase agreements was RMB49,405 million, accounting for 10.72% of the Bank's total liabilities.

6.3.2 Investment in Securities and Other Financial Assets

During the Reporting Period, the Bank paid close attention to the changes in the international dynamics, the domestic and international economic environment and the capital market, strengthened the study and trend analysis on the changes in the bond market, capital market, regulatory policies and macroeconomic environment, timely adjusted the direction of capital investment and business development strategies, seized appropriate opportunities to carry out investment business, and improved the interest margin of capital investment as much as possible while controlling risks. Meanwhile, the Bank constantly diversified and made timely adjustments to the ways of absorbing deposits to increase the capital available for investment, and enriched the varieties of investments and strengthened the research on innovative business to improve the efficiency of capital utilization. As at the end of the Reporting Period, the Bank's total investment in bonds, investment products under trust schemes, investment products managed by securities companies and other securities financial assets amounted to RMB244,787 million, representing a year-on-year increase of 3.65%. Among them, the total investment in bonds was RMB77,053 million, a year-on-year increase of 0.33%; and the total investment in investment products under trust schemes and investment products managed by securities companies was RMB140,456 million, a year-on-year increase of 4.28%

CHAPTER III MANAGEMENT DISCUSSION AND ANALYSIS

6.3.3 Investment Banking Business

During the Reporting Period, the Bank's lead underwriting business for debt financing instruments (DFIs) of non-financial institutions grew rapidly. The Bank worked with a number of large enterprises in Henan Province to issue such instruments in a total offering size of RMB9.5 billion, ranking 11th among city commercial banks nationwide in the debt underwriting volume ranking issued by National Association of Financial Market Institutional Investors (NAFMII). The Bank made a breakthrough in its lead underwriting business for DFIs of enterprises in Henan Province as it acted as the lead underwriter for the issuance of DFIs of Henan Toll for Debt Repayment Expressway Management Co., Ltd. (河南省收費還貸高速公路管理有限公司) and Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) with a total offering size of RMB3.7 billion. In addition, the Bank independently developed and issued the first PPN-linked credit risk mitigation warrant (CRMW) in Henan Province, and proactively explored asset-backed notes, venture capital instruments, etc.

6.3.4 Wealth Management Business

During the Reporting Period, in accordance with regulatory requirements, the Bank continued to scale down interbank and principal-guaranteed wealth management products and develop personal non-principal-guaranteed wealth management business, thus enhancing the liquidity management for wealth management business. As at the end of the Reporting Period, the balance of the Bank's interbank wealth management products was RMB4.93 billion, down 64.58% from the end of the previous year; the balance of principal-guaranteed wealth management products was RMB4,600 million, down 49.57% from the end of the previous year; and the balance of personal non-principal-guaranteed wealth management products was RMB37,467 million, up 67.02% from the beginning of the year. In strict accordance with the new regulations on asset management and wealth management, the Bank worked to shift to net-worth wealth management business by stepping up the efforts in developing net-worth wealth management products, especially those for high-net-worth individuals and exclusive private banking products. With product design and marketing plans tailored for customers with different risk appetite and term requirements, the Bank's net-worth wealth management products became much better received by the market, attracting new customers while transferring existing customers to new products. As at the end of the Reporting Period, the balance of the Bank's net-worth wealth management products amounted to RMB20,634 million. During the Reporting Period, the Bank issued a total of 409 wealth management products, raising RMB103,380 million in total. As at the end of the Reporting Period, the balance of the Bank's wealth management products was RMB46,997 million, up 3.30% from the end of the previous year.

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6.4 Featured Business

6.4.1 Commerce and Logistics Finance

During the Reporting Period, the Bank promoted the construction and launch of the Internet-based “Five-Clouds” platforms in an all-round way. In doing so, the Bank leveraged advanced Fintech to build a “three-in-one” financial ecosystem integrating the flows of capital, information and goods based on the transaction information of key enterprises and their upstream & downstream players and counterparties. The “Five-Clouds” system, consisting of Cloud Trading, Cloud Financing, Cloud Logistics, Cloud Business and Cloud Service, provides one-stop financial services integrating payment, settlement and financing to cater to the core needs of key enterprises in industrial chains and their upstream and downstream players with rich solutions, efficient response mechanisms and professional service capabilities.

Cloud Trading

The online platform of “Cloud Trading” uses advanced Fintech and agile and iterative development methods to meet the transaction settlement and financial management needs of customers of different sizes and industries with diversified services. It offers a series of products such as corporate online banking, cash management, bank-enterprise direct link, and cross-bank financial management cloud platform, and customizes financial solutions for customers to serve as their financial steward. As of the end of the Reporting Period, our cash management platform had provided financial management solutions for 2,058 large and medium-sized enterprises and public institutions; our bank-enterprise direct link had connected with more than 80 large and medium-sized group customers; a total of 3,229 corporate settlement cards had been issued; and we had provided cash management services for more than 50 institutional customers, including public resources trading centers, courts, provident fund centers, land and resources trading platforms, etc.

Cloud Financing

The “Cloud Financing” platform is an online supply chain finance ecosystem that serves large key enterprises and tech firms through a variety of service models. Based on the 1+N business model of cooperation with key enterprises, the platform extends the credit of key enterprises along industrial chains, whereby upstream and downstream players have access to unguaranteed and unsecured financing based on the credit of key enterprises. This move, which is in line with the state’s strategic initiative for supporting the development of small and medium-sized enterprises, is a practice of inclusive finance and helps reach the goals of “two increases and two controls”. As of the end of the Reporting Period, the Cloud Financing platform had helped 206 small and medium-sized enterprises raise a total of RMB10,024 million.

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Cloud Logistics

The “Cloud Logistics” platform is committed to building a logistics finance ecosystem that provides financial management, payment & settlement, financing and other value-added services for consigners, logistics companies and consignees. It also explores financial innovations in the logistics industry and customizes financial products for the logistics industry and its upstream and downstream sectors. During the Reporting Period, the logistics mobile banking system developed by the Bank passed the review of the National Copyright Administration and received the national software copyright. As of the end of the Reporting Period, 20 logistics companies and 2,030 consignors and consignees had joined the Cloud Logistics platform; 252 thousand payments had been made in a total amount of RMB347 million under the cloud logistics D+0 payment agency service; an aggregate of 1.45 million entrusted logistics transactions had been completed, with a total transaction amount of RMB2.25 billion.

Cloud Business

Underpinned by advanced Fintech, the “Cloud Business” platform provides financing, asset trading, asset management and related information consulting services based on transaction information of all links in the supply chain. The platform relies on the Commerce and Logistics Bank Alliance, leverages technology to rebuild business models and mainly serves members of the Commerce and Logistics Bank Alliance including key enterprises, suppliers, banks, non-bank financial institutions and quasi-financial institutions in the principles of “mutual consultation, joint construction, sharing and win-win”. During the Reporting Period, the Cloud Business platform launched the Credit To Note function, which was the first of its kind in China. As at the end of the Reporting Period, there were 315 registered members of the Cloud Business platform, including 24 key enterprises; an aggregate of RMB1,633 million Ding E Credit notes had been issued based on key enterprises, helping nearly 145 upstream small and medium-sized enterprises in the industrial chains of the key enterprises raise a total of RMB2,009 million (including Credit To Note).

Cloud Service

The “Cloud Service” platform uses the WeChat Official Account of “Zhengzhou Bank Trade Finance” (鄭州銀行商貿金融), which has three modules—micro account, micro finance and micro information, to push industry insight reports and forward-looking industry analysis to corporate customers, and to provide corporate value-added services such as online booking for account opening, transaction notification and bank-enterprise reconciliation.

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6.4.2 Financial Services for Small and Micro Enterprises

During the Reporting Period, the Bank upheld its featured positioning in “small and micro finance” and its mission to serve small and micro enterprises by constantly improving the quality and efficiency of financial services for small and micro enterprises to promote the development of inclusive financial services. Firstly, we allocated dedicated resources and set up a dedicated team. A dedicated team was established for small and micro finance and dedicated credit resources are allocated to ensure the issue of small and micro credit loans. Secondly, we set up small and micro finance bodies to extend the service. We set up a dedicated organizational framework for small and micro finance, including a small enterprise finance division at the head office and dedicated bodies at branches and sub-branches, to provide one-stop small and micro finance services, realizing intensive operation, specialized division of labor, assembly line processing and full-process risk management. Thirdly, we continuously launched innovative products. We launched such products as Micro Second Loan (微秒貸), E Tax Financing (E稅融), Online Preferential Loan (線上優先貸) and Zhengzhou Tech Loan (鄭科貸) and designed Medical Loan (醫貸寶) to further enrich product categories and expand the coverage of industries. As at the end of the Reporting Period, the balance of the Bank’s outstanding loans to small and micro enterprises each with a credit facility of not more than RMB10 million (inclusive) amounted to RMB28,087 million, an increase of 23.07% from the beginning of the year, 0.43 percentage point higher than the growth rate of all loans of the Bank. The number of small and micro enterprises receiving loans stood at 65,260, an increase of 8,819 from the beginning of the year. As such, the regulatory goals of “two increases and two controls” were achieved.

6.5 Distribution Channels

6.5.1 Physical outlets

As at the end of the Reporting Period, the Bank established its head office in Zhengzhou, Henan, 13 branches in Nanyang, Xinxiang, Luoyang, Anyang, Xuchang, Shangqiu, Luohe, Xinyang, Puyang, Pingdingshan, Zhumadian, Kaifeng and Zhoukou of Henan Province, 157 sub-branches and one special entity. Meanwhile, the Bank optimized the layout of its self-service equipment outlets, combined the networks of 158 internal and 93 external self-service equipment outlets, forming proper area coverage and providing convenient 24-hour services.

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6.5.2 Electronic banking

Self-service banking

Adhering to the customer-oriented approach, the Bank continued to develop self-service equipment with new functions, actively promoted the transformation of self-service equipment, focused on developing multifunctional non-cash self-service equipment, and witnessed the continuous growth of smart counter business. As at the end of the Reporting Period, the Bank had a total of 1,350 self-service facilities, including 258 automated cash withdrawal machines, 364 automated teller machines, 332 smart counters, 262 online banking terminals, 133 easy payment terminals, and 1 “QuikTrans” teller. During the Reporting Period, the total number of cash deposit and withdrawal transactions through self-service equipment was 7,278.5 thousand, representing a year-on-year decrease of 11.50%, while the amount was RMB14,573 million, representing a year-on-year decrease of 24.80%.

Online banking

The Bank's online banking provides customers with high-quality online services with more convenient experiences, more stable systems, more flexible security certifications, and more product features through three major service sections including financial products, wealth management products, and life service products. During the Reporting Period, the Bank had 462 thousand new online banking users, a year-on-year increase of 35.9%, and 3,859.1 thousand transactions contributing to transaction amount of RMB67,573 million. As at the end of the Reporting Period, the accumulative number of personal online banking customers was 1,461.3 thousand (excluding closed accounts). As at the end of the Reporting Period, the Bank had 34,621 contracted corporate online banking customers, representing a year-on-year increase of 21.48%; the number of transactions was 2,420 thousand while the transaction amount was RMB965.8 billion, representing a year-on-year increase of 24.74% and 47.11%, respectively.

Mobile banking

The Bank's mobile banking adheres to the positioning of a “boutique bank for residents”, providing services such as transfers and remittances, investment and wealth management, funds, insurance, personal loans, comprehensive inquiries, credit cards, utility payments, and hospital appointments. During the Reporting Period, the Bank had 477.7 thousand new mobile bank customers contributing to 7,187.4 thousand transactions and transaction amount of RMB91,844 million. As at the end of the Reporting Period, the Bank's accumulative number of mobile banking accounts was 1,693 thousand (excluding closed accounts), with accumulative 18,408.7 thousand transactions amounting to transaction amount of RMB250,006 million.

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Online payment

The Bank's online payment business covers the mainstream payment methods such as Alipay, Tenpay, Baifubao, JD.com online and Yifubao, providing diversified payment channels for bank cards and enhancing customers' payment experience. During the Reporting Period, the Bank had 736.9 thousand new online payment customers, representing a year-on-year increase of 11.65%, while the number and amount of transactions amounted to 83,687.5 thousand and RMB28,445 million, respectively, representing a year-on-year increases of 70.19% and 45.3%. As at the end of the Reporting Period, the Bank's accumulative number of online banking accounts was 6,066.6 thousand, with 166,561,200 accumulative transactions amounting to transaction amount of RMB62,388 million.

Telephone banking

We offer uninterrupted 24-hour telephone banking service to customers through the nationwide customer service hotline 95097, including business consultation, transaction inquiry, loss reporting, bill payment, loan business consultation, investment and wealth management services, PIN services, credit card services, outbound calls and customer care. The customer service centre continued to enhance user experience and actively expanded the scope of service based on customer needs. During the Reporting Period, our telephone banking service department handled a total of 3,821.0 thousand cases.

Online customer service

The Bank's online customer service connects with the Bank's official website, online banking, mobile banking, and WeChat public account channels to answer business inquiries online, accept customer complaints, and integrate feature functions such as intelligent knowledge bases, 7*24 self-service responses, and multi-channel marketing, providing customers with intelligent online services. During the Reporting Period, the Bank's manual customer service handled a total of 15.8 thousand cases and its self-service response handled a total of 234.5 thousand cases.

WeChat banking

The Bank's WeChat banking provides extensive online functions, including free account activity alerts, credit card inquiry and online application, online application for personal loans and product inquiry, branch inquiry and reservation, and form pre-filling service, and releases information on our new services, new functions and promotion activities weekly to reveal its business update. As at the end of the Reporting Period, we had 1,195 thousand WeChat bank-binding customers.

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Ding Rong Yi

The Bank's internet financial service platform "Ding Rong Yi (鼎融易)", based on the "Internet plus" strategy, focuses on key scenarios including commerce and logistics, micro, small and medium-sized enterprises, and resident financial services. Providing online account opening application, online wealth management, payment and recipient, convenient payment, online loan disbursement, e-commerce service, order matching, online transactions, logistics and distribution, warehousing management and other diversified service features, Ding Rong Yi is a comprehensive Internet financial service platform covering financial, daily life and social networking services. During the Reporting Period, Ding Rong Yi had 1,645.2 thousand accumulative transactions amounting to RMB26,861 million; electronic account loans of RMB1,127 million were issued; intermediary business revenue (after tax) was RMB6,558.7 thousand and accumulative revenue for customers was approximately RMB80 million. As at the end of the Reporting Period, Ding Rong Yi's account number was 683.3 thousand.

7 RISK MANAGEMENT

During the Reporting Period, the Bank proceeded with risk management steadily in line with economic changes and regulatory requirements, placing a focus on the strategy of high-quality development. The Bank always upholds the "prudent, rational and sound" risk management philosophy by establishing a sound compliance and risk management culture, consolidating the foundation for risk management, improving the overall risk management regime, continuously providing and optimizing a diverse range of risk management and control tools, and continuously enhancing risk management capabilities to assure that the Bank conducts its business operations in an ongoing and stable manner. In its business operations, the Bank is mainly exposed to the risks and has the control initiatives as follows.

7.1 Credit Risk

Credit risk refers to the risk of loss caused by the failure by a debtor or counterparty to perform its contractual obligations or responsibilities. The Bank's credit risk exposure mainly comes from loan portfolios, investment portfolios, guarantees and other types of on- and off-balance sheet credit risk. We have built a credit risk management framework covering all credit business processes, and developed policies and procedures to identify, assess, measure, monitor, mitigate and control credit risks. For credit risk management, we mainly adopt the following measures:

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Firstly, we formulated a credit policy and strengthened our policy-led approach. We formulated credit investment strategies aimed at supporting more key industries backed by national industrial policies, and stringently controlling the key industries regulated by national industrial policies. Secondly, we set clear policy orientation and required stringent access to credit facilities. Based on different industries and scales of customers, we set different financial standards and conducted preliminary screening of customers during the credit application process to guide access to credit facilities. Thirdly, we stepped up limit management and stringent control over concentration risks. In line with national regulatory policies and our asset status, business development strategy, risk preference, asset allocation, credit risk concentration and other management requirements, we set quota indicators in different dimensions such as regions, industries and products to prevent excessive crediting. Fourthly, we refined group customer management and strengthened centralized crediting. We revised the Measures Governing Group Customer Credit Management to further specify various details such as classification of group customers and methods of crediting; to comprehensively identify the operational risks and related party transactions of group customers; to identify related party relationships based on various information such as information on corporate equity connections, bona fide controllers, senior executives and place of registration; and to create a feature to control and block group customers in the centralized crediting system.

As at the end of the Reporting Period, the Bank's single customer loan concentration was 4.11%, which met the 10% cap requirement as stipulated by the CBIRC; single group customer credit concentration was 7.01%, which met the 15% cap requirement stipulated by the CBIRC; the balance of loans to the top ten customers was RMB12,456 million, and the loan concentration of the top ten customers was 26.94%; the outstanding balance of credit facilities to a single related party customer was RMB1,280 million, with a credit concentration of 2.77%; and the credit concentration of all related parties was 10.76%, which met the 50% cap requirement as stipulated by the CBIRC.

7.2 Market Risk

Market risk refers to the risk of on- or off-balance-sheet loss arising from adverse changes in market prices. The market risks exposed to the Bank are mainly interest rate risk and exchange rate risk. The Bank's market risk management objective is to ensure that potential market losses are controlled at an acceptable level based on risk tolerance while striving to obtain maximum risk-adjusted returns. The Bank's market risk management covers the whole process of identifying, measuring and monitoring market risks. For market risk management, we mainly adopt the following measures:

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Firstly, we continued to proceed with the development of rules and regulations. We formulated or revised various market risk management rules such as the Measures Governing Trading Books and Bank Account Books, the Measures Governing Market Risk Reports and the Measures Governing the Risks Associated with the Bond Business. Secondly, we established a market risk monitoring regime. We initially established a market risk monitoring regime covering various elements such as monitored targets, monitoring scope and monitoring indicators, and carried out risk monitoring and reporting based on different monitoring frequencies to get informed of the commencement of financial market operations in a timely manner. Thirdly, we stepped up market risk limit management. We devised the Market Risk Limit Management Plan for 2019, monitored and analyzed the implementation of limits on a regular basis and incorporated limit analysis and calculations into market risk reports. Fourthly, we straightened out the in-house rating mechanism for credit bonds. We straightened out the in-house rating management mechanism and process for credit bonds, and defined the concept and method of credit bond investment management as a way of preparing for optimizing the in-house rating management mechanism for credit bonds. Fifthly, we proceeded with the development of market risk management system. We devised the Plan Governing the Establishment of a Financial Business Risk Management System to strengthen the process management of personnel and schedule, completed the specification sheet on business requirements for the first phase of the establishment of the system, and carried out the work in each stage in an orderly manner.

7.3 Operational Risk

Operational risk refers to the risk of loss caused by imperfect or problematic internal procedures, personnel or information technology systems, or external events, mainly including internal and external frauds, workplace safety failures, business interruptions, damage of tangible assets and information technology system failures. The Bank's operational risk management objective is to effectively manage operational risks by establishing a sound operational risk management framework so as to keep the losses of operational risk to a minimum. For operational risk management, we mainly adopt the following measures:

Firstly, we assessed the risks of the system process. We identified major operational risk events, categories of risk event, risk factors, control measures, etc. in each business operation process, and evaluated the inherent risk exposure, residual risk exposure and control effectiveness of operational risk events. Secondly, we carried out diverse, scientific prevention and control measures. We expanded the scope of picking up documents for the authorization-related business with the use of intensive and systematic means; straightened out the risk characteristics of fraud cases with the use of the big data system; defined the criteria for access to the risk list; optimized the review process for risk events; and enhanced the capability to investigate into related party relationships so as to effectively prevent pre-business risks. Thirdly, we stepped up the accountability for the risk business. Together with the commencement of due diligence on non-performing assets, we analyzed the problems in due diligence evaluation, designed a systematic management requirement plan, held the personnel in charge of risk operations accountable, and stepped up deterrence warning. Fourthly, we enhanced the risk management and control capabilities. We organized training in internal control compliance and selected employees to attend risk training so as to effectively boost the enhancement of the Bank's risk management capabilities.

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7.4 Liquidity Risk

Liquidity risk refers to the risk of failure to obtain sufficient funds in time or failure to obtain sufficient funds at a reasonable cost to pay off debts falling due, to fulfill other payment obligations and to meet other capital requirements for normal business operations. The objective of the Bank's liquidity risk management is to ensure that sufficient funds are available at all times to satisfy repayment obligations and working capital requirements. The Bank watches changes in liquidity closely, monitors the surplus and deficiency of funds on a real-time basis, sets the term structure in a rational manner, gradually optimizes the allocation of assets and liabilities, achieves a balance in the asset-liability structure and steps up liquidity risk monitoring to assure liquidity is safe and under control. For liquidity management, we mainly adopt the following measures:

Firstly, we stepped up liquidity management during daytime and improved the management system of positions. We monitored changes in market liquidity; arranged the financing term structure in a scientific manner; reduced fluctuations in short-term cash flow; improved the management system of liquidity risks; optimized the forecasting, rough calculation, analysis and assessment functions of fund positions; and enhanced risk measurement, monitoring and control capabilities. Secondly, we optimized the allocation of assets and liabilities, and strengthened liquidity risk monitoring. We devised plans for total assets and liabilities and term structure in a reasonable manner, raised the proportion of core liabilities, expanded quality liquid asset reserves, increased the allocation of assets with higher liquidity, monitored the implementation of liquidity risk preference and promptly proposed suggestions for optimizing risk indicators that exceeded limits. Thirdly, we conducted stress tests and emergency liquidity drills. We evaluated the current situations of the Bank's cash flow gap, risk mitigation capabilities of quality liquid assets and shortest lifetime under different stress scenarios; analyzed the liquidity risks that might arise from the asset-liability term structure; and conducted the Group's liquidity emergency drills so as to enhance emergency response, command coordination and emergency handling capabilities. Fourthly, we evaluated the current situation of liquidity risk management and formulated an optimization plan. Starting from the asset-liability term structure, liquidity management rules, liquidity risk limit management and measurement, etc., we evaluated the current situation of our liquidity management, formulated an optimization plan and improved liquidity risk management mechanisms.

As at the end of the Reporting Period, the Bank's liquidity ratio was 56.44%, which met the requirement of not less than 25% as stipulated by the CBIRC; its liquidity coverage rate was 300.37%, which met the requirement of not less than 100% as stipulated by the CBIRC; the net stable funding ratio was 109.79%, which met the requirement of not less than 100% as stipulated by the CBIRC. Overall, the Bank's key liquidity indicators met the regulatory requirements and its overall liquidity risk was under control.

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7.5 Information Technology Risk

Information technology risk refers to the operational, legal, reputational and other risks caused by natural factors, human factors, technical loopholes and management flaws in the course of applying information technology. The objective of the Bank's information technology risk management is to identify, assess, monitor and control information technology risks by establishing an effective mechanism to assure the Bank operates business in a safe, continuous and stable environment. For information technology risk management, we mainly adopt the following measures:

Firstly, we developed rules and regulations for information technology risks. We revised the Bank's Management Measures Governing Information Technology Risks, Implementing Rules Governing Information Technology Risk Management as well as other relevant rules and regulations. Based on the information technology risk assessment and the information technology risk status of the industry, we straightened out the risk points of information technology governance and technology risk management, and created an information technology risk matrix. Secondly, we monitored information technology risks. We examined and approved monitoring indicators for key information technology risk points in eight areas covering the implementation of information technology projects, application of information technology and management of outsourced service providers, etc. We compiled the Information Technology Risk Monitoring Report on a quarterly basis. Thirdly, we assessed information technology risks. We conducted risk assessments for the application of information technology and management of major projects. Outsourcing risk assessments covered the implementation of information technology outsourcing strategies, security of outsourced information, concentration of organizations, service continuity and service quality under regulatory requirements. Fourthly, we carried out business continuity management. We revised the Bank's Overall Pre-arranged Plan for Emergency Response and Disaster Recovery, and compiled the Business Continuity Drill Plan for 2019, which covered various scenarios such as information technology projects, major business interruptions, outsourced service interruptions, customer information leak and public services.

7.6 Reputational Risk

Reputational risk refers to the risk of negative reporting and comments about the Bank due to its operations, management and other activities or external events. The objective of the Bank's reputational risk management is to identify, monitor, control and eliminate reputational risk by establishing a positive, reasonable and effective mechanism for reputational risk management in order to build and maintain a good corporate image and boost its sustainable development. For reputational risk management, we mainly adopt the following measures:

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Firstly, we strengthened the rules and mechanisms for reputational risk management. We devised the Bank's Reputation Risk Emergency Plan, specified responsibilities, established a regular communication mechanism, published relevant requirements and completed stage assessment. Secondly, we organized training and education programmes for public opinion. We undertook the training classes on publicity and public opinion of China Banking Association in 2019, and compiled and published the "Express News" to raise awareness about the prevention and control of reputational risks. Thirdly, we continuously stepped up the monitoring of public opinions. We established a rapid communication mechanism for daily information to identify public opinions, report information to superiors and deal with the matters immediately. We established an account book on public opinions to follow up the progress of public opinions and the results of handling such opinions.

7.7 Anti-Money Laundering Management

In strict compliance with the Anti-Money Laundering Law of the PRC and other applicable laws and regulations promulgated by the PBoC and with adherence to the "risk-based" anti-money laundering method, we established a sound anti-money laundering organizational structure, improved the internal control and operating procedures for anti-money laundering, optimized the business system for anti-money laundering, continued to carry out publicity and training programmes, and effectively fulfilled various anti-money laundering obligations. In carrying out anti-money laundering, we mainly adopt the following measures:

Firstly, we established a sound governance structure for money laundering risks. We governed the responsibilities of the Board, the Board of Supervisors, senior management members, the anti-money laundering leading group and the member departments of the group, thus having established a well-defined and efficient anti-money laundering operation mechanism. Secondly, we stepped up the build-up of the internal control system for anti-money laundering. We improved the internal control management system for anti-money laundering by having formulated 10 sets of special rules and regulations for anti-money laundering, covering various aspects of anti-money laundering. Thirdly, we enhanced the functions of the anti-money laundering monitoring and reporting system. We strengthened risk monitoring and early warning activities; continuously enhanced anti-money laundering and anti-terrorist financing capabilities; and revamped the data analysis, reporting and related supporting module functions of the anti-money laundering monitoring and reporting system to assure anti-money laundering data were reported in a stable manner. We also collaborated with qualified third-party companies to collect more blacklist data on money laundering and terrorist financing, and improved the blacklist screening mechanism. Fourthly, we stepped up anti-money laundering publicity. We continued with both thematic publicity and daily publicity means by carrying out diversified publicity campaigns by means of anti-money laundering information desks, publicity display boards, distribution of promotional materials, official websites and official WeChat, electronic anti-fake publicity stations, LED screens and other publicity channels to get anti-money laundering and anti-terrorism knowledge popular among people so as to raise public awareness about and enthusiasm for participation in anti-money laundering activities. Fifthly, we raised employees' awareness about anti-money laundering. Based on the principle of "different targets, methods, levels and contents", we enhanced employees' overall awareness, knowledge and skills in respect of anti-money laundering through centralized training programmes and training programmes in the form of meetings.

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8 RECEIVING RESEARCH DELEGATIONS, COMMUNICATION AND INTERVIEW ACTIVITIES

During the Reporting Period, the Bank did not receive any research delegations, and had no communication and interview activities.

9 SOCIAL RESPONSIBILITY

9.1 Fulfilment of Social Responsibility

The Bank upholds the social responsibility philosophy of “serving local small and medium-sized enterprises, focusing on people’s livelihood and developing high-end business”, earnestly fulfills its social responsibility, and endeavors to meet the expectations of stakeholders and create a green, harmonious and warm internal and external environment. During the Reporting Period, the Bank vigorously promoted the construction of a commerce and logistics bank, optimized the “Five-Clouds” platform for online commerce and logistics banking, optimized the operating procedures and pricing model of credit business, lowered the cost of loans to small and micro enterprises, and improved the financing efficiency of private enterprises, in an effort to serve the financial needs of customers based on local economic development; strengthened investor relations management to better serve shareholders, held an online results presentation for 2018, completed the profit distribution for ordinary shares and preference shares, formulated a plan to stabilize the Bank’s A-share price, and promptly handled the procedures for registration of shareholders and removal of restriction on sale of shares; hosted the 16th Zhengzhou Workers’ Skills Games, carried out reading competitions on a regular basis, standardized the operation of the Employee Relief Fund, held a spring hiking competition, and organized the training of employees’ clubs, with a view to caring for employees’ work and life and safeguarding their interests; built a green financial service system, phased out exposure to industries with overcapacity, and issued RMB2 billion green bonds to enrich the sources of funds for green projects, industrial development and ecological civilization construction; participated in social welfare activities and charitable donations, held the Li Shujian Charity Opera Concert, and sponsored the 2019 Zhengzhou International Marathon as the name sponsor, so as to support social welfare undertakings and practice the harmonious development concept of mutual benefit, win-win and coexistence.

The Bank will publish the 2019 Environmental, Social and Governance Report (Corporate Social Responsibility Report) separately in accordance with the relevant requirements of the Hong Kong Stock Exchange and the SZSE.

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9.2 Fulfilment of Social Responsibility in Calibrated Poverty Alleviation

9.2.1 Calibrated Poverty Alleviation Planning

Based on top-level design, the Bank focused on credit support and introduced a series of special financial credit products. All business lines and departments worked together to ensure the full implementation of poverty alleviation policies. We laid emphasis on credit-based poverty alleviation, innovated in service models, and started with product R&D to introduce tech loans, poverty alleviation loans and guaranteed insurance loans. Under the “3+1” (governments, banks, enterprises + poverty alleviation objects) poverty relief scheme for calibrated poverty alleviation, we worked with agricultural guarantee companies to establish a special poverty alleviation model targeting farmers in poverty-stricken villages and build a distinctive credit and guarantee system to alleviate the predicament of poor rural households which have little assets and collateral.

The Bank has set up the Leading Group of Zhengzhou Bank on Calibrated Poverty Alleviation to regularly hold work meetings on calibrated poverty alleviation and study and develop relevant policies and measures. We set up calibrated poverty alleviation bodies, and assigned the Kaifeng branch as the lead bank for relevant business in Lankao County and the Shangqiu branch as the lead bank for poverty alleviation microfinance. We formulated the 2018-2020 Work Plan for Financial Calibrated Poverty Alleviation, the 2019 Work Scheme for Financial Calibrated Poverty Alleviation, the Manual on Poverty Alleviation Loans for Credit Cooperatives, and the Management Measures for the Evaluation and Accountability of Small and Micro (Individual) Credit Operations to specify the guidelines, basic principles, work priorities and implementation measures of the Bank’s financial calibrated poverty alleviation efforts. We also developed and implemented the due diligence and accountability system to ensure that frontline employees dare and are willing and able to carry out calibrated poverty alleviation work.

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9.2.2 Overview of Calibrated Poverty Alleviation of the Year

During the Reporting Period, the Bank followed the guidance of socialism with Chinese characteristics in the new era and the spirit of the Nineteenth National Congress of the Communist Party of China and observed the requirements of provincial and municipal government for poverty alleviation to give full play to the role of finance in calibrated poverty alleviation with a focus on industrial poverty alleviation. Centering on the core task of “helping poor areas develop advantageous and characteristic industries, promoting the employment of poor households and increasing the income of poor households” and the objectives of “One Core” and “No Worry About Food and Clothing and Guarantee of Compulsory Education, Basic Healthcare and Housing Safety”, the Bank took a package of measures for calibrated poverty alleviation and firmly fought against poverty to support rural revitalization, help build characteristic villages and serve rural areas.

Industrial poverty alleviation: The Bank favored poverty-stricken areas in terms of projects, funds, and product design, carefully developed and designed agricultural loan products based on research, streamlined the loan approval process by cutting approval procedures, and established a “financial supermarket” to provide professional, characteristic, efficient and convenient financial services for agricultural and rural enterprises. Meanwhile, the Bank established service outlets in lower-tier cities and counties, continued to improve infrastructure construction in rural areas through green credit and other channels, popularized financial knowledge to farmers to increase their awareness of financial risk prevention, so as to support the construction and development of rural areas. As at the end of the Reporting Period, the Bank had issued RMB40,461 million of agriculture-related loans and RMB282.79 million of loans for calibrated industrial poverty alleviation, helping 10,095 registered poor people get out of poverty.

Social poverty alleviation: During the Reporting Period, the Bank donated RMB2 million to Zhengzhou Charity Federation, Xunxian Zhengyin County Bank donated RMB1 million to Hebi Charity General Foundation, and other poverty-alleviation expenses amounted to RMB46,000.

Educational poverty alleviation: During the Reporting Period, the Bank donated RMB1 million to the China Foundation for Development of Financial Education to promote the development of financial education.

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9.2.3 Results of Calibrated Poverty Alleviation

Indicator	Quantity/performance
I. Overview	
Including: 1. Funds	RMB286,836 thousand
2. Material support	–
3. Number of registered poor people lifted out of poverty	10,095
II. Items	–
1. Industrial poverty alleviation	RMB282.79 million of industrial precise poverty alleviation loans were issued to help 10,095 registered poor people get out of poverty
2. Poverty alleviation by transfer of employment	–
3. Poverty alleviation by relocation	–
4. Educational poverty alleviation	RMB1 million was donated to China Foundation for Development of Financial Education
5. Health poverty alleviation	–
6. Poverty alleviation by ecological protection	–
7. Basic living security	–
8. Social poverty alleviation	RMB2 million was donated to Zhengzhou Charity Federation, RMB1 million was donated to Hebi Charity General Foundation by Xunxian Zhengyin County Bank, and other poverty-alleviation expenses amounted to RMB46,000
9. Other items	–
III. Awards (content, class)	–

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9.2.4 Subsequent Plan for Calibrated Poverty Alleviation

The Bank will continuously enhance its product innovation capabilities, and step up efforts to support more registered poor farmers, poor agricultural enterprises and farmers' cooperatives; explore the gradual inclusion of the right to operate contracted land in rural areas, rural housing, forest property rights, the right to use water areas and tidal flats, and large agricultural machinery and tools in the scope of loan collateral to revitalize rural resources, assets and elements, in order to solve the problems of poor households' lack of loan guarantees and shortage in medium and long-term credit funds for agricultural production and operation; open up a green approval channel for loan projects amounting to financial calibrated poverty alleviation, offer sufficient funds with preferential interest rates, ensure the timely and effective release of poverty alleviation loans, with a view to benefiting more poor people; make good use of Fintech and apply big data, artificial intelligence, Internet of Things and other technologies to financial poverty alleviation to improve the efficiency of poverty alleviation loan approval and reduce service costs; connect with local social security, pension, new rural cooperative medical insurance, industry & commerce, and taxation systems through local governments to efficiently obtain relevant information on poverty alleviation loan borrowers as the basis for pre-loan investigation and the review and approval process; increase performance incentives for poverty alleviation loans and reasonably determine the tolerance of non-performing loans and due diligence & accountability rules for poverty alleviation loans and farmer loans to ensure the healthy development of the Bank's financial poverty alleviation work.

9.3 Fulfillment of Other Social Responsibilities

Since the outbreak of the novel coronavirus epidemic at the beginning of 2020, Zhengzhou Bank has proactively fulfilled its social responsibility to fully support the prevention and control of the epidemic and the resumption of work and production.

The Bank carried out charitable donations and volunteer services. The Group made two donations totaling RMB5.5 million through Zhengzhou Charity Federation. Many branches voluntarily organized employees to donate cash and epidemic prevention supplies amounting to RMB2.10 million to charity organizations and important quarantine authorities. A great number of branches established volunteer service teams successively to station in communities to carry out epidemic detection and search and promote virus containment measures. Longhai Branch established the financial service team of Zhengzhou Qiboshan Hospital, comprehensively guaranteeing the capital needs and living and medical supplies of China Construction Seventh Engineering Division, the construction party.

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The Bank put more capital resources to facilitate epidemic prevention and control as well as the resumption of work and production. The Bank established a professional service team for epidemic prevention and control, allocated special credit lines, and increased capital support for medical institutions and some emergency construction projects in Henan Province. During the epidemic period, the Bank granted a total of RMB700 million of epidemic control and prevention loans to 150 entities and a total of RMB4.8 billion of work and production resumption loans to 931 entities. The Bank promoted the implementation of the special re-loan of the PBoC, ascertained the companies on the list one by one and found out their capital needs, established green passage to accelerate the progress of loan application. As at the Latest Practicable Date, RMB615 million of special re-loan with 3.05% of interest rate was issued, and RMB620 million was approved and to be issued. In response to the emergent need for counter services, the Bank prioritised handling the business requests related to epidemic prevention and control and on an overtime or door-to-door basis when necessary.

The Bank introduced numerous measures to benefit enterprises and the public. In terms of supporting enterprises, the Bank formulated support plans, guaranteed financial rights and interests, implemented fees deduction and incentive offer, strengthened the effort to support the epidemic-stricken areas, and alleviated the cash flow pressure of stressed enterprises; in terms of urban and rural residents services, the Bank increased the transfer limit for online channels, issued time deposit maturity extension policies, cooperated with “Ping An Good Doctor” to launch online volunteer medical consultation services through the Bank’s official WeChat account, and provided online donation channels through the mobile banking, online banking and “Ding Rong Yi” direct bank of the Bank.

9.4 Issues Related to Environmental Protection

The Bank and its subsidiaries do not belong to key waste charge units published by environmental protection authorities.

10 OUTLOOK

10.1 Industry Landscape and Trend

Presently, China’s economy is running smoothly and growing steadily, with the main economic and financial indicators moving within a reasonable range. In this context, China’s banking industry deepens the financial structural reform on the supply side to seek high-quality development while serving the real economy, timely adjusts business strategies based on the macro environment, drives business transformation and upgrade with fintech, and steps up the support for private small and micro enterprises. As a result, the industry sees improving business performance, increasing ability to serve the real economy and consistently sound asset quality, laying a solid foundation for deepening reform and transformation in the future.

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In such an operating environment, the Bank will continue to capture opportunities from macroeconomic development. Firstly, the Bank will seize economic and policy opportunities to focus on developing “three featured business lines”. The Bank will grasp major strategic opportunities arising from the central plain urban agglomeration, Zhengzhou being one of China’s national central cities, Zhengzhou Airport Zone, and core hub construction for the “Belt and Road Initiative”, to promote our featured positioning as “a commerce and logistics bank, an SME financing expert, and a boutique bank for residents”. Secondly, the Bank will focus on emerging industries with regional characteristics to develop high-quality assets. In view of regional industrial development trends, the Bank will focus on strategic emerging industries such as energy conservation and environmental protection, new generation of information technology, biotechnology, high-end equipment manufacturing, new energy, new materials, and new energy vehicles to develop innovative products, improve related services and achieve precise industry entry. Thirdly, the Bank will make better use of fintech to drive transformation and innovation around digitalization. Currently, the domestic environment is favorable for the development of fintech and the use of big data to create business value. The Bank will continue to deepen its cooperation with renowned domestic tech firms, enhance its ability to use big data, and improve its precision marketing and intelligent risk control capabilities, in a great effort to form a comprehensive, multi-domain and efficient development pattern with deep integration of finance and technology.

10.2 Corporate Development Strategy

Confronted with the new development situation, the Bank no longer emphasizes the growth speed and business scale, and instead will accelerate transformation in the course of business operations from 2020 onwards based on its high-quality development strategy of “123456”: “one focus” on high-quality sustainable development; “two continuance”, that is, the continuance of stable and healthy business operation and the continuance of transformation and enhancement; “three strategies” of improving risk control, business capability and differentiation with the support of talents, technology and systems, concentrating on product innovation, transformation toward light-capital model and digitalization, and further stabilizing profit growth, non-performing loan ratio and featured business; “four tactics” to fight against deposit loss, distressed asset, financial chaos and narrow-mindedness, while optimizing asset-liabilities structure by sticking to the “four dos and four don’ts” on liability and asset; “five relationships” between heavy and light capitals, between long and short term matching, between high and low liability costs, between high and low risk return, and between fast and slow profit growth, all of which requires careful handling; “six indicators”, namely increase rate of net profit, non-performing loan ratio, daily average balance of deposits, net interest margin, ratio of risk assets to total assets on balance sheet and net income from intermediary business, that need to pay close attention to and the performance shall be improved through efficient benchmark setting and effective performance appraisal.

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10.3 Operating Plan

2020 is the closing year of the Bank's 5-Year Development Strategic Plan for 2016-2020, and a crucial year to strengthen weak links and improve efficiency for high-quality development. The Bank will closely follow the spirit of the central, provincial and municipal economic work conferences and the national banking and insurance regulatory work conference and the work requirements of the CBIRC Henan Office for "building excellent city commercial banks" to unite all staff to take on challenges and unswervingly promote high-quality development.

Firstly, we will continue to seek development with a focus on "six major indicators". In 2020, the Bank's "six major indicators" are changed as follows: net profit growth, NPL ratio, daily average deposits, net interest margin, ratio of risk assets to on-balance-sheet assets, and net income from intermediary business. The Bank will set up a top-down coordinated appraisal mechanism to break down and assign these indicators to its executives and front, middle and back-office departments with strict performance appraisal, and tilt talents, expenses and technology resources towards the "six major indicators" to continually optimize asset-liability structure and improve operating performance.

Secondly, we will continue to deepen the development of the three featured business lines. In 2020, in terms of trade finance, with an emphasis on increasing business volume and building highlights, the Bank will focus on the development of Cloud Business, Cloud Logistics, and Cloud Financing, improve the services and communication mechanism for the Commerce and Logistics Bank Alliance, and drive the business volume of the Alliance with Cloud Business to expand the influence of the Alliance. In terms of finance for residents, the Bank will create star products based on customer needs, make good use of credit cards, channels, credit facilities to create an integrated financial service model, carry out differentiated marketing focusing on key customer groups, cities and counties, and endeavor to increase the contribution of inactive users and other long-tail customers. In terms of small and micro finance, the Bank will adhere to the "positioning in good customer base and focusing on good products", speed up product development and iteration, and ensure to achieve the goals of "two increases and two controls"; continue to intensify the application of big data, develop a closed-loop early warning system covering pre-loan, post-loan and collection procedures, and build a safety net against the credit risk of small and micro finance.

Thirdly, we will fight hard to prevent and control credit risk. The Bank will establish the mindset of "controlling risks is increasing income and collection is profit-making", and continue to give top priority to the management of risk assets for 2020. Specifically, the Bank will strengthen the implementation of risk limit and gradually reduce over-limit credit facilities; perform strict, unified credit management to curb "overconcentration of credit exposure"; optimize the operation mechanism of credit committees at all levels and build an expert approval team; strengthen the cultivation of independent approvers, risk managers, and collection staff, and establish a mechanism for job rotation of risk control personnel among the head office, branches and sub-branches; draw a map of the Bank's risk assets, formulate an annual plan for risk asset disposal, promote the construction of early warning system and internal appraisal system, expand the scope of application of big data for risk control, and organize all staff to reduce outstanding risk assets and control new ones.

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Fourthly, we will speed up the expansion of our basic customer base. For credit customers, the Bank will formulate and dynamically adjust its industry marketing policies and white list of high-quality customers, and develop different credit schemes on an industry-by-industry basis according to the economic development characteristics of various cities, with a view to increasing the proportion of customers from strategic emerging industries, high-end manufacturing and other advanced industries in the Bank. For non-credit customers, the Bank will optimize the list of industries of priority for marketing to corporate customers, improve the service schemes for corporate customers, and strengthen the coordination of corporate and personal banking to expand customer base through “1+N” scenario-based finance and big data-based risk control and marketing. Meanwhile, the Bank will focus on developing good products, good services and good experience, and carrying out marketing to key individual customers.

Fifthly, we will steadily push forward the capital-light transformation. The Bank will put into play the guiding role of performance appraisal, enhance all staff's awareness of capital conservation from the aspects of resource allocation and performance appraisal, and encourage the development of low-risk, low-capital business lines; scale up capital-light investment banking business such as M&A, matchmaking and underwriting of standard bonds; establish a long-term mechanism for the circulation of credit assets, revitalize existing assets, and gradually optimize the credit structure to improve the efficiency of serving the real economy.

10.4 Potential Risks

In 2020, as the international political and economic environment is constantly changing and new drivers of domestic economy are in the making, there is still room for domestic economic slowdown, and the banking industry is facing tremendous pressure on preventing risks and stabilizing growth. The Bank principally carries out its business in Henan Province and most of its customers and businesses are concentrated in Zhengzhou. In this context, economic changes in Henan Province and Zhengzhou may have a significant impact on the business growth, asset quality, operating results and financial position of the Bank. Guided by the strategy of high-quality development, the Bank will adhere to its positioning of “serving the local economy, small and micro enterprises, and urban and rural residents”, refocus on its original business, continuously improve institutional construction, personnel capabilities and system technology, expedite digital transformation and technology application, and enrich risk prevention & control tools and means to enhance the ability to resist risks.

The novel coronavirus pneumonia epidemic will have a massive impact on economic activities in the first quarter of 2020. Certain sectors are severely hit, such as catering, accommodation, tourism and transportation. The low risk-resistance capability of micro, small and medium-sized enterprises, the rising pressure on asset quality of banks, delayed resumption of work by enterprises, people's willingness to stay home as much as possible, lower effective demand for credit have an adverse impact on the growth of the Bank's assets. The Bank has closely monitored and continuously assessed the epidemic's impact on business, actively taking responding measures to ensure that the financial position and operating results remain stable.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1 CHANGES IN ORDINARY SHARES

1.1 Table of Changes in Ordinary Shares

Unit: Shares

	As at 31 December 2018		Increase/decrease during the Reporting Period (+/-)					As at 31 December 2019	
	Number	Proportion (%)	Issuance of new shares	Bonus shares	Shares converted from reserves	Others	Sub-total	Number	Proportion (%)
I. Shares subject to trading moratorium	3,803,931,900	64.23	-	-	-	-899,042,137	-899,042,137	2,904,889,763	49.05
1. State-owned shares	504,133,149	8.51	-	-	-	-13,228,394	-13,228,394	490,904,755	8.29
2. Shares held by state-owned legal persons	1,269,772,953	21.44	-	-	-	-208,766,422	-208,766,422	1,061,006,531	17.92
3. Shares held by other domestic investors	2,030,025,798	34.28	-	-	-	-677,047,321	-677,047,321	1,352,978,477	22.84
Including: Shares held by domestic legal persons	1,973,882,037	33.33	-	-	-	-651,372,259	-651,372,259	1,322,509,778	22.33
Shares held by domestic natural persons	56,143,761	0.95	-	-	-	-25,675,062	-25,675,062	30,468,699	0.51
4. Shares held by foreign investors	-	-	-	-	-	-	-	-	-
Including: Shares held by overseas legal persons	-	-	-	-	-	-	-	-	-
Shares held by overseas natural persons	-	-	-	-	-	-	-	-	-
II. Shares not subject to trading moratorium	2,118,000,000	35.77	-	-	-	+899,042,137	+899,042,137	3,017,042,137	50.95
1. Ordinary shares denominated in RMB	600,000,000	10.13	-	-	-	+899,042,137	+899,042,137	1,499,042,137	25.31
2. Domestically-listed foreign shares	-	-	-	-	-	-	-	-	-
3. Overseas-listed foreign shares	1,518,000,000	25.64	-	-	-	-	-	1,518,000,000	25.64
4. Others	-	-	-	-	-	-	-	-	-
III. Total	5,921,931,900	100.00	-	-	-	-	-	5,921,931,900	100.00

Notes:

- During the Reporting Period, the Bank did not conduct any share repurchase.
- During the Reporting Period, changes in the Bank's shares had no impact on the financial indicators such as basic earnings per share and diluted earnings per share for the latest year and the latest period, and net assets per share attributable to ordinary shareholders of the Bank.

As at the end of the Reporting Period, the Bank issued 5,921,931,900 Ordinary Shares, including 1,518,000,000 H Shares and 4,403,931,900 A Shares.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

1.2 Description of Changes in Ordinary Shares

Changes in Ordinary Shares were mainly due to the trading of shares (A shares) under the initial public offering, subject to trading moratorium and with a lock-up period of 12 months, on the SZSE; changes in the nature of the shareholders' securities accounts; and the transfer of shares from the Bank's unrecognized holders' securities special accounts after the shareholders completed the share replacement registration.

1.3 Changes in Shares Subject to Trading Moratorium during the Reporting Period

Unit: Shares

Name of Shareholder	Number of Shares subject to trading moratorium at the beginning of the period	Increase in the number of Shares subject to trading moratorium during the current period	Number of Shares lifted from trading moratorium during the current period	Number of Shares subject to trading moratorium at the end of the period	Reasons for being subject to trading moratorium	Date of lifting from trading moratorium
98 legal persons including Henan Nonferrous Geological and Minerals Group Co., Ltd. (河南有色地質礦產集團有限公司)	868,017,255	-	868,017,255	-	Initial public offering	19 September 2019
2,487 natural persons including Guo Fengying	26,429,629	-	26,429,629	-	Initial public offering	19 September 2019
Li Hong	26,746	-	26,746	-	Initial public offering	19 September 2019
		20,059	-	20,059	Shares locked up by senior management personnel ^{Note}	-
3 other legal persons including Henan Electric Power Materials Co., Ltd. (河南電力物資有限公司)	4,133,537	-	4,133,537	-	Initial public offering	14 December 2019
13 natural persons including Zhang Ying	455,029	-	455,029	-	Initial public offering	14 December 2019
Total	899,062,196	20,059	899,062,196	20,059	-	-

Note: Ms. Li Hong was appointed as a senior management personnel of the Bank in March 2019. The lock-up and lift of trading moratorium on the 26,746 A Shares held by her and already issued by the Bank prior to the initial public offering are subject to the provisions of the Guidelines for the Standardized Operations of Listed Companies on the SME Board of the SZSE.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2 ISSUANCE AND LISTING OF SECURITIES

2.1 Issuance of Securities during the Reporting Period

On 16 July 2019, the Board resolved that no more than 1,000,000,000 (inclusive) A shares shall be issued, by way of non-public offering, to no more than 10 (inclusive) target subscribers (including Zhengzhou Investment Holdings Co., Ltd.(鄭州投資控股有限公司), Bridge Trust Co., Ltd. (百瑞信託有限責任公司) and Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)), and that the proceeds shall not be more than RMB6,000,000,000 (inclusive) (the “**Non-public Offering**”). The final number of shares to be issued under the Non-public Offering shall be determined through negotiations based on specific circumstances such as the cap on the number of shares to be issued finally approved by CSRC, the cap on the total amount of proceeds and the final issue price. The Non-public Offering was considered and approved by the Bank’s 2019 First Extraordinary General Meeting, 2019 First A-share Class Shareholders’ Meeting and 2019 First H-share Class Shareholders’ Meeting convened on 3 September 2019. The Non-public Offering was already approved by the CBIRC Henan Office in November 2019. The Bank received the feedback from CSRC on the Non-public Offering on 27 December 2019, and publicly published its reply to the feedback on 6 January 2020. The Non-public Offering is still subject to the approval of CSRC. For details of the Non-public Offering, please refer to the announcements published by the Bank on CNINFO dated 17 July 2019, 16 August 2019, 3 September 2019, 12 November 2019 and 6 January 2020 as well as the announcements published on the website of Hong Kong Stock Exchange dated 17 July 2019, 3 September 2019, 12 November 2019 and 6 January 2020, and the circular dated 16 August 2019. The Bank will also disclose further details and progress regarding the Non-public Offering in due course.

After the Reporting Period, the Board resolved to approve the amendments to the non-public issuance of A Shares proposal on 30 March 2020, in which the Bank will issue no more than 1,000,000,000 (inclusive) A Shares to no more than 35 target issuance subscribers (including Zhengzhou Investment Holdings Co., Ltd., Bridge Trust Co., Ltd. and Henan Guoyuan Trade Co., Ltd.) and the proceeds shall not be more than RMB6,000,000,000 (inclusive). Such amendments are subject to consideration and approval by Shareholders of the Bank at the 2019 AGM, class meeting of A shareholder and class meeting of H shareholders.

During the Reporting Period, the Bank did not have any corporate bonds which were publicly issued and listed on the stock exchange.

2.2 Description of Changes in the Total Number of Ordinary Shares and the Composition of Shareholders, and Changes in the Structure of Assets and Liabilities

During the Reporting Period, the Bank did not have any issuance of bonus shares, conversion into share capital, rights issue, additional issuance of new shares, non-public offering of shares, exercise of warrants, implementation of equity incentive plans, corporate mergers, conversion of convertible corporate bonds into shares, capital reduction, listing of internal employee shares, issuance of bonds or other reasons which gave rise to any changes in the total number of Ordinary Shares and the composition of shareholders and changes in the structure of assets and liabilities.

2.3 Existing Internal Employee Shares

Prior to the listing of the A Shares of the Bank on 19 September 2018, there were a total of 1,080 internal employee Shareholders holding a total of 38,275,236 A Shares. During the Reporting Period, 10,357,244 A Shares held by 749 internal employee Shareholders of the Bank were lifted from trading moratorium and listed for circulation.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

3 INFORMATION ON ORDINARY SHAREHOLDERS

Number of Ordinary Shareholders and Their Shareholdings

As at the end of the Reporting Period, the total number of ordinary Shareholders of the Bank was 129,666, of whom 129,609 were holders of A Shares and 57 were holders of H Shares. As at the end of the month prior to the publication date of this Report, the total number of ordinary Shareholders was 121,159, of whom 121,102 were holders of A Shares and 57 were holders of H Shares.

The direct shareholdings of the top 10 ordinary Shareholders of the Bank as at the end of the Reporting Period were set out as follows:

Unit: Shares

Name of Shareholder	Nature of Shareholder	Class of Shares	Shareholdings percentage (%)	Number of Shares held at the end of the Reporting Period	Changes over the Reporting Period (+/-)	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen Status of Shares	
								Shares	Number
HKSCC Nominees Limited	Overseas legal person	H Shares	25.63	1,517,863,830	5,000	-	1,517,863,830	Unknown	-
Zhengzhou Finance Bureau	State-owned	A Shares	8.29	490,904,755	-	490,904,755	-	Pledged	220,900,000
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	Domestic non state-owned legal person	A Shares	4.42	262,000,000	-	262,000,000	-	Pledged	262,000,000
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	Domestic non-state-owned legal person	A Shares	4.22	250,000,000	-	250,000,000	-	Pledged	124,999,990
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	State-owned legal person	A Shares	4.04	239,426,471	-	239,426,471	-	-	-
Henan Chendong Industry Co., Ltd. (河南農東實業有限公司)	Domestic non-state-owned legal person	A Shares	3.82	226,000,000	-	226,000,000	-	Pledged	112,999,999
Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	State-owned legal person	A Shares	3.64	215,678,764	-	215,678,764	-	-	-
Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Domestic non-state-owned legal person	A Shares	3.36	199,046,474	-	199,046,474	-	Pledged	149,500,000
Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	State-owned legal person	A Shares	1.94	114,697,149	-	114,697,149	-	-	-
Henan Shengrun Holding Group Co., Ltd. (河南盛潤控股集團有限公司)	Domestic non-state-owned legal person	A Shares	1.69	100,000,000	-	100,000,000	-	Pledged	100,000,000
Henan Zhenghong Real Estate Co., Ltd. (河南正弘置業有限公司)	Domestic non-state-owned legal person	A Shares	1.69	100,000,000	-	100,000,000	-	Frozen	5,285,412
Strategic investors or ordinary legal persons becoming top 10 Shareholders by way of placing of new Shares (if any)	None								
Description of related party relationships or concerted actions of the above Shareholders	Mr. Fan Yutao, deputy director of Zhengzhou Finance Bureau, is a director of Bridge Trust Co., Ltd. Zhengzhou Finance Bureau wholly owns Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), which in turn wholly owns Zhengzhou Investment Holdings Co., Ltd. The Bank is not aware of any related party relationship among the above other Shareholders or any act-in-concert parties under the Administration Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).								
Description of the top 10 ordinary Shareholders participating in margin financing and securities lending business (if any)	None								

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

The direct shareholdings of the top 10 ordinary Shareholders not subject to trading moratorium of the Bank as at the end of the Reporting Period are set out as follow:

Unit: Shares

Name of Shareholder	Number of shares held not subject to trading moratorium at the end of the Reporting Period	Type of Shares	
		Class of Shares	Number
HKSCC Nominees Limited	1,517,863,830	H Shares	1,517,863,830
Henan Communications Industrial Development Co., Ltd. (河南交通實業發展有限公司)	41,886,506	A Shares	41,886,506
Henan Shenli Concrete Co., Ltd. (河南神力混凝土有限公司)	30,000,000	A Shares	30,000,000
Zhengzhou Hailong Industrial Co., Ltd. (鄭州海龍實業有限公司)	30,000,000	A Shares	30,000,000
Wugang Sino-Canada Mining Development Co., Ltd. (舞鋼中加礦業發展有限公司)	30,000,000	A Shares	30,000,000
Henan Hongbao Group Co., Ltd. (河南鴻寶集團有限公司)	27,000,000	A Shares	27,000,000
Henan Nonferrous Geological and Minerals Group Co., Ltd. (河南有色地質礦產集團有限公司)	22,964,093	A Shares	22,964,093
Henan Zhiqiang Real Estate Co., Ltd. (河南志強置業有限公司)	20,000,000	A Shares	20,000,000
Changge Xianghe Aluminum Materials Co., Ltd. (長葛市祥合鋁材有限責任公司)	20,000,000	A Shares	20,000,000
Henan Juhe Real Estate Co., Ltd. (河南省聚合置業有限責任公司)	20,000,000	A Shares	20,000,000
Zhengzhou Yijian Group Co., Ltd. (鄭州一建集團有限公司)	20,000,000	A Shares	20,000,000
Henan Meijing Group Co., Ltd. (河南省美景集團有限公司)	20,000,000	A Shares	20,000,000
Description of related party relationships or concerted actions among the top 10 holders of Shares not subject to trading moratorium, and between the top 10 holders of Shares not subject to trading moratorium and the top 10 Shareholders	The Bank is not aware of any related party relationship among top 10 holders of Shares not subject to trading moratorium, and between the top 10 holders of Shares not subject to trading moratorium and the top 10 Shareholders or any act-in-concert parties under the Administration Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》).		

Notes:

- The data above is sourced from the register of shareholders of the Bank as at 31 December 2019.
- The Shares held by HKSCC Nominees Limited are held by it in the capacity of agent and represent the aggregate number of H shares held by all institutional and individual investors registered in HKSCC Nominees Limited as at the end of the Reporting Period.

During the Reporting Period, none of the top 10 ordinary Shareholders and the top 10 ordinary Shareholders not subject to trading moratorium carried out any agreed buy-back transactions.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

4 INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

Based on the knowledge of the Directors, Supervisors and chief executive of the Bank, as at the end of the Reporting Period, the following persons, other than Directors, Supervisors and chief executive of the Bank, had, or were deemed or taken to have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Bank and the Hong Kong Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Bank under section 336 of the SFO were as follows:

Name of Substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued ordinary Shares (%)
Zhengzhou Finance Bureau	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽¹⁾	871,842,501	19.80	14.72
Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司)	A Shares	Long	Beneficial owner	262,000,000	5.95	4.42
Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽²⁾	262,000,000	5.95	4.42
ZHANG Xinya (張欣雅)	A Shares	Long	Interest of controlled corporation ⁽²⁾	262,000,000	5.95	4.42
Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司)	A Shares	Long	Beneficial owner	250,000,000	5.68	4.22
Henan Zensun Enterprise Development Group Co., Ltd. (河南正商企業發展集團有限責任公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	250,000,000	5.68	4.22
Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司)	A Shares	Long	Interest of controlled corporation ⁽³⁾	250,000,000	5.68	4.22
ZHANG Huiqi (張惠琪)	A Shares	Long	Interest of controlled corporation ⁽³⁾	250,000,000	5.68	4.22
Zhongyuan Trust Co., Ltd. (中原信託有限公司)	A Shares	Long	Beneficial owner	239,426,471	5.44	4.04
Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司)	A Shares	Long	Interest of controlled corporation ⁽⁴⁾	239,426,471	5.44	4.04
Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司)	A Shares	Long	Interest of controlled corporation ⁽⁴⁾	239,426,471	5.44	4.04
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	A Shares	Long	Beneficial owner and interest of controlled corporation ⁽⁵⁾	329,195,683	7.48	5.56
Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司)	A Shares	Long	Beneficial owner	226,000,000	5.13	3.82
DU Liling (杜麗玲)	A Shares	Long	Interest of controlled corporation ⁽⁶⁾	226,000,000	5.13	3.82
WANG Meilan (王梅蘭)	A Shares	Long	Interest of controlled corporation ⁽⁶⁾	226,000,000	5.13	3.82
China Goldjoy Securities Limited (中國金洋證券有限公司)	H Shares	Long	Custodian	377,174,000	24.84	6.37
Yunnan International Holding Group Limited	H Shares	Long	Beneficial owner	227,362,623	14.98	3.84
Yunnan Energy Investment (HK) Co. Limited	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	227,362,623	14.98	3.84
Yunnan Provincial Energy Investment Group Co., Ltd	H Shares	Long	Interest of controlled corporation ⁽⁷⁾	227,362,623	14.98	3.84
Hong Kong Oriental Sage Limited (香港東智有限公司)	H Shares	Long	Beneficial owner	223,000,000	14.69	3.77
Oriental Sage Limited (東智有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁸⁾	223,000,000	14.69	3.77
Beijing Shang Finance Management Co. Ltd. (北京尚融資本管理有限公司)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	129,000,000	8.50	2.18
WEI Lidong (尉立東)	H Shares	Long	Interest of controlled corporation ⁽⁹⁾	129,000,000	8.50	2.18

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of Substantial Shareholder	Class of Shares	Long/Short positions	Capacity	Number of Shares held directly or indirectly (Shares)	Percentage of issued Shares of the relevant class (%)	Percentage of total issued ordinary Shares (%)
Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司)	H Shares	Long	Beneficial owner	100,000,000	6.59	1.69
Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
Zhengzhou Airport Xinggang Investment Group Co., Ltd. (鄭州航空港興港投資集團有限公司), formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Limited (鄭州新鄭綜合保稅區(鄭州航空港區)興港投資發展有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司), formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
WAN Yongxing (萬永興)	H Shares	Long	Interest of controlled corporation ⁽¹⁰⁾	100,000,000	6.59	1.69
Zhengzhou Zhengdong New District Construction, Development & Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司)	H Shares	Long	Beneficial owner ⁽¹¹⁾	100,000,000	6.59	1.69
Haitong International Financial Products (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest ⁽¹²⁾	100,000,000	6.59	1.69
Haitong International Securities Group (Singapore) Pte. Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹²⁾	100,000,000	6.59	1.69
Haitong International Securities Group Limited	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹³⁾	143,000,000	9.42	2.41
Haitong International Holdings Limited	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹³⁾	143,000,000	9.42	2.41
Haitong Securities Co., Ltd.	H Shares	Long	Person having a security interest Interest of controlled corporation ⁽¹³⁾	143,000,000	9.42	2.41
CITIC Securities Company Limited	H Shares	Long	Interest of controlled corporation ⁽¹⁴⁾	570,723,559	37.60	9.64
	H Shares	Short	Interest of controlled corporation ⁽¹⁴⁾	568,846,654	37.47	9.61
Goncius I Limited	H Shares	Long	Beneficial owner ⁽¹⁵⁾	115,501,859	7.61	1.95
	H Shares	Short	Beneficial owner ⁽¹⁵⁾	115,501,859	7.61	1.95
Huarong International Financial Holdings Limited	H Shares	Long	Beneficial owner ⁽¹⁶⁾	90,957,714	5.99	1.54
China Huarong Asset Management Co., Ltd.	H Shares	Long	Interest of controlled corporation ⁽¹⁶⁾	90,957,714	5.99	1.54

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Notes:

1. These 871,842,501 Shares are directly or indirectly held by Zhengzhou Finance Bureau, including 490,904,755 Shares directly held by Zhengzhou Finance Bureau, 215,678,764 Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), 65,258,982 Shares held by Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), 50,000,000 Shares held by Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and 50,000,000 Shares held by Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) are directly or indirectly wholly-owned by Zhengzhou Finance Bureau. By virtue of the SFO, Zhengzhou Finance Bureau is deemed to be interested in the Shares held by Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司). Mr. FAN Yutao (樊玉濤), a non-executive Director, is the deputy director of Zhengzhou Finance Bureau.
2. Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司) is wholly-owned by Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司), which is in turn owned by Ms. ZHANG Xinya (張欣雅) as to 85%. By virtue of the SFO, both Henan Yutai Investment & Development Co., Ltd. (河南省豫泰投資發展集團有限公司) and Ms. ZHANG Xinya (張欣雅) are deemed to be interested in the Shares held by Yutai International (Henan) Real Estate Development Co., Ltd. (豫泰國際(河南)房地產開發有限公司).
3. Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) is wholly owned by Henan Zensun Enterprise Development Group Co., Ltd. (河南正商企業發展集團有限責任公司). Henan Zensun Enterprise Development Group Co., Ltd. (河南正商企業發展集團有限責任公司) is in turn owned by Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司) and Ms. ZHANG Huiqi (張惠琪) as to 90% and 9% respectively. Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司) is owned by Ms. ZHANG Huiqi (張惠琪) as to 98%. By virtue of the SFO, Henan Zensun Enterprise Development Group Co., Ltd. (河南正商企業發展集團有限責任公司), Beijing Xiangcheng Investment Co., Ltd. (北京祥誠投資有限公司) and Ms. ZHANG Huiqi (張惠琪) are deemed to be interested in the Shares held by Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司). Ms. ZHANG Huiqi (張惠琪) is the daughter, being above the age of 18, of Mr. ZHANG Jiangguo (張敬國), a non-executive Director.
4. Zhongyuan Trust Co., Ltd. (中原信託有限公司) is owned by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) as to approximately 58.97% and 31.91%, respectively. Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) is owned by Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) as to approximately 45.09%. By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Henan Transport Investment Group Co., Ltd. (河南交通投資集團有限公司) are deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). Mr. JI Hongjun (姬宏俊), a non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司).
5. These 329,195,683 Shares are directly and indirectly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司), including 89,769,212 Shares directly held by Henan Investment Group Co., Ltd. (河南投資集團有限公司) and 239,426,471 Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司). By virtue of the SFO, Henan Investment Group Co., Ltd. (河南投資集團有限公司) is deemed to be interested in the Shares held by Zhongyuan Trust Co., Ltd. (中原信託有限公司).

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

6. Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司) is owned as to 50% and 50% by Ms. DU Liling (杜麗玲) and Ms. WANG Meilan (王梅蘭) respectively. By virtue of the SFO, each of Ms. DU Liling (杜麗玲) and Ms. WANG Meilan (王梅蘭) is deemed to be interested in the Shares held by Henan Chendong Industry Co., Ltd. (河南晨東實業有限公司).
7. These 227,362,623 Shares are directly held by Yunnan International Holding Group Limited, which is owned by Yunnan Energy Investment (HK) Co., Limited as to 40%, while in turn Yunnan Energy Investment (HK) Co., Limited is wholly-owned by Yunnan Provincial Energy Investment Group Co., Ltd. By virtue of the SFO, Yunnan Energy Investment (HK) Co., Limited and Yunnan Provincial Energy Investment Group Co., Ltd. are deemed to be interested in the Shares held by Yunnan International Holding Group Limited.
8. These 223,000,000 Shares are directly held by Hong Kong Oriental Sage Limited (香港東智有限公司), which is wholly-owned by Oriental Sage Limited (東智有限公司). By virtue of the SFO, Oriental Sage Limited (東智有限公司) is deemed to be interested in the Shares held by Hong Kong Oriental Sage Limited (香港東智有限公司).
9. Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) is owned as to 99.90% by Mr. WEI Lidong (尉立東) and Beijing Shang Finance Management Co., Ltd. (北京尚融資本管理有限公司) holds a total of 129,000,000 Shares through certain subsidiaries.
10. Hong Kong Xingrui International Investment Co., Ltd. (香港興瑞國際投資有限公司) (“**Hong Kong Xingrui**”) is wholly-owned by Zhengzhou Airport Zone Xingrui Industrial Group Co., Ltd. (鄭州航空港區興瑞實業集團有限公司) (“**Xingrui Industrial**”), formerly known as Zhengzhou Airport Zone Xingrui Industrial Co., Ltd. (鄭州航空港區興瑞實業有限公司), being a state-owned company under the Zhengzhou Airport Zone Economic Integrated Experimental Zone (Zhengzhou Xinzheng Integrated Free Trade Zone) Management Committee (鄭州航空港經濟綜合實驗區 (鄭州新鄭綜合保稅區) 管理委員會), which was formerly known as Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Management Committee (鄭州新鄭綜合保稅區 (鄭州航空港區) 管理委員會)). Xingrui Industrial is owned as to 51% and 49% by Zhengzhou Airport Xinggang Investment Holdings Co., Ltd. (鄭州航空港興港投資集團有限公司) (formerly known as: Zhengzhou Xinzheng Integrated Free Trade Zone (Zhengzhou Airport Zone) Xinggang Investment and Development Co., Ltd. (鄭州新鄭綜合保稅區 (鄭州航空港區) 興港投資發展有限公司) (“**Zhengzhou Xinggang**”), and Shenzhen Qianhai Ruimaotong Supply Chain Platform Service Co., Ltd. (深圳前海瑞茂通供應鏈平台服務有限公司) (“**Ruimaotong**”). Ruimaotong is wholly-owned by Jiangsu Jinhe Electricity and Fuel Co., Ltd. (江蘇晉和電力燃料有限公司) (“**Jiangsu Jinhe**”), which is in turn wholly owned by a company (being listed on the Shanghai Stock Exchange) under Ruimaotong Supply Chain Management Co., Ltd. (瑞茂通供應鏈管理股份有限公司) (“**Ruimaotong Supply Chain Management**”). Ruimaotong Supply Chain Management is owned as to 61.58% by Zhengzhou Ruimaotong Supply Chain Management Co., Ltd. (鄭州瑞茂通供應鏈有限公司) (“**Zhengzhou Ruimaotong**”), which is wholly-owned by Zhengzhou Zhongrui Industrial Group Co., Ltd. (鄭州中瑞實業集團有限公司) (formerly known as Henan Zhongrui Investment Co., Ltd. (河南中瑞投資有限公司) (“**Zhengzhou Zhongrui**”). Zhengzhou Zhongrui is owned as to 90% by Henan Zhongrui Holding Co., Ltd. (河南中瑞控股有限公司) (“**Henan Zhongrui Holding**”), while Henan Zhongrui Holding is wholly-owned by Zhengzhou Ruichang Enterprise Management Consulting Co., Ltd. (鄭州瑞昌企業管理諮詢有限公司) (“**Zhengzhou Ruichang**”), which is owned as to 70% by Mr. WAN Yongxing (萬永興). By virtue of the SFO, each of Xingrui Industrial, Zhengzhou Xinggang, Ruimaotong, Jiangsu Jinhe, Ruimaotong Supply Chain Management, Zhengzhou Ruimaotong, Zhengzhou Zhongrui, Henan Zhongrui Holding, Zhengzhou Ruichang and Mr. WAN Yongxing are deemed to be interested in the Shares held by Hong Kong Xingrui.
11. Zhengzhou Zhengdong New District Construction Development Investment Co., Ltd. (鄭州市鄭東新區建設開發投資總公司) was established by the Zhengzhou Zhengdong New District Management Committee (鄭州鄭東新區管理委員會).

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

12. Haitong International Financial Products (Singapore) Pte. Ltd. has a security interest in these 100,000,000 Shares. Haitong International Financial Products (Singapore) Pte. Ltd. is wholly-owned by Haitong International Securities Group (Singapore) Pte. Ltd., which is in turn wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International Securities Group (Singapore) Pte. Ltd. and Haitong International (BVI) Limited are deemed to be interested in the Shares held by Haitong International Financial Products (Singapore) Pte. Ltd..
13. 43,000,000 Shares are directly held by Haitong International Securities Company Limited, which is wholly-owned by Haitong International (BVI) Limited. By virtue of the SFO, Haitong International (BVI) Limited is deemed to be interested in the Shares held by Haitong International Securities Company Limited. Accordingly, Haitong International (BVI) Limited is deemed to be interested in a total of 143,000,000 Shares. Haitong International (BVI) Limited is wholly-owned by Haitong International Securities Group Limited, which is 64.40% owned by Haitong International Holdings Limited, which is in turn wholly-owned by Haitong Securities Co., Ltd. By virtue of the SFO, Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. are all deemed to be interested in a total of 143,000,000 Shares held by Haitong International Financial Products (Singapore) Pte. Ltd. and Haitong International Securities Company Limited.
14. CITIC Securities Company Limited held 570,723,559 H Shares (long position) of the Bank and 568,846,654 H Shares (short position) of the Bank through certain of its wholly-owned subsidiaries. These 570,723,559 H Shares (long position) and 568,846,654 H Shares (short position) involve derivatives in the classes below:
- | | |
|--|---|
| 426,346,236 H Shares (long position) | – Convertible instruments (on-exchange transaction) |
| 144,377,323 H Shares (long position) and | – Settled in cash (curb trading) |
| 568,846,654 H Shares (short position) | |
15. These 115,501,859 H Shares (long position) and 115,501,859 H Shares (short position) held by Goncius I Limited involve derivatives in the classes below:
- | | |
|---------------------------------------|---|
| 115,501,859 H Shares (long position) | – Convertible instruments (on-exchange transaction) |
| 115,501,859 H Shares (short position) | – Settled in cash (curb trading) |
16. Huarong International Financial Holdings Limited is owned as to 51% by Camellia Pacific Investment Holding Limited, which is wholly-owned by China Huarong International Holdings Limited. China Huarong International Holdings Limited is owned as to 88.10% and 11.90% by Huarong Real Estate Co., Ltd. (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. respectively, while Huarong Real Estate Co., Ltd (華融置業有限責任公司) and Huarong Zhiyuan Investment & Management Co., Ltd. are both wholly owned by China Huarong Asset Management Co., Ltd. By virtue of the SFO, China Huarong Asset Management Co., Ltd., is deemed to be interested in the Shares held by Huarong International Financial Holdings Limited. Furthermore, such 90,957,714 H Shares (long position) involve derivatives in the class below:
- | | |
|-------------------------------------|------------------------------------|
| 90,957,714 H Shares (long position) | – Others (on-exchange transaction) |
|-------------------------------------|------------------------------------|

Save as disclosed above, as at the end of the Reporting Period, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive of the Bank) having any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

5 INFORMATION ON CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank did not have any controlling Shareholders or de facto controllers.

6 SUBSTANTIAL SHAREHOLDERS

6.1 Holders with 5% or More Shareholding in the Bank

Zhengzhou Finance Bureau: Unified Social Credit Code is 11410100005252522X; the person in charge is ZHAO Xinmin (趙新民). As at the end of the Reporting Period, Zhengzhou Finance Bureau directly held 490,904,755 A Shares, accounting for 8.29% of the total issued Ordinary Shares of the Bank. In addition, Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司) and Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) directly or indirectly wholly owned by Zhengzhou Finance Bureau hold a total of 380,937,746 A Shares. These above Shares in total accounted for 871,842,501 A Shares and 14.72% of the total issued Ordinary Shares of the Bank. Mr. FAN Yutao, a non-executive Director, is the deputy director of Zhengzhou Finance Bureau. The related parties of Zhengzhou Finance Bureau include Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司), Zhengzhou Development & Investment Group Co., Ltd. (鄭州發展投資集團有限公司), and Zhengzhou City Sanitation & Cleaning Co., Ltd. (鄭州市環衛清潔有限公司). The ultimate beneficiary of Zhengzhou Finance Bureau is itself.

Henan Investment Group Co., Ltd. (河南投資集團有限公司): incorporated on 18 December 1991; the registered capital is RMB12 billion; the Unified Social Credit Code is 914100001699542485; the legal representative is LIU Xinyong (劉新勇); the main business scope covers investment management, investment in construction projects, etc. and house leasing. As at the end of the Reporting Period, Henan Investment Group Co., Ltd. directly held 89,769,212 A Shares, while Zhongyuan Trust Co., Ltd. (中原信託有限公司) controlled by it directly held 239,426,471 A Shares, which amounted to 329,195,683 A Shares in total, accounting for 5.56% of the total issued Ordinary Shares of the Bank. The controlling shareholder and de facto controller of Henan Investment Group Co., Ltd. is the Henan Provincial Department of Finance (河南省財政廳). Related parties include Zhongyuan Trust Co., Ltd., Zhongyuan Yuze Financial Leasing (Shanghai) Co., Ltd (中原豫澤融資租賃(上海)有限公司) and Henan Investment Group Huirong Fund Management Co., Ltd. (河南投資集團匯融基金管理有限公司), etc. The ultimate beneficiary of Henan Investment Group Co., Ltd. is itself.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

6.2 Other Substantial Shareholders

According to the requirement of the Provincial Measures on the Management of the Equity of Commercial Banks (《商業銀行股權管理暫行辦法》) (Former CBRC Order 2018 No. 1), information on other substantial shareholders is as below:

Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司): incorporated on 31 December 1998; the registered capital is RMB200 million; the Unified Social Credit Code is 914101001699781784; the legal representative is HUANG Kefei (黃可飛); the main business scope covers the development and operation of real estate (licensed), sales of building materials and house leasing. As at the end of the Reporting Period, Henan Xingye Real Estate Development Co., Ltd. held 250,000,000 A Shares, accounting for 4.22% of the total issued Ordinary Shares of the Bank. The controlling shareholder of Henan Xingye Real Estate Development Co., Ltd. is Henan Zensun Enterprise Development Co., Ltd. (河南正商企業發展集團有限責任公司). The de facto controller is Ms. ZHANG Huiqi (張惠琪), who is the daughter, being above the age of 18, of Mr. ZHANG Jianguo (張敬國), a non-executive Director. Related parties include Henan Zensun Enterprise Development Co., Ltd., Henan Zensun Property Co., Ltd. (河南正商置業有限公司), Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司), etc. The ultimate beneficiary of Henan Xingye Real Estate Development Co., Ltd. is itself.

Zhongyuan Trust Co., Ltd. (中原信託有限公司): incorporated on 27 November 2002; the registered capital is RMB4 billion; the Unified Social Credit Code is 91410000169953018F; the legal representative is CUI Zejun (崔澤軍); the main business scope covers the trusting of funds, movable property, immovable property, negotiable securities, other property or property rights; and engaged in the investment fund business, etc. as an investment fund or a sponsor of a fund management company. As at the end of the Reporting Period, Zhongyuan Trust Co., Ltd. held 239,426,471 A Shares, accounting for 4.04% of the total issued Ordinary Shares of the Bank. Mr. JI Hongjun (姬宏俊), a non-executive Director, is the vice president of Zhongyuan Trust Co., Ltd. The controlling shareholder of Zhongyuan Trust Co., Ltd. is Henan Investment Group Co., Ltd. (河南投資集團有限公司), and the de facto controller is Henan Provincial Department of Finance (河南省財政廳). Related parties include Henan Investment Group Co., Ltd. (河南投資集團有限公司), Henan Zhongyuan Expressway Co., Ltd. (河南中原高速公路股份有限公司) and Henan Yuliang Grain Group Co., Ltd. (河南省豫糧糧食集團有限公司). The ultimate beneficiary of Zhongyuan Trust Co., Ltd. is itself.

CHAPTER IV CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司): incorporated on 25 October 2005; the registered capital is RMB3.51 billion; the Unified Social Credit Code is 91410100780545414U; the legal representative is LIANG Songwei (梁嵩巍); the main business scope covers investment and management of state-owned assets, real estate development and sales as well as house leasing. As at the end of the Reporting Period, Zhengzhou Investment Holdings Co., Ltd. held 215,678,764 A Shares, accounting for 3.64% of the total issued Ordinary Shares of the Bank. Mr. LIANG Songwei, a non-executive Director, is the chairman and general manager of Zhengzhou Investment Holdings Co., Ltd. The controlling shareholder of Zhengzhou Investment Holding Co., Ltd. is Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司), and the de facto controller is Zhengzhou Finance Bureau. Related parties include Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd., Zhengzhou Jinyang Electric Co., Ltd. (鄭州金陽電氣有限公司) and Zhengzhou SDIC Industrial Development Fund (Limited Partnership) (鄭州國投產業發展基金(有限合夥)), etc. The ultimate beneficiary of Zhengzhou Investment Holdings Co., Ltd. is itself.

Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司): incorporated on 5 December 2005; the registered capital is RMB200 million; the Unified Social Credit Code is 91410100783405337J; the legal representative is ZHU Zhihui (朱志暉); the main business scope covers the sales of building and decorative materials, mechanical and electrical products (excluding automobiles), hardware and electrical equipment etc.; house leasing; wholesale and retail as well as pre-packaged food. As at the end of the Reporting Period, Henan Guoyuan Trade Co., Ltd. held 199,046,474 A Shares, accounting for 3.36% of the total issued Ordinary Shares of the Bank. Mr. ZHU Zhihui, a Supervisor, is the Chairman of Henan Guoyuan Trade Co., Ltd. The controlling shareholder and de facto controller of Henan Guoyuan Trade Co., Ltd. is Mr. ZHU Zhihui. Related parties include Henan Huida Jiarui Real Estate Co., Ltd. (河南暉達嘉睿置業有限公司), Henan Huida Construction & Investment Co., Ltd. (河南暉達建設投資有限公司) and Huida Holdings Co., Ltd. (暉達控股有限公司). etc. The ultimate beneficiary of Henan Guoyuan Trade Co., Ltd. is itself.

7 RESTRICTIONS ON REDUCTION OF SHAREHOLDINGS OF CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLERS, PARTIES TO RESTRUCTURING OR OTHER ENTITIES WITH UNDERTAKINGS

During the Reporting Period, the Bank had no cases involving restrictions on reduction of shareholdings of controlling Shareholders, de facto controllers, parties to restructuring or other entities with undertakings.

8 PLEDGE AND FREEZING OF SHARES OF THE BANK

As at the end of the Reporting Period, to the knowledge of the Bank, 1,671,986,082 Ordinary Shares of the Bank (accounting for 28.23% of the total issued Ordinary Shares) were subject to pledges and 31,360,930 Ordinary Shares were subject to freezing. No Shares were subject to judicial auction during the Reporting Period.

CHAPTER V ISSUANCE OF PREFERENCE SHARES

1 ISSUANCE AND LISTING OF PREFERENCE SHARES IN THE LAST THREE YEARS AS AT THE END OF THE REPORTING PERIOD

The Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million at a dividend rate of 5.50% on 18 October 2017 through a private offering in the overseas market. The Offshore Preference Shares (abbreviation of preference share: ZZBNK 17USDPREF; stock code: 04613) were listed on the Hong Kong Stock Exchange on 19 October 2017 with a nominal value of RMB100 per share at an offering price of USD20 per share. The total number of shares issued was 59,550,000, all of which were issued and fully paid in US dollars.

Based on the Renminbi central parity rate against the US dollar published by the China Foreign Exchange Trade System on 18 October 2017, the gross proceeds from the offering of the Offshore Preference Shares were approximately RMB7,860 million. Pursuant to applicable laws and regulations and approval from the CBIRC, the CSRC and other relevant regulatory authorities, the proceeds raised from the Offshore Preference Shares issuance, after deduction of the issuance expenses, have been fully used to replenish the additional tier-one capital of the Bank, which is consistent with the specific use disclosed earlier.

For the issuance terms and relevant details of the Offshore Preference Shares, please refer to the relevant announcements and circulars of the Bank published on the websites of the Hong Kong Stock Exchange and the Bank.

2 NUMBER OF SHAREHOLDERS OF OFFSHORE PREFERENCE SHARES AND PARTICULARS OF SHAREHOLDING

As at the end of the Reporting Period, the total number of holders (or nominees) of Offshore Preference Shares of the Bank was one. As at the end of the month prior to the publication date of this Report, the total number of holders (or nominees) of Offshore Preference Shares was one.

The following table sets out shareholdings of the top 10 shareholders of Offshore Preference Shares (or nominees) of the Bank as at the end of the Reporting Period:

Unit: Shares

Name of shareholder	Type of shareholder	Shareholding percentage ⁽¹⁾ (%)	Number of shares held as at the end of the Reporting Period	Changes over the Reporting Period	Number of shares held subject to trading moratorium	Number of shares held without trading moratorium	Shares pledged or frozen	Status of shares	Number
The Bank of New York Depository (Nominees) Limited	Overseas legal person	100	59,550,000	-	-	59,550,000	Unknown	Unknown	
Description of different requirements on other terms of preference shares held other than dividend distribution and residual property distribution		None							
Description of the related party relationships or concerted actions among top 10 shareholders of preference shares and between top 10 shareholders of preference shares and top 10 shareholders of Ordinary Shares									The Bank is not aware of any related party relationships or acting in concert relationship (as defined in the Administration Measures on the Acquisition of Listed Companies (《上市公司收購管理辦法》)) between the aforesaid shareholders of preference shares and the top 10 shareholders of Ordinary Shares.

CHAPTER V ISSUANCE OF PREFERENCE SHARES

Notes:

1. The above data are based on the register of the shareholders of Offshore Preference Shares of the Bank as at 31 December 2019.
2. The above Offshore Preference Shares were issued through a private offering, information of nominees of the allottees was recorded on the register of shareholders of preference shares.
3. "Shareholding percentage" refers to the percentage of Offshore Preference Shares held by shareholders of preference shares in the total issued Offshore Preference Shares.

3 PROFIT DISTRIBUTION OF OFFSHORE PREFERENCE SHARES

The dividend on the Offshore Preference Shares is paid in cash on an annual basis. After receiving the dividends at the prescribed dividend rate, the shareholders of preference shares shall not be entitled to any distribution of residual profits of the Bank together with the Shareholders of Ordinary Shares. The Bank shall have the right to cancel dividends in whole or in part and this will not constitute an event of default. Any amount of dividends not paid to the shareholders of preference shares in full by the Bank will not be accumulated to the following dividend period. During the Reporting Period, the Bank did not adjust or change its profit distribution policy for preference shares.

During the Reporting Period, as considered and approved at the meeting of the Board of the Bank held on 20 August 2019, the Bank distributed the dividends on the Offshore Preference Shares pursuant to the terms of the Offshore Preference Shares. The total dividends on the Offshore Preference Shares distributed by the Bank amounted to US\$72,783,333.33, of which US\$65,505,000 was paid to the holders of Offshore Preference Shares at a coupon dividend rate of 5.50%, and US\$7,278,333.33 was withheld as the income tax. Relevant taxes were covered by the Bank. For details, please refer to the announcements dated 21 August 2019 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange. On 18 October 2019, the Bank completed the dividend payment of Offshore Preference Shares. Such dividend distribution of Offshore Preference Shares is in compliance with the dividend distribution conditions and relevant procedures.

The Bank will hold a Board meeting at least ten working days prior to the next dividend payment date of the Offshore Preference Shares (i.e. 18 October 2020) to consider issues related to the dividend payment and issue announcement to notify holders of the Offshore Preference Shares.

CHAPTER V ISSUANCE OF PREFERENCE SHARES

Distribution of Offshore Preference Shares for the Past Three Years

Unit: RMB'000

Year of distribution	Distributed amount (tax inclusive)	Net profit attributable to shareholders of the Bank under the consolidated financial statements for the distribution year	Percentage to the net profit attributable to shareholders of the Bank under the consolidated financial statements (%)	Explanation of shortfall accumulating to the next accounting year due to insufficient distributable profits or portion that can be allocated to remaining profit distribution
2019	512,790	3,285,122	15.61	–
2018	502,343	3,058,831	16.42	–
2017	–	4,280,024	–	–

4 REPURCHASE OR CONVERSION OF OFFSHORE PREFERENCE SHARES

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

5 RESUMPTION, EXERCISE OF VOTING RIGHTS OF OFFSHORE PREFERENCE SHARES DURING THE REPORTING PERIOD

During the Reporting Period, and between the end of the Reporting Period and the end of the month prior to the publication date of this Report, no voting rights of the Offshore Preference Shares were resumed or exercised.

6 ACCOUNTING POLICIES ADOPTED FOR OFFSHORE PREFERENCE SHARES AND REASONS

In accordance with Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments and Rules on the Difference between Financial Liabilities and Equity Instruments and Relevant Accounting Treatment promulgated by the MOF, as well as International Financial Reporting Standards No. 9 – Financial Instruments and International Accounting Standards No. 32 – Financial Instruments: Presentation, the provisions of the issued and existing Offshore Preference Shares conform to the requirements as equity instruments, and will be calculated as equity instruments.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT AND THEIR DIRECT SHAREHOLDINGS

Directors

Name	Gender	Date of birth	Position	Status	Term of Office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase in the number of Shares held during the Reporting Period (Shares)	Decrease in the number of Shares held during the Reporting Period (Shares)	Other increase and decrease (Shares)	Number of Shares held as at the end of the Reporting Period (Shares)
WANG Tianyu (王天宇)	M	March 1966	Chairman	In office	2011.3.9-2021.6.14	A Shares	25,003	-	-	-	25,003
			Executive Director	In office	2005.12.18-2021.6.14						
SHEN Xueqing (申學清)	M	July 1965	President	In office	Since 5 April 2012	-	-	-	-	-	-
			Executive Director	In office	2012.7.12-2021.6.14						
FENG Tao (馮濤)	M	September 1963	Vice Chairman	In office	2016.8.4-2021.6.14	-	-	-	-	-	-
			Executive Director	In office	2016.8.4-2021.6.14						
FAN Yutao (樊玉濤)	M	May 1966	Non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-
ZHANG Jingguo (張敬國)	M	July 1963	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-
Ji Hongjun (姬宏俊)	M	June 1963	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-
LIANG Songwei (梁嵩巍)	M	August 1968	Non-executive Director	In office	2012.7.12-2021.6.14	-	-	-	-	-	-
WANG Shihao (王世豪)	M	April 1950	Non-executive Director	In office	2018.7.5-2021.6.14	-	-	-	-	-	-
XIE Taifeng (謝太峰)	M	August 1958	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-
WU Ge (吳革)	M	May 1967	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-
CHAN Mei Bo Mabel (陳美寶)	F	November 1971	Independent non-executive Director	In office	2015.9.8-2021.6.14	-	-	-	-	-	-
LI Yanyan (李燕燕)	F	January 1968	Independent non-executive Director	In office	2018.7.5-2021.6.14	-	-	-	-	-	-

Note: The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Supervisors

Name	Gender	Date of birth	Position	Status	Term of Office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase in the number of Shares held during the Reporting Period (Shares)	Decrease in the number of Shares held during the Reporting Period (Shares)	Other increase and decrease (Shares)	Number of Shares held as at the end of the Reporting Period (Shares)
ZHAO Lijuan (趙麗娟)	F	September 1962	Chairwoman of the Board of Supervisors	In office	2016.6.17-2021.6.14	-	-	-	-	-	-
			Employee Supervisor	In office	2018.6.15-2021.6.14	-	-	-	-	-	-
ZHU Zhihui (朱志暉)	M	August 1969	Shareholder Supervisor	In office	2015.6.18-2021.6.14	-	-	-	-	-	-
MA Baojun (馬寶軍)	M	March 1963	External Supervisor	In office	2018.1.19-2021.6.14	-	-	-	-	-	-
SONG Ke (宋科)	M	April 1982	External Supervisor	In office	2017.5.19-2021.6.14	-	-	-	-	-	-
CHENG Jie (成潔)	F	December 1968	Employee Supervisor	In office	2018.6.15-2021.6.14	A Shares	6,309	-	-	-	6,309
LI Huaibin (李懷斌)	M	September 1969	Employee Supervisor	In office	2018.6.15-2021.6.14	-	-	-	-	-	-

Senior Management

Name	Gender	Date of birth	Position	Status	Term of Office	Class of Shares	Number of Shares held as at the beginning of the Reporting Period (Shares)	Increase in the number of Shares held during the Reporting Period (Shares)	Decrease in the number of Shares held during the Reporting Period (Shares)	Other increase and decrease (Shares)	Number of Shares held as at the end of the Reporting Period (Shares)
SHEN Xueqing (申學清)	M	July 1965	President	In office	Since 5 April 2012	-	-	-	-	-	-
XIA Hua (夏華)	M	August 1967	Vice President	In office	Since 6 February 2012	-	-	-	-	-	-
GUO Zhibin (郭志彬)	M	October 1968	Vice President	In office	Since 30 December 2015	A Shares	37,320	-	-	-	37,320
SUN Haigang (孫海剛)	M	August 1977	Vice President	In office	Since 28 February 2018	-	-	-	-	-	-
ZHANG Wenjian (張文建)	M	June 1965	Vice President	In office	Since 28 February 2018	-	-	-	-	-	-
FU Chunqiao (傅春喬)	M	October 1973	Vice President	In office	Since 29 March 2019	-	-	-	-	-	-
			Secretary of the Board	In office	Since 18 October 2013	-	-	-	-	-	-
LI Lei (李磊)	M	August 1973	Assistant to President	In office	Since 21 November 2017	A Shares	74,344	-	-	-	74,344
ZHANG Houlin (張厚林)	M	June 1976	Assistant to President	In office	Since 21 November 2017	-	-	-	-	-	-
LI Hong (李虹)	F	February 1973	Assistant to President	In office	Since 29 March 2019	A Shares	26,746	-	-	-	26,746
LIU Jiuqing (劉久慶)	M	March 1978	Assistant to President	In office	Since 29 March 2019	-	-	-	-	-	-
JIANG Tao (姜濤)	M	April 1972	Chief Information Officer	In office	Since 31 December 2015	A Shares	5,000	-	-	-	5,000
WANG Yanli (王燕麗)	F	October 1970	Chief Risk Officer	In office	Since 12 February 2018	A Shares	111,515	-	-	-	111,515
WANG Zhaoqi (王兆琪)	F	November 1967	Chief Auditor	In office	Since 8 March 2018	A Shares	70,617	-	-	-	70,617
MAO Yuezhen (毛月珍)	F	April 1963	Vice President	Resigned	2018.2.28-2019.5.5	A Shares	10,647	-	-	-	10,647
			Chief Accountant	Resigned	2011.10.21-2019.5.5	-	-	-	-	-	-

Note: The starting dates of the term of office represent the dates on which the relevant qualifications are approved by the banking regulatory authority.

The table above discloses the Shares directly held by the directors, the supervisors and senior management of the Bank. For the interests and short positions that the Directors, Supervisors and chief executive have in the Bank under the SFO and according to the Stock Exchange Listing Rules, please refer to the chapter headed "Report of the Board of Directors".

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

2 CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Type	Date	Reason
FU Chunqiao (傅春喬)	Vice President	Redeployed	29 March 2019	Work needs
LI Hong (李紅)	Assistant to President	Redeployed	29 March 2019	Work needs
LIU Jiuqing (劉久慶)	Assistant to President	Redeployed	29 March 2019	Work needs
MAO Yuezhen (毛月珍)	Vice President and Chief Accountant	Resigned	5 May 2019	Voluntarily resigned due to age

As considered and approved at the Board meeting held on 27 January 2019, the Board decided to appoint Mr. FU Chunqiao as the vice president of the Bank, and Ms. LI Hong and Mr. LIU Jiuqing as the assistants to president of the Bank. The qualifications of the aforesaid people were approved by the CBIRC Henan Office on 39 March 2019. For details, please refer to the announcements dated 28 January 2019 and 8 April 2019 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange.

On 5 May 2019, Ms. MAO Yuezhen resigned from vice president and chief accountant of the Bank due to age. For details, please refer to the announcements dated 10 May 2019 published by the Bank on the websites of CNINFO and the Hong Kong Stock Exchange.

3 CHANGES IN INFORMATION OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Mr. LIANG Songwei, a non-executive Director, has been the director and general manager of Zhengzhou National Central City Industrial Development Fund Co., Ltd. (鄭州市國家中心城市產業發展基金股份有限公司) since September 2019, and ceased to serve as the chairman of Zhengzhou Industry Development Guidance Fund Co., Ltd. (鄭州市產業發展引導基金有限公司) since January 2020.

Mr. XIE Taifeng, an independent non-executive Director, has ceased to be the independent director of Woori Bank (China) Limited (友利銀行(中國)有限公司) since September 2019, and has served as the independent director of China Film Co., Ltd. (中國電影股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600977) since October 2019 and as the independent non-executive director of Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 00416) since November 2019.

Mr. WU Ge, an independent non-executive Director, has been a supervisor of China Foundation for Disabled Persons (中國殘疾人福利基金會) since April 2019.

Mr. SONG Ke, an external Supervisor, has served as the deputy party secretary of School of Finance of Renmin University of China (中國人民大學財政金融學院) since April 2019, and ceased to serve as the assistant to the dean of the School of Finance of Renmin University of China (中國人民大學財政金融學院) and the independent non-executive director of Rongshu FinTech (Shenzhen) Limited (融數科技(深圳)有限公司) since May 2019, and has ceased to serve as the external supervisor of Xiamen International Financial Technology Co., Ltd. (廈門國際金融技術有限公司) since June 2019.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

4 POSITIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Biographies of Current Directors, Supervisors and Senior Management

Directors

Mr. WANG Tianyu has served as a Director of the Bank since December 2005 and the chairman of the Bank since March 2011, being primarily responsible for the overall operations and strategic management of the Bank. In addition, he has served as the chairman of Zhongmu Zhengyin County Bank (中牟鄭銀村鎮銀行) since May 2012.

Mr. WANG has over 27 years of experience in banking business operations and management. He joined the Bank in August 1996 and had successively served as the president of the Jingwu Road sub-branch and the vice president and president of the Bank from August 1996 to December 2011. Prior to that, Mr. WANG had served as the deputy manager and manager of the financial department of China Staff Travel Agency (中國職工旅行社) and Longxiang Hotel (龍祥賓館) from July 1988 to November 1992, and served as the deputy director of Henan Province Yugong Urban Credit Cooperatives (河南省豫工城市信用社) from November 1992 to August 1996. In addition, Mr. WANG has been a member of the 12th People's Congress of Henan Province (第十二屆河南省人民代表大會) since January 2013 and was awarded the title of "National Model Worker" (全國勞動模範) in April 2015. He was elected as a deputy to the 13th National People's Congress in January 2018.

Mr. WANG graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1988, majoring in finance, and obtained a bachelor's degree in economics. He obtained a master's degree in business administration from National University of Singapore (Singapore) in June 2006, an executive master's degree in business administration from Tsinghua University (Beijing, China) in January 2015 and a doctor's degree in economics from Huazhong University of Science and Technology (Hubei, China) in December 2018. He has been a senior accountant accredited by the People's Government of Henan Province since December 1998.

Mr. SHEN Xueqing has served as an executive Director of the Bank since July 2012 and the president of the Bank since April 2012. He is primarily responsible for the daily operations and management of the Bank.

Mr. SHEN has nearly 24 years of experience in banking business operations and management. He joined the Bank in December 2011. Prior to joining the Bank, he held a number of positions in Guangdong Development Bank Co., Ltd. (廣東發展銀行股份有限公司) (currently known as China Guangfa Bank Co., Ltd., 廣發銀行股份有限公司) from June 1996 to November 2011. He had served successively as the deputy manager and the manager of general office, the director of operations department and the assistant to sub-branch president of Huayuan Road sub-branch, Zhengzhou branch from June 1996 to October 2000, the assistant to sub-branch president, the vice president and the president of Dongming Road sub-branch, Zhengzhou branch from October 2000 to July 2004, the general manager of general office and the general manager of No. 3 corporate banking department of Zhengzhou branch from July 2004 to April 2006, the president of Anyang sub-branch from April 2006 to September 2009, and the vice president of Changsha branch from October 2009 to November 2011. Prior to that, he had worked at the Financial and Trade Commission of Pingdingshan City, Henan Province (河南省平頂山市財政貿易委員會) and successively served as staff member, deputy chief and deputy director of the general office from September 1990 to June 1996.

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Mr. SHEN graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1990, majoring in finance, and obtained a bachelor's degree in economics. He obtained an executive master's degree in business administration degree from Xi'an Jiaotong University (Shaanxi, China) in December 2008, and an executive master's degree in business administration from Tsinghua University (Beijing, China) in July 2015. He has been a senior economist accredited by the People's Government of Henan Province since December 2005.

Mr. FENG Tao has served as an executive Director and the vice chairman of the Bank since August 2016. He is primarily responsible for the operation of the internal audit office of the Board. In addition, he has served as the chairman of Queshan Zhengyin County Bank (確山鄭銀村鎮銀行) since November 2017.

Mr. FENG has over 39 years of experience in the banking industry. He joined the Bank in June 2016. Prior to that, he had worked in Shangcheng County sub-branch of the PBoC from December 1980 to August 1983 and served as the clerk, staff member, deputy chief staff member and chief staff member of PBoC Henan branch from July 1986 to December 1998, and chief staff member of bank management department of PBoC Zhengzhou Central Sub-branch from December 1998 to September 2003. He had held several positions in the Former CBRC Henan Office successively from September 2003 to May 2016 and during his tenure, he had served successively as principal staff member of the city commercial bank supervision department, deputy director of the logistics service center, deputy chief of No. 2 state-owned bank supervision department, deputy chief of No. 1 offsite supervision department, researcher of No. 1 offsite supervision department and researcher of state-owned bank supervision department from September 2003 to December 2012, chief of CBRC Jiaozuo Branch from December 2012 to February 2015, and chief of City Commercial Banks Regulatory Department from February 2015 to May 2016.

Mr. FENG studied finance in Henan College of Financial Management Cadres (河南金融管理幹部學院) (Henan, China) (open college) from August 1983 to July 1986, and graduated from Correspondence Education College of CPC Central Committee Party School (中共中央黨校函授學院) (Beijing, China) in December 1998, majoring in economic management (correspondence education). He has been an economist accredited by PBoC Henan Office since October 1993.

Mr. FAN Yutao has served as a non-executive Director of the Bank since September 2015. He has served as the deputy director of Zhengzhou Finance Bureau since February 2016 and director of Bridge Trust Co., Ltd. (百瑞信託有限責任公司) since June 2011. In addition, he had served as the staff member of the budget section of Zhengzhou Finance Bureau from July 1988 to June 1994, the deputy chief of the budget section of Zhengzhou Finance Bureau from June 1994 to April 2002, the chief of budget section of Zhengzhou Finance Bureau from April 2002 to April 2006 and the chief of treasury section of Zhengzhou Finance Bureau from April 2006 to July 2009, and the chief economist of Zhengzhou Finance Bureau from July 2009 to February 2016.

Mr. FAN graduated from the Information Engineering College of the People's Liberation Army of the PRC (中國人民解放軍信息工程學院) (Henan, China) in July 1988, majoring in computer science and engineering, and obtained a bachelor's degree in engineering. He also obtained a completion certificate in accounting from the Graduate School of the Institute of Fiscal Science of the Ministry of Finance (財政部財政科學研究所研究生部) (Beijing, China) in July 2001.

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Mr. ZHANG Jingguo has served as a non-executive Director of the Bank since July 2012. He has served as the chairman of Henan Zensun Property Co., Ltd. (河南正商置業有限公司) since January 2001. He has served as the chairman of the board, an executive director and the chief executive officer of Zensun Enterprises Limited (正商實業有限公司) (formerly known as ZH International Holdings Ltd., listed on the Hong Kong Stock Exchange, stock code:00185) since July 2015, and a co-chairman and director of Global Medical REIT (listed on the New York Stock Exchange, stock code: GMRE) since June 2016, an executive director of Henan Hongguang Zensun Property Co., Ltd. since October 2017 and chairman of Zanyu Technology Group Co., Ltd. (贊宇科技集團股份有限公司) (listed on the Shenzhen Stock Exchange, stock code:002637) since October 2018. In addition, he had served as the deputy chief of Henan Household Appliances Industry Co., Ltd. (河南省五金家電工業公司) from July 1983 to June 1991, the vice general manager of Henan Light Industry Corporation (河南省輕工實業總公司) from July 1991 to April 1995 and the general manager of Henan Xingye Real Estate Development Co., Ltd. (河南興業房地產開發有限公司) from April 1995 to April 2001.

Mr. ZHANG graduated from Zhengzhou University (Henan, China) in June 1983, majoring in wireless communication, and obtained a bachelor's degree in science. He also obtained a completion certificate in international trade from Renmin University of China (Beijing, China) in July 2001 and obtained an executive master's degree in business administration from Peking University (Beijing, China) in July 2013. He has been a senior engineer accredited by the People's Government of Henan Province since August 1997.

Mr. JI Hongjun has served as a non-executive Director of the Bank since July 2012. He has successively served as the deputy general manager and the vice president of Zhongyuan Trust Co., Ltd. (中原信託有限公司) since December 2003, a director of Great Wall Fund Management Co., Ltd. (長城基金管理有限公司) since December 2008 and a director of Henan Asset Management Company Limited (河南資產管理有限公司) since August 2017. In addition, he had served as the cadre of the finance and trade department of Henan Province Planning Economy Commission from July 1984 to December 1984, the clerk of the finance department and successively the staff member, the deputy chief staff member and the principal staff member of the foreign economy department of Henan Province Planning Economy Commission from December 1984 to December 1994, successively the principal staff member of the foreign economy department, the deputy chief of the senior officer department, the deputy chief of the fixed asset investment department of Henan Province Planning Commission from December 1994 to August 2000, the deputy chief of the finance department of Henan Province Development and Planning Commission (河南省發展計劃委員會) from August 2000 to November 2003 (serving as the deputy chief of the No. 1 credit loan section of Henan Branch of the China Development Bank (國家開發銀行河南省分行) from September 2002 to September 2003), and a non-executive director of Bank of China Travel Services Jiaozuo Co., Ltd. (焦作中旅銀行股份有限公司) from November 2012 to May 2016.

Mr. JI graduated from CPC Henan Provincial Committee Party School (中共河南省委黨校) (Henan, China) in July 1994, majoring in economics (evening college). He obtained a completion certificate of the program of post-graduate course for further studies in finance (金融學專業研究生課程進修班) from the Business School of Wuhan University (Hubei, China) in June 2004 and a master's degree in business administration from the Asia International Open University (Macau) (Macau, China) in November 2010. He has been a financial planner accredited by the Beijing Finance Training Centre (北京金融培訓中心) since October 2007.

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Mr. LIANG Songwe has served as a non-executive Director of the Bank since July 2012. He has served as the general manager of Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) since October 2008, a director of the aforesaid company since December 2009, the chairman of the aforesaid company since June 2015, and a director and general manager of Zhengzhou National Central City Industrial Development Fund Co., Ltd. (鄭州市國家中心城市產業發展基金股份有限公司) since September 2019. In addition, he served as the business manager of Henan Native Produce Import and Export Co., Ltd. (河南省土產進出口公司) from August 1989 to October 1996, the assistant to the general manager of Zhengzhou Baiwen Co., Ltd. (Group) (鄭州百文股份有限公司(集團)) from October 1996 to September 2008, the director of international trading department, a director and the deputy general manager of Zhengzhou Baiwen Group Co., Ltd. (鄭州百文集團有限公司) from October 1996 to October 2008, and the chairman of Zhengzhou Industry Development Guidance Fund Co., Ltd. (鄭州市產業發展引導基金有限公司) from January 2015 to December 2019.

Mr. LIANG graduated from the Graduate School of the Chinese Academy of Social Sciences (Beijing, China) in December 1998, majoring in literature and art, and earned a master's degree. He graduated from University of International Business and Economics (Beijing, China) in June 2005, majoring in international trade, and earned a master's degree in economics.

Mr. WANG Shihao has served as a non-executive Director of the Bank since July 2018. He has served as a part-time professor of Shanghai National Accounting Institute since July 2010, a part-time professor of Overseas Education College of Shanghai Jiao Tong University since January 2011, a part-time professor of the College of Business of Shanghai University of Finance and Economics since May 2013, and an independent director of Bank of Lanzhou Co., Ltd. since June 2016. In addition, He served as the director and the legal representative of Shanghai City Credit Cooperatives (上海市城市信用合作社聯社) from February 1991 to December 1995, the executive director and vice president of Shanghai City Cooperation Commercial Bank (上海城市合作商業銀行) (currently known as Bank of Shanghai) from December 1995 to May 2010, the legal representative of the Funds Clearing Centre for City Commercial Banks from July 2002 to August 2013, the special expert for decision consulting of the Shanghai People's Government (上海市人民政府決策諮詢特聘專家) from March 2008 to February 2010 and from December 2010 to November 2012, the independent director of Huishang Bank Corporation Limited from October 2011 to November 2018, the independent non-executive director of the Bank from July 2012 to June 2018 and a visiting professor (2012-2014) of the School of Economics of Fudan University from June 2012 to December 2014.

Mr. WANG graduated from Fudan University (Shanghai, China) in July 1984, majoring in financial management. He completed a joint program of executive master's degree of business administration organised by Shanghai National Accounting Institute (Shanghai, China) and Arizona State University (U.S.) in June 2005, and obtained a master's degree in business administration from Arizona State University (U.S.). He has been a senior economist accredited by the PBoC since July 1993.

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Mr. XIE Taifeng has served as an independent non-executive Director of the Bank since September 2015. He has served as the professor of School of Finance of Capital University of Economics and Business since July 2005, the independent director of Green Fund Management Co., Ltd. (格林基金管理有限公司) since October 2016, the independent director of China Film Co., Ltd. (中國電影股份有限公司) (listed on the Shanghai Stock Exchange, stock code: 600977) since October 2019, and the independent non-executive director of Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 00416) since November 2019. In addition, He served as the teaching assistant of the Economics Department, the lecturer of the Economics Department, the associate professor of the Business School, the dean of the Finance Department, the professor and the deputy dean of the Business School of Zhengzhou University from January 1982 to July 2000, the professor of Business Administration Branch School of Beijing Machinery Industry Institute (北京機械工業學院) from July 2000 to July 2005, the deputy dean, and the dean and PhD supervisor of School of Finance of Capital University of Economics and Business from January 2006 to March 2015, an independent director of China Haohua Chemical Group Co., Ltd. (中國昊華化工集團股份有限公司) from March 2013 to December 2018, and the independent director of Woori Bank (China) Limited (友利銀行(中國)有限公司) from September 2013 to September 2019.

Mr. XIE graduated from Zhengzhou University (Henan, China) in December 1981, majoring in politics and economics, and obtained a bachelor's degree in economics. He graduated from the Southwestern University of Finance and Economics (Sichuan, China) in July 1986, majoring in monetary banking, and obtained a master's degree in economics in January 1989. He obtained a doctoral degree in economics from Southwestern University of Finance and Economics (Sichuan, China) in January 2000. He has been a professor accredited by the People's Government of Henan Province since May 1996.

Mr. WU Ge has served as an independent non-executive Director of the Bank since September 2015. He has served as the director and the legal representative of Beijing Zhongwen Law Firm (北京市中聞律師事務所) since November 2013, the director of the Constitutional and Human Rights Committee of the All China Lawyers Association (中華全國律師協會憲法與人權專業委員會) since 2004, a part-time researcher of the Institute of Criminal Law Science of Beijing Normal University since August 2006, the director of the Chinese Overseas Friendship Association (中華海外聯誼會) since September 2008 and the executive director of the aforesaid association since May 2019, the standing vice president of the China Institute of Case-based Jurisprudence (中國案例法學研究會) since October 2013, a part-time researcher of the Human Rights Education and Research Centre of the Southwestern University of Politics and Law, being the National Base of Human Rights Education and Training, since April 2015, and a supervisor of China Foundation for Disabled Persons (中國殘疾人福利基金會) since April 2019. In addition, he served as a part-time professor of the Law School of China University of Political Science and Law from May 2007 to May 2010, a tutor of the Master of Laws program of the Law School of Tsinghua University from October 2012 to October 2015, a tutor of the Master of Laws program of the law school of Central University of Finance and Economics from December 2015 to 2018, a member of the 11th Henan Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆河南省委員會) from January 2013 to January 2018 and an independent member of the Loans Review Committee of the headquarters of China Development Bank from 2007 to 2018.

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Mr. WU graduated from Renmin University of China (Beijing, China) in January 2000, with a master's degree in law. He obtained a completion certificate of a post-graduate course in finance from the School of Economics of Peking University (Beijing, China) in December 2002.

Ms. CHAN Mei Bo Mabel has served as an independent non-executive Director of the Bank since September 2015. She established Mabel Chan & Co. (陳美寶會計師事務所) in January 1999. She has served as a member of Barristers Disciplinary Tribunal Panel of Hong Kong (香港大律師紀律審裁團) since May 2010, an independent non-executive director of Kingmaker Footwear Holdings Ltd. (listed on the Hong Kong Stock Exchange, stock code: 01170) since August 2011, and became the deputy managing partner of Grant Thornton Hong Kong Limited since January 2016. She has served as a member of the Small and Medium Enterprises Committee of HKSAR (香港中小型企業委員會) since January 2017, a member of the Securities and Futures Appeals Tribunal of HKSAR (香港證券及期貨事務上訴審裁處) since April 2017, a member of the Export Credit Insurance Corporation Advisory Board of HKSAR (香港出口信用保險局諮詢委員會) since April 2017, a member of the Air Transport Licensing Authority of HKSAR (香港空運牌照局) since August 2017 and a member of the Trade and Industry Advisory Board of HKSAR (香港工業貿易諮詢委員會) since September 2017. In addition, she served as a council member of the Association of Women Accountants HK Ltd. (香港女會計師協會) from January 2006 to March 2017 and the president of the aforesaid Institute in 2010, a member of the Council of Hong Kong Institute of Certified Public Accountants (香港會計師公會) from December 2007 to December 2018 and the president of the aforesaid Institute from December 2016 to December 2017. She served as the president of the Society of Chinese Accountants and Auditors (香港華人會計師公會) from December 2009 to December 2010, a school board member of Hong Kong Baptist University from January 2013 to December 2018, an independent non-executive Director of South China Assets Holdings Limited (formerly known as South China Land Limited, listed on the Hong Kong Stock Exchange, stock code: 08155) from May 2013 to March 2017, and a member of the Appeal Panel (Housing) of Hong Kong (香港上訴委員會 (房屋)) from April 2014 to April 2018.

Ms. CHAN obtained a master's degree in business administration from Hong Kong University of Science and Technology (Hong Kong, China) in November 2000. She has been a member of the Chartered Association of Certified Accountants (英國特許公認會計師公會) since November 1996, a member of Hong Kong Institute of Certified Public Accountants (香港會計師公會) since January 1997 and a certified public accountant (practising) accredited by the Hong Kong Institute of certificated Public Accountants (香港會計師公會) since 1999, a member of the Society of Chinese Accountants & Auditors (香港華人會計師公會) since December 2002, a member of the Institute of Chartered Accountants in England and Wales (英格蘭和韋爾斯特許會計師公會) since February 2008, and a member of CPA Australia (澳洲會計師公會) since 2017.

Ms. LI Yanyan has served as an independent non-executive Director of the Bank since July 2018. She has served as a professor of Zhengzhou University since May 2008, and the director and editor-in-chief of the editorial department for the university newspaper of Zhengzhou University since January 2015. Prior to this, she worked as a teacher in the social science department of the Xinxiang Medical University from July 1990 to August 1994, a teacher in the faculty of economics of Henan University from June 1997 to May 2001 and a teacher and deputy dean of the faculty of commerce of Zhengzhou University from May 2001 to January 2015.

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Ms. LI obtained a bachelor's degree in history from Henan University (Henan, China) in July 1990, a master's degree in economics from the Fudan University (Shanghai, China) in June 1997 and a doctorate degree in economics from Nanjing University (Jiangsu, China) in June 2007, and she carried out her post-doctoral research work at Chinese Academy of Social Sciences (Beijing, China) from October 2007 to April 2010. She has held the title of professor accredited by the People's Government of Henan Province since May 2008.

Supervisors

Ms. ZHAO Lijuan has served as a Supervisor and the chairwoman of the Board of Supervisors of the Bank since June 2016, and has served as the chairwoman of the labor union of the Bank since November 2007. In addition, she has served as chairwoman of Xunxian Zhengyin County Bank since November 2017.

Ms. ZHAO joined the Bank in August 1996 and had successively served as the vice president and the president of the Wulibao sub-branch, the president of the Jinhai Avenue sub-branch and the vice president of the Bank from August 1996 to June 2016, and a shareholder Supervisor and the chairwoman of the Board of Supervisors of the Bank from June 2016 to June 2018. She has served as an employee Supervisor and the chairwoman of the Board of Supervisors of the Bank since June 2018. Prior to joining the Bank, she successively served as the accountant and the accounting chief of Zhengzhou Wulibao City Credit Cooperatives (鄭州五裡堡城市信用社) from December 1984 to August 1996.

Ms. ZHAO graduated from the Air Force Logistics Management College of the People's Liberation Army of the PRC (中國人民解放軍空軍後勤管理學院) (Jiangsu, China) in June 2004, majoring in financial management. She obtained a completion certificate of advanced course program in finance major in the master of business administration program (工商管理碩士課程金融方向高級研修班) from the School of Finance of Renmin University of China (Beijing, China) in March 2008. She has been a senior political consultant accredited by the Senior Professional Evaluation Committee of Henan Province Enterprises' Ideological and Political Personnel (河南省企業思想政治工作人員高級專業職務任職資格評審委員會) since January 2009, and a senior economist accredited by the Ministry of Personnel of the PRC since November 2015.

Mr. ZHU Zhihui has served as a shareholder Supervisor of the Bank since June 2015. He had served as deputy general manager of Henan Province Light Industry Economic Technology Import and Export Co., Ltd. (河南省輕工經濟技術進出口公司) from June 1987 to March 1993 and the general manager of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) from March 1993 to November 2011. He served as the chairman of Zhengzhou Huida Industry (Group) Co., Ltd. (鄭州暉達實業(集團)有限公司) from May 1998 to December 2014, the chairman of Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司) since December 2005, the chairman of Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司) since November 2011, the chairman of Henan Huida Jiarui Property Co., Ltd. (河南暉達嘉睿置業有限公司) since 2013 and the chairman of Huida Holdings Limited (暉達控股有限公司) since 2015.

Mr. ZHU graduated from CPC Henan Provincial Committee Party School (中共河南省委黨校) (Henan, China) in December 1996, majoring in economic management (correspondence education), and obtained a completion certificate in business strategy advanced program (經營方略高級研修班) from Peking University (Beijing, China) in April 2010.

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Mr. MA Baojun has served as an external Supervisor of the Bank since January 2018. He has served as the chairman of Henan Songshan Technology and Innovation Fund Management Co., Ltd. (河南嵩山科創基金管理有限公司) since December 2016 and director of Tak Yau Limited since June 2017. He served as a staff member of the industry department of Zhengzhou Finance Bureau from August 1986 to November 1988, a staff member of the Zhengzhou Finance Bureau office from November 1988 to March 1992, the deputy director of the Zhengzhou Finance Bureau office from March 1992 to November 1993, the deputy general manager of Zhengzhou Trust Investment Company (鄭州信託投資公司) from November 1993 to October 1995, the general manager of Zhengzhou Trust Investment Company (鄭州信託投資公司) from October 1995 to May 2002, the chairman of the board of directors of Bridge Trust Investment Company Limited (百瑞信託投資有限責任公司) from May 2002 to April 2011, a member of the Communist Party Committee of SPIC Capital Holding Co., Ltd. (國家電投資本控股有限公司) from April 2011 to August 2016, the chairman of the board of directors of Bridge Trust Co., Ltd. (百瑞信託有限責任公司) from April 2011 to December 2016, the chairman of the board of directors of Central China Airport Industry Fund Management Co., Ltd. (中原航空港產業投資基金管理有限公司) from January 2015 to March 2018, the chairman of the board of directors of Henan Jianye Holdings Development Co., Ltd. (河南建業控股發展有限公司) from December 2016 to July 2018 and a director of Henan Houpu Jianye Fund Management Co., Ltd. (河南厚樸建業基金管理有限公司) from August 2017 to January 2019.

Mr. MA graduated from South-Central University for Nationalities (中南民族學院) (Hubei, China) in July 1986, majoring in Chinese language and literature, and obtained a bachelor's degree in arts. In June 2005, Mr. MA graduated from National University of Singapore (Singapore) and obtained a master's degree of business administration. He has been a senior economist accredited by the People's Government of Henan Province since April 1994.

Mr. SONG Ke has served as an external Supervisor of the Bank since May 2017. He has served as a lecturer in the Faculty of Monetary Finance of the School of Finance of Renmin University of China (中國人民大學財政金融學院貨幣金融系) since September 2015, deputy party secretary of the School of Finance of Renmin University of China (中國人民大學財政金融學院) since April 2019, a council director and deputy director of the International Monetary Institute of Renmin University of China (中國人民大學國際貨幣研究所) since January 2014 and an independent non-executive director of Zhejiang YongAn Rongtong Holdings Co., Ltd. (浙江永安融通控股股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 08211) since December 2017 and an independent non-executive director of Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) (listed on the Hong Kong Stock Exchange, stock code: 06199) since August 2018. Mr. SONG served as league secretary general of the School of Finance of Renmin University of China (中國人民大學財政金融學院) from July 2004 to September 2009 and a post-doctoral researcher of the School of Statistics of Renmin University of China from July 2012 to July 2015. He was appointed as deputy commissioner of the Banking Commission of the Guizhou People's Government Finance Office (貴州省政府金融辦銀行處) from November 2012 to December 2013. He served as the independent non-executive director of Rongshu FinTech (Shenzhen) Limited (融數科技(深圳)有限公司) from December 2017 to April 2019, as assistant to the dean of the School of Finance of Renmin University of China (中國人民大學財政金融學院) from January 2018 to December 2019, and as an external supervisor of Xiamen International Financial Technology Co., Ltd. (廈門國際金融技術有限公司) from October 2015 to May 2019.

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Mr. SONG graduated from the School of Finance of Renmin University of China (Beijing, China) in July 2004, majoring in finance, with a bachelor's degree in economics. He continued his masters and doctoral studies at the School of Finance of Renmin University of China (Beijing, China) from September 2006 to July 2012, and obtained a doctoral degree in economics.

Ms. CHENG Jie has served as an employee Supervisor of the Bank since June 2018, and has been the president of the Longzi Lake sub-branch of the Bank since September 2016. She joined the Bank in August 1996 and had successively served as the head of the credit section of the Jingwu Road sub-branch, an office head and deputy president of the Weier Road sub-branch and the president of the Wenbo sub-branch and the Eastern District sub-branch, respectively, from August 1996 to September 2016. Prior to this, Ms. CHENG served as an accounting staff member of Yellow River Shopping Mall in Zhengzhou City (鄭州市黃河商場) from December 1986 to May 1993. She had successively served various roles at Henan Province Yugong Urban Credit Cooperatives (河南省豫工城市信用社), such as a teller, the head of the savings department and the head of the credit department from May 1993 to August 1996.

Ms. CHENG graduated from the East China Institute of Technology (華東工學院) (currently known as Nanjing University of Science and Technology (南京理工大學)) (Jiangsu, China) in June 1992, majoring in accounting. She has been an economist accredited by the Ministry of Personnel of the PRC since November 2000.

Mr. LI Huaibin has served as an employee Supervisor of the Bank since June 2018, and has been the president of the Nongye Road East sub-branch of the Bank since September 2018. He joined the Bank in July 1997 and had successively served as an employee of the Commodity Exchange sub-branch, the chief of section of corporate banking department of the head office, the president of the Executive District sub-branch, the president of the Eastern District sub-branch, the president of the Xinyang sub-branch and the president of the Shangqiu branch of the Bank, respectively, from July 1997 to September 2018. Prior to this, he served as a sales manager of the sales department of Zhengzhou Grain Machinery Co., Ltd. (鄭州糧機股份有限公司) from July 1993 to July 1997.

Mr. LI graduated from Zhengzhou Institute of Food Science (鄭州糧食學院) (currently known as the Henan University of Technology (河南工業大學)) (Henan, China) in July 1993, with his bachelor's degree in food engineering, and graduated from Zhongnan University of Economics and Law (Hubei, China) in August 2007, with his master's degree in finance. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1998.

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Senior Management

For Mr. SHEN Xueqing's biography, please see the section headed "Directors" of this chapter.

Mr. XIA Hua has served as a vice president of the Bank since February 2012. He is primarily responsible for the operations of the asset security department, the financial market department, the investment banking department, and the asset management department. In addition, he has served as the chairman of Jiuding Financial Leasing Company since December 2019. Mr. XIA has nearly 30 years of experience in the banking industry. He joined the Bank in December 2011 and prior to joining the Bank, he had successively served in the Former CBRC Henan Office as a principal staff member and the deputy chief of the state-owned banking regulatory No. 1 department, the deputy chief and the regulatory researcher of the city commercial banks regulatory department from September 2003 to December 2011. He had successively served as the vice president of the PBoC sub-branch in Yichuan County, the deputy principal staff member and a principal staff member of the rural cooperative finance management department of the Henan office, a principal staff member of the cooperation department of the Zhengzhou regulatory office of the Jinan office, a principal staff member of the regulatory department of Agricultural Bank of China from August 1996 to September 2003, and a staff member of the foreign exchange department of PBoC Luoyang Office from July 1990 to July 1996.

Mr. XIA graduated from Beijing Agricultural Engineering University (北京農業工程大學) (Beijing, China) in July 1990, majoring in applied electronic technology, with a bachelor's degree in engineering, and an EMBA degree from the China Europe International Business School (中歐國際工商管理學院) (Shanghai, China) in October 2015. He has been an economist accredited by the Ministry of Personnel of the PRC since June 1995.

Mr. GUO Zhibin has served as the vice president of the Bank since December 2015. He is primarily responsible for the operations of the operations management department, the compliance department and the administrative management department of the Bank. In addition, he has served as the chairman of Xinzheng Zhengyin County Bank since July 2018. Mr. GUO has over 21 years of experience in the banking industry. He served as an assistant to the president of the Bank from December 2010 to December 2015. Prior to that, he had served as the president of the Huanghe Road sub-branch of the Zhengzhou branch at Industrial Bank Co., Ltd. (興業銀行股份有限公司) from March 2006 to December 2010. In addition, he had served at Everbright Bank Co., Ltd. (光大銀行股份有限公司) as the assistant to the president and the vice president of the Hongzhuan Road sub-branch of the Zhengzhou branch, the deputy general manager of corporate business No. 2 department of the Zhengzhou branch, and the general manager of the asset security department of the Zhengzhou branch from June 1999 to March 2006. He served as the manager of the general office and the deputy general manager of Henan Yutai Mall Co., Ltd. (河南豫泰商廈有限公司) from October 1997 to May 1999, and the deputy director of the general office of the Zheng Sanjie (政三街) sub-branch of the Bank and the Henan Province Labor City Credit Cooperative (河南省勞動城市信用社) from August 1996 to October 1997 and from January 1995 to August 1996, respectively.

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Mr. GUO graduated from Zhengzhou University (Henan, China) in June 1995, majoring in finance. He graduated from Henan University (Henan, China) with the completion of the national economics postgraduate course program (國民經濟學專業研究生課程進修班) in July 1999, and obtained a master's degree in business administration from the Asia International Open University (Macau) (Macau, China) in August 2004, and an EMBA degree from the Guanghua School of Management, Peking University (北京大學光華管理學院) (Beijing, China) in June 2017. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1997.

Mr. SUN Haigang has served as a vice president of the Bank since February 2018. He is primarily responsible for the credit approval department, the credit extension management department, the risk management department and the information technology department (formerly known as the science and technology development department) of the Bank. Mr. SUN has nearly 11 years of experience in the banking industry. He joined the Bank in October 2009 and served as an assistant to the president of the Bank and the general manager of the strategic development department of the Board from October 2009 to October 2013, and an assistant to the president of the Bank and the president of the Luoyang branch from October 2013 to April 2016. Prior to joining the Bank, he worked at Baoshan Iron & Steel Co., Ltd. (寶山鋼鐵股份有限公司) from July 2007 to September 2009.

Mr. SUN graduated from Henan University (Henan, China) in June 2000, majoring in marketing (advertising), with a bachelor of arts degree. He graduated from Henan University (Henan, China) in July 2004, majoring in political economics, with a master's degree in economics. He graduated from Shanghai University of Finance and Economics (Shanghai, China) in June 2007, majoring in industrial economics, with a doctoral degree in economics. He has been a senior economist accredited by the Human Resources and Social Security Ministry of the PRC since December 2014.

Mr. ZHANG Wenjian has served as a vice president of the Bank since February 2018, and as the president of the Financial Institute (金融研究院) and director of the Office of the Postdoctoral Research Workstation (博士後科研工作站). He is primarily responsible for the operations of the channel management department, the retail banking department, the credit card department, the financial department of small business, the Financial Institute, and the Postdoctoral Research Workstation. Mr. ZHANG has over 35 years of experience in the banking industry. He joined the Bank in November 1997 and had successively served as a staff member of the Zhengliu Street sub-branch, the deputy general manager of the financial accounting department, the general manager of the accounting and settlement department, the general manager of the corporate business department, a member of the preparatory team of the Nanyang branch, and the president of the Nanyang branch from November 1997 to May 2011. He served as an assistant to president of the Bank from May 2011 to March 2018. Prior to that, he had served as the deputy chief of the accounting section and the director of the transaction centre of the Jinshui sub-branch of Industrial & Commercial Bank of China Limited (中國工商銀行股份有限公司) from February 1985 to November 1997.

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Mr. ZHANG graduated from Zhengzhou Workers' University (鄭州市職工大學) (Henan, China) in June 1989, majoring in applied computer science, and graduated from Nanjing Institute of Political Science (南京政治學院) (Jiangsu, China) in June 2005, majoring in economic management and graduated from the School of Economic Management of Nankai University (Tianjin, China), majoring in economic management in June 2016. He has been a senior economist accredited by the Ministry of Personnel of the PRC since December 2016.

Mr. FU Chunqiao has served as a vice president of the Bank since March 2019, as the secretary of the Board since October 2013, and director of the Office of the Board of Directors of the Bank since January 2011. He is primarily responsible for the operations of the finance and accounting department, the assets and liabilities management department, and the Office of the Board of Directors. Mr. FU has over 23 years of experience in the banking industry. He joined the Bank in August 1996, and had served successively as the deputy manager and the deputy general manager of the planning and asset department, and the deputy general manager and the general manager of the asset operation department from March 2000 to January 2011.

Mr. FU graduated from Henan Institute of Finance and Economics (河南財經學院) (Henan, China) in June 1995, majoring in money and banking. He obtained a master's degree in law from Zhengzhou University (Henan, China) in June 2008. He has been an economist accredited by the Ministry of Personnel of the PRC since November 1999.

Mr. LI Lei has served as an assistant to the president of the Bank since November 2017. He is primarily responsible for the operations of the corporate business department and the transaction banking department. Mr. LI has about 28 years of experience in the banking industry. He joined the Bank in September 1996, and had successively served as the deputy chief of the accounting section, the deputy director of the transaction centre of the Jinhai Avenue sub-branch, the deputy manager of the asset security department and the credit department, the deputy general manager of the risk management department, the deputy general manager of the credit approval department of the head office, the president of the Zidong sub-branch, the president of the Baolongcheng sub-branch, and the president of the Xinzheng sub-branch, the general manager of the corporate business department of the head office, the president of the Xinxiang branch and the president of the Luoyang branch from September 1996 to November 2017. Prior to that, he worked at Zhengzhou Urban Credit Cooperatives from July 1992 to August 1996.

Mr. LI graduated from the Party School of the Central Committee of the Communist Party of China (Beijing, China) in December 1996, majoring in foreign economics, and graduated from TEDA College, Nankai University (南開大學泰達學院) (Tianjin, China) in July 2017, majoring in finance. He has been an assistant accountant accredited by the Ministry of Personnel of the PRC since April 1996.

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Mr. ZHANG Houlin has served as an assistant to the president of the Bank since November 2017. He is primarily responsible for the operations of the Nanyang branch and serves as its president. Mr. ZHANG has about 21 years of experience in the banking industry. He joined the Bank in August 1999, and had successively served as a staff member of the head office business department, a staff member of the head office corporate business department, the president of the Longhai East Road sub-branch, the president of the Dengfeng sub-branch, the president of the Anyang branch and the president of the Nanyang branch from August 1999 to December 2017.

Mr. ZHANG graduated from Zhengzhou Shengda University of Economics, Business & Management (鄭州大學升達經貿學院) (Henan, China) in July 1999, majoring in accounting, and graduated from Nankai University (Tianjin, China) in June 2018 with a master's degree in senior executive business administration. He has been an accountant accredited by the MOF since May 1999.

Ms. LI Hong has served as an assistant to the president of the Bank since March 2019 and has served as the president of the Zhongyuan Road sub-branch of the Bank since October 2016. She is mainly responsible for the operations of Zhongyuan Road sub-branch and assisting Mr. LI Lei in managing the institutional customer center of the corporate business department (now merged into the institutional business department). Ms. LI has over 24 years of experience in the banking industry. She joined the Bank in August 1996 and had served successively as a teller and the director of the business department of Longhai sub-branch, director of the business department, manager of the marketing department, and president of Xijiancai sub-branch, and the president of Jinyicheng sub-branch of the Bank from August 1996 to October 2016. Prior to that, she served as a teller at the Longhai Urban Credit Cooperatives in Zhengzhou from January 1995 to August 1996.

Ms. LI graduated from Henan Sports School (河南省體育運動學校) (Henan, China) in July 1994, majoring in physical education, and graduated from Nankai University (Tianjin, China) in December 2016 with a master's degree in business administration. She has been an assistant accountant accredited by the People's Government of Guancheng Hui District, Zhengzhou since January 2001.

Mr. LIU Jiuqing has served as an assistant to the president of the Bank since March 2019, the general manager of Zhengzhou management department since April 2019, and the general manager of the investment banking department of the Bank since January 2017. He is mainly responsible for the operations of the investment banking department and the Zhengzhou management department, and assists Mr. XIA Hua in managing the asset preservation department. Mr. LIU has nearly 19 years of experience in the banking industry. He joined the Bank in May 2012 and had served successively as the director of the No.3 market development department, the general manager of the trade finance department and the director of the No.3 market development department, and the general manager of the trade finance department of the Bank from May 2012 to January 2017. Prior to that, he served successively as the accountant of the business department, the account manager of the personal banking department, and the account manager of the corporate banking department of Dongming Road sub-branch of Zhengzhou branch of Guangfa Bank, and the deputy manager and manager of the corporate department, assistant to the president, and vice president of Huanghe Road sub-branch of Zhengzhou Branch of Guangfa Bank from July 2001 to May 2012.

Mr. LIU graduated from Henan Business College (河南商業高等專科學校) (now merged into Henan University of Animal Husbandry & Economy (河南牧業經濟學院), Henan, China) in July 2001, majoring in public relations and secretarial work, and graduated from Nankai University (Tianjin, China) in July 2017, majoring in finance. He has been a junior economist accredited by the Ministry of Personnel of the PRC since November 2004.

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Mr. JIANG Tao has served as the chief information officer of the Bank since December 2015, and the general manager of the information technology department (formerly known as the science and technology development department) of the Bank since April 2005. Mr. JIANG has nearly 26 years of experience in the banking industry. He joined the Bank in August 1996, and had served successively as the assistant engineer of the science and technology department, the chief of the ex post-supervision and development department and the chief and deputy general manager of the science and technology development department from August 1996 to April 2005.

Mr. JIANG graduated from Zhengzhou University (Henan, China) in July 1994, majoring in computer science and its application. He obtained a master's degree in computer engineering from PLA Information Engineering University (Henan, China) from September 2002 to July 2005. He has been a senior programmer accredited by the Examination Board of China Qualification Certificate of Computer and Software Technology Proficiency (中國計算機軟件專業技術資格和水平考試委員會) since October 2003.

Ms. WANG Yanli has served as the chief risk officer of the Bank since February 2018. She is primarily responsible for asset security and risk management of the Bank. Ms. WANG joined the Bank in August 1996, and had successively served as a vice president of the Jinhai Avenue sub-branch, the president of the Jinhai Avenue sub-branch, the president of the Dashiqiao sub-branch, the director of the head office business department of the Bank, the general manager of the risk management department, the general manager of the credit approval department, the chief risk officer and the general manager of the risk management department from August 1996 to February 2018. Prior to joining the Bank, she served as deputy director of Zhengzhou Urban Credit Cooperatives from June 1995 to August 1996, worked in Zhengzhou Urban Credit Cooperatives from July 1991 to June 1995 and worked in the North Electric Power Section of Zhengzhou Railway Bureau (鄭州鐵路局北電務段) from December 1989 to June 1991.

Ms. WANG graduated from Zhongzhou University in July 1989 with a major in household appliances. She obtained her master's degree in business administration from Kunming University of Science and Technology from September 2009 to July 2011. She has been a senior accountant accredited by the MOF since October 2016 and an economist accredited by the MOF since October 2016.

Ms. WANG Zhaoqi has served as the chief auditor of the Bank since March 2018. She is primarily responsible for the internal audit. Ms. WANG joined the Bank in August 1996 and worked in the accounting office of the Bank from August 1996 to July 1999. She had successively served as the auditor of deputy division level of the audit and supervision department, the vice general manager of the audit and supervision department, the vice general manager (presiding) of the post-supervision department, the general manager of the post-supervision department, the general manager of the audit department, the director of the internal audit office of the Board, the general manager of the former accounting and settlement department and the general manager of the operations management department from July 1999 to March 2018. Prior to this, she worked in the accounting department of Zhengzhou Urban Credit Union (鄭州市城市信用聯社) from July 1991 to August 1996 and worked in Zhengzhou Construction Urban Credit Cooperative (鄭州市建設城市信用社) from November 1984 to July 1991.

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Ms. WANG graduated from Renmin University of China in June 2018 with a major in business administration. She has been a senior accountant accredited by the Department of Personnel of Henan Province since December 2007 and a senior auditor accredited by the Department of Personnel of Henan Province since September 2008.

Joint Company Secretaries

Mr. FU Chunqiao, is one of the joint company secretaries of the Bank being appointed on 29 September 2015. Please see the section headed “Senior Management” for his biography of this chapter.

Ms. LEUNG Wing Han Sharon, is one of the joint company secretaries of the Bank being appointed on 6 November 2015. Ms. LEUNG is the president of SWCS Corporate Services Group (Hong Kong) Limited. She has over 14 years of experience in finance, accounting and company secretarial matters. Ms. LEUNG holds degrees of bachelor of business administration in accounting, bachelor of laws, and master of laws in international corporate and financial law. Ms. LEUNG is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the UK, and the Association of Chartered Certified Accountants in the UK. She is also a member of the Hong Kong Institute of Certified Public Accountants.

4.2 Positions of Current Directors, Supervisors and Senior Management in Shareholder Units

Name of the incumbent	Name of Shareholder Unit	Position taken in Shareholder Unit	Term of Office	Remuneration Allowance from Shareholder Unit
FAN Yutao (樊玉濤)	Zhengzhou Finance Bureau (鄭州市財政局)	Deputy director	Since February 2016	Yes
FAN Yutao (樊玉濤)	Bridge Trust Co., Ltd. (百瑞信託有限責任公司)	Director	Since June 2011	No
JI Hongjun (姬宏俊)	Zhongyuan Trust Co., Ltd. (中原信託有限公司)	Deputy president	Since December 2003	Yes
LIANG Songwei (梁嵩巍)	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司)	Chairman	Since June 2015	Yes
ZHU Zhihui (朱志暉)	Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司)	Chairman	Since December 2005	No

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4.3 Positions of Current Directors, Supervisors and Senior Management in Other Units (Excluding Shareholder Units)

Name of the Incumbent	Name of Other Unit	Position taken in Other Unit	Term of Office	Remuneration Allowance from Other Unit
WANG Tianyu (王天宇)	Zhongmu Zhengyin County Bank	Chairman	Since May 2012	No
FENG Tao (馮濤)	Queshan Zhengyin County Bank	Chairman	Since November 2017	No
ZHANG Jingguo (張敬國)	Henan Zensun Property Co., Ltd. (河南正商置業有限公司)	Chairman	Since January 2001	Yes
ZHANG Jingguo (張敬國)	Zensun Enterprises Limited (正商實業有限公司)	Chairman of the board, executive director and chief executive officer	Since July 2015	No
ZHANG Jingguo (張敬國)	Global Medical REIT	Co-chairman and director	Since June 2016	No
ZHANG Jingguo (張敬國)	Henan Hongguang Zensun Property Co., Ltd. (河南宏光正商置業有限公司)	Executive Director	Since October 2017	No
ZHANG Jingguo (張敬國)	Zanyu Technology Group Co., Ltd. (贊宇科技集團股份有限公司)	Chairman	Since October 2018	No
Ji Hongjun (姬宏俊)	Great Wall Fund Management Co., Ltd. (長城基金管理有限公司)	Director	Since December 2008	Yes
Ji Hongjun (姬宏俊)	Henan Asset Management Company Limited (河南資產管理有限公司)	Director	Since August 2017	No
LIANG Songwei (梁嵩巍)	Zhengzhou National Central City Industrial Development Fund Co., Ltd. (鄭州市國家中心城市產業發展基金股份 有限公司)	Director, General Manager	Since September 2019	No
LIANG Songwei (梁嵩巍)	Zhengzhou Industry Development Guidance Fund Co., Ltd. (鄭州市產業發展引導基金 有限公司)	Chairman	From January 2015 to December 2019	No
WANG Shihao (王世豪)	Shanghai National Accounting Institute	Part-time professor	Since July 2010	No
WANG Shihao (王世豪)	Overseas Education College of Shanghai Jiao Tong University	Part-time professor	Since January 2011	No
WANG Shihao (王世豪)	College of Business of Shanghai University of Finance and Economics	Part-time professor	Since May 2013	No
WANG Shihao (王世豪)	Bank of Lanzhou Co., Ltd.	Independent director	Since June 2016	Yes
XIE Taifeng (謝太峰)	School of Finance of Capital University of Economics and Business	Professor	Since July 2005	Yes
XIE Taifeng (謝太峰)	Woori Bank (China) Limited (友利銀行(中國)有限公司)	Independent director	From September 2013 to September 2019	Yes
XIE Taifeng (謝太峰)	Green Fund Management Co., Ltd. (格林基金管理有限公司)	Independent director	Since October 2016	Yes
XIE Taifeng (謝太峰)	China Film Co., Ltd. (中國電影股份有限公司)	Independent director	Since October 2019	Yes
XIE Taifeng (謝太峰)	Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司)	Independent non-executive director	Since November 2019	Yes
WU Ge (吳革)	Beijing Zhongwen Law Firm (北京市中聞律師事務所)	Director	Since November 2013	Yes

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Name of the Incumbent	Name of Other Unit	Position taken in Other Unit	Term of Office	Remuneration Allowance from Other Unit
WU Ge (吳革)	Constitutional and Human Rights Committee of the All China Lawyers Association (中華全國律師協會憲法與人權專業委員會)	Director	Since 2004	No
WU Ge (吳革)	Institute of Criminal Law Science of Beijing Normal University	Part-time researcher	Since August 2006	No
WU Ge (吳革)	Chinese Overseas Friendship Association (中華海外聯誼會)	Executive Director	Since May 2019	No
WU Ge (吳革)	China Institute of Case-based Jurisprudence (中國案例法學研究會)	Standing vice president	Since October 2013	No
WU Ge (吳革)	National Base of Human rights Education and Training, i.e. Human Rights Education and Research Centre of the Southwestern University of Politics and Law	Part-time researcher	Since April 2015	No
WU Ge (吳革)	China Foundation for Disabled Persons (中國殘疾人福利基金會)	Supervisor	Since April 2019	No
CHAN Mei Bo Mabel (陳美寶)	Mabel Chan & Co. (陳美寶會計師事務所)	Founder	Since January 1999	Yes
CHAN Mei Bo Mabel (陳美寶)	Barristers Disciplinary Tribunal Panel of Hong Kong (香港大律師紀律審裁團)	Member	Since May 2010	No
CHAN Mei Bo Mabel (陳美寶)	Kingmaker Footwear Holdings Ltd.	Independent non-executive director	Since August 2011	Yes
CHAN Mei Bo Mabel (陳美寶)	Grant Thornton Hong Kong Limited	Deputy managing partner	Since January 2016	Yes
CHAN Mei Bo Mabel (陳美寶)	Small and Medium Enterprises Committee of HKSAR (香港中小型企業委員會)	Member	Since January 2017	No
CHAN Mei Bo Mabel (陳美寶)	Securities and Futures Appeals Tribunal of HKSAR (香港證券及期貨事務上訴審裁處)	Member	Since April 2017	No
CHAN Mei Bo Mabel (陳美寶)	Export Credit Insurance Corporation Advisory Board of HKSAR (香港出口信用保險局諮詢委員會)	Member	Since April 2017	No
CHAN Mei Bo Mabel (陳美寶)	Air Transport Licensing Authority of HKSAR (香港空運牌照局)	Member	Since August 2017	No
CHAN Mei Bo Mabel (陳美寶)	Trade and Industry Advisory Board of HKSAR (香港工業貿易諮詢委員會)	Member	Since September 2017	No
LI Yanyan (李燕燕)	Zhengzhou University	Professor	Since May 2008	Yes
LI Yanyan (李燕燕)	Editorial department for the university newspaper of Zhengzhou University	Director and editor-in-chief	Since January 2015	Yes
ZHAO Lijuan (趙麗娟)	Xunxian Zhengyin County Bank	Chairwoman	Since November 2017	No
ZHU Zhihui (朱志暉)	Zhengzhou Huida Real Estate Development Co., Ltd. (鄭州暉達房地產開發有限公司)	Chairman	Since November 2011	No
ZHU Zhihui (朱志暉)	Huida Holdings Limited (暉達控股有限公司)	Chairman	Since January 2015	No

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Name of the Incumbent	Name of Other Unit	Position taken in Other Unit	Term of Office	Remuneration Allowance from Other Unit
ZHU Zhihui (朱志暉)	Henan Jiarui Property Co., Ltd. (河南嘉睿置業有限公司)	Chairman	Since March 2013	Yes
MA Baojun (馬寶軍)	Henan Songshan Technology and Innovation Fund Management Co., Ltd. (河南嵩山科創基金管理有限公司)	Chairman	Since December 2016	Yes
MA Baojun (馬寶軍)	Tak Yau Limited	Director	Since June 2017	No
MA Baojun (馬寶軍)	Henan Houpu Jianye Fund Management Co., Ltd. (河南厚樸建業基金管理有限公司)	Director	From August 2017 to January 2019	No
SONG Ke (宋科)	International Monetary Institute of Renmin University of China (中國人民大學國際貨幣研究所)	Council director and deputy director	Since January 2014	No
SONG Ke (宋科)	Faculty of Monetary Finance of the School of Finance of Renmin University of China (中國人民大學財政金融學院貨幣金融系)	Lecturer	Since September 2015	Yes
SONG Ke (宋科)	School of Finance of Renmin University of China (中國人民大學財政金融學院)	Deputy party secretary	Since April 2019	No
SONG Ke (宋科)	Zhejiang YongAn Rongtong Holdings Co., Ltd. (浙江永安融通控股股份有限公司)	Independent non-executive director	Since December 2017	Yes
SONG Ke (宋科)	Bank of Guizhou Co., Ltd	Independent non-executive director	Since August 2018	Yes
SONG Ke (宋科)	Rongshu FinTech (Shenzhen) Limited (融數科技(深圳)有限公司)	Independent non-executive director	From December 2017 to April 2019	Yes
SONG Ke (宋科)	School of Finance of Renmin University of China (中國人民大學財政金融學院)	Assistant to the dean	From January 2018 to December 2019	No
SONG Ke (宋科)	Xiamen International Financial Technology Co., Ltd. (廈門國際金融技術有限公司)	External supervisor	From October 2015 to May 2019	No
XIA Hua (夏華)	Jiuding Financial Leasing Company	Chairman	Since December 2019	No
GUO Zhibin (郭志彬)	Xinzheng Zhengyin County Bank	Chairman	Since July 2018	No

4.4 Penalties Imposed on Directors, Supervisors and Senior Management Who Currently Hold Positions or Resigned During the Reporting Period in the Past Three Years

The Directors, Supervisors and senior management of the Bank who currently hold positions or resigned during the Reporting Period did not have any punishments by the securities regulatory authorities in the past three years.

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5 REMUNERATION POLICY AND ANNUAL REMUNERATION FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Remuneration Policy

5.1.1 *The Decision-making Process*

The Bank's general meeting decides on the remuneration of Directors and Supervisors, considers and approves the remuneration measures for Directors and Supervisors, authorises the remuneration and appraisal committee of the Board to formulate the remuneration plan for the relevant Directors and Supervisors, and is responsible for the assessment and implementation. The Board of the Bank determines the remuneration of the senior management personnel, considers and approves the remuneration measures for senior management personnel, authorises the remuneration and appraisal committee of the Board to formulate the remuneration plan of relevant senior management personnel, and is responsible for assessment and implementation.

5.1.2 *Determination Basis*

According to the Administrative Measures of Bank of Zhengzhou Co., Ltd. on Remuneration and Performance for Directors and Supervisors at Governance Level and the Administrative Measures of Bank of Zhengzhou Co., Ltd. on Remuneration and Performance for Senior Management at Operation Level, the Bank determined the total annual remuneration of the Chairman of the Board, the vice Chairman of the Board, the chairman of the Board of Supervisors and senior management personnel based on their annual assessment results. The Bank remunerates non-executive Directors and independent non-executive Directors according to the payment plan for allowances of the non-executive Directors and remuneration of independent non-executive Directors, and remunerates the shareholder Supervisors and external Supervisors based on the payment plan for allowances of shareholder Supervisors and remuneration of external Supervisors. The remuneration standard of other Supervisors is implemented in accordance with relevant measures of the Bank.

5.1.3 *Actual Payments*

The Bank pays the basic salaries of the Chairman of the Board, the vice Chairman of the Board, the chairman of the Board of Supervisors and the senior management according to the remuneration management system; and pays the performance salaries according to the annual performance assessment. As the chairman of the Board, the chairman of the Board of Supervisors, the full-time deputy party secretary and the Secretary of Committee for Discipline Inspection are municipal government officials, only the basic salary portion are paid to them preliminarily. The actual salary will be calculated after the superior department determines the new salary evaluation plan and standard, and the difference will be paid or refunded as the case may be. Other Directors and Supervisors are paid monthly according to the allowance standards.

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5.2 Remuneration for Directors, Supervisors and Senior Management

Unit: RMB'000

Name	Position	Status	Total remuneration from the Bank before tax during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
WANG Tianyu (王天宇)	Chairman and Executive Director	In office	1,212	No
SHEN Xueqing (申學清)	President and Executive Director	In office	1,803	No
FENG Tao (馮濤)	Vice Chairman and Executive Director	In office	1,708	No
FAN Yutao (樊玉濤)	Non-executive Director	In office	–	Yes
ZHANG Jingguo (張敬國)	Non-executive Director	In office	36	Yes
JI Hongjun (姬宏俊)	Non-executive Director	In office	36	Yes
LIANG Songwei (梁嵩巍)	Non-executive Director	In office	–	Yes
WANG Shihao (王世豪)	Non-executive Director	In office	169	No
XIE Taifeng (謝太峰)	Independent non-executive Director	In office	180	No
WU Ge (吳革)	Independent non-executive Director	In office	180	No
CHAN Mei Bo Mabel (陳美寶)	Independent non-executive Director	In office	180	No
LI Yanyan (李燕燕)	Independent non-executive Director	In office	–	No
ZHAO Lijuan (趙麗娟)	Chairwoman of the Board of Supervisor and Employee Supervisor	In office	1,091	No
ZHU Zhihui (朱志暉)	Shareholder Supervisor	In office	36	Yes
MA Baojun (馬寶軍)	External Supervisor	In office	150	No
SONG Ke (宋科)	External Supervisor	In office	150	No
CHENG Jie (成潔)	Employee Supervisor	In office	1,056	No
LI Huaibin (李懷斌)	Employee Supervisor	In office	1,659	No
XIA Hua (夏華)	Vice President	In office	1,708	No
GUO Zhibin (郭志彬)	Vice President	In office	1,613	No
SUN Haigang (孫海剛)	Vice President	In office	1,613	No
ZHANG Wenjian (張文建)	Vice President	In office	1,613	No
FU Chunqiao (傅春喬)	Vice President and Secretary of the Board of Directors	In office	1,613	No

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Name	Position	Status	Total remuneration from the Bank before tax during the Reporting Period	Whether obtained remuneration from the related parties of the Bank
LI Lei (李磊)	Assistant to President	In office	1,518	No
ZHANG Houlin (張厚林)	Assistant to President	In office	535	No
LI Hong (李紅)	Assistant to President	In office	1,852	No
LIU Jiuqing (劉久慶)	Assistant to President	In office	1,369	No
JIANG Tao (姜濤)	Chief Information Officer	In office	949	No
WANG Yanli (王艷麗)	Chief Risk Officer	In office	1,139	No
WANG Zhaoqi (王兆琪)	Chief Auditor	In office	949	No
MAO Yuezhen (毛月珍)	Vice President and Chief Accountant	Resigned	1,548	No
Total	-	-	27,665	-

5.3 Share Incentives Granted for Directors, Supervisors and Senior Management During the Reporting Period

During the Reporting Period, the Directors, Supervisors and senior management personnel of the Bank neither held any options nor were granted restricted share units or any forms of share incentives.

6 STAFF

6.1 Composition

As at the end of the Reporting Period, the following table sets out the composition of employees of the Bank:

	Number
Number of in-service employees of the Bank	4,854
Number of in-service employees of the subsidiaries	285
Total number of in-service employees	5,139
Total number of employees receiving remuneration during the period	5,139
Number of resigned and retired employees with costs borne	1,054

Note: The number of employees excludes dispatched employees.

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By department/function

Job category	Number of employees	Percentage
Corporate banking	742	14%
Retail banking	1,312	25%
Risk management, internal audit and compliance	344	7%
Finance and accounting	1,420	28%
I.T.	207	4%
Business management and support	1,114	22%
Total	5,139	100%

By age

Age group	Number of employees	Percentage
30 years old or below	2,030	40%
31 to 40 years old	2,176	42%
41 to 50 years old	737	14%
Over 50 years old	196	4%
Total	5,139	100%

By level of education

Highest level of education	Number of employees	Percentage
Master's degree or above	836	16%
Bachelor's degree	3,545	69%
Non-degree tertiary	509	10%
Others	249	5%
Total	5,139	100%

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6.2 Staff Training Plan

The Bank formulated the annual training plan based on the annual development strategies and the actual business development needs. The Bank focused on capacity building, improved its training system and strengthened the construction of the training management mechanism, providing a strong talent pool support for the long-term development of the Bank. During the Reporting Period, the Bank consolidated the three-level training resources at its headquarters, branches and sub-branches as well as launching training camps for president of model bank in retail, capacity improvement project for account manager reform team leaders, curriculum system review for independent approvers, training on professional knowledge and marketing skills for junior staff, workspace orientation training for new college recruits and reserve cadres training for head office staff according to the core business of each line. In addition, the Bank has remained committed to building mobile learning platforms and internal instructor teams, offering sound faculty and on-line platform support.

6.3 Remuneration Policy for Staff

The Bank adheres to the principles of “fairness, competition and incentivisation” in formulating its remuneration policy. In other words, the remuneration policy shall be able to reflect external fairness, internal fairness and individual fairness of salary; it shall be conducive to enhancing our market competitiveness and attractiveness to talented people. When adjusting its remuneration structure, the Bank will increase the level of remuneration for positions whose remunerations are far below the market level based on the results of a market salary survey, so as to ensure the level of remuneration offered by us is competitive; and it shall also be able to make our salary more incentivised, namely to motivate our employees by incorporating floating wages and performance-linked bonus and other incentive components into our salary packages, and to provide employees at different positions with equal promotion opportunities by designing different promotion channels. The Bank makes social insurance contributions and housing provident fund contributions and provides other employee benefit packages for employees in accordance with applicable laws, rules and regulations of the PRC.

6.4 Labor Outsourcing

As at the end of the Reporting Period, the Bank had 348 dispatched employees. The positions assigned to dispatched employees were mainly auxiliary positions such as savings tellers, lobby assistants, voucher scanning, file input and drivers. The Bank’s unified management systems on vacation, induction, training, etc., also apply to the dispatched employees. The salaries of the dispatched employees were determined based on their performance assessment results. The Bank assesses the dispatched employees regularly and transfers the dispatched employees to official staff in proportion on merit.

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7 BASIC INFORMATION OF INSTITUTIONS UNDER THE BANK

The following table sets out the branches and sub-branches of the Bank as at the end of the Reporting Period:

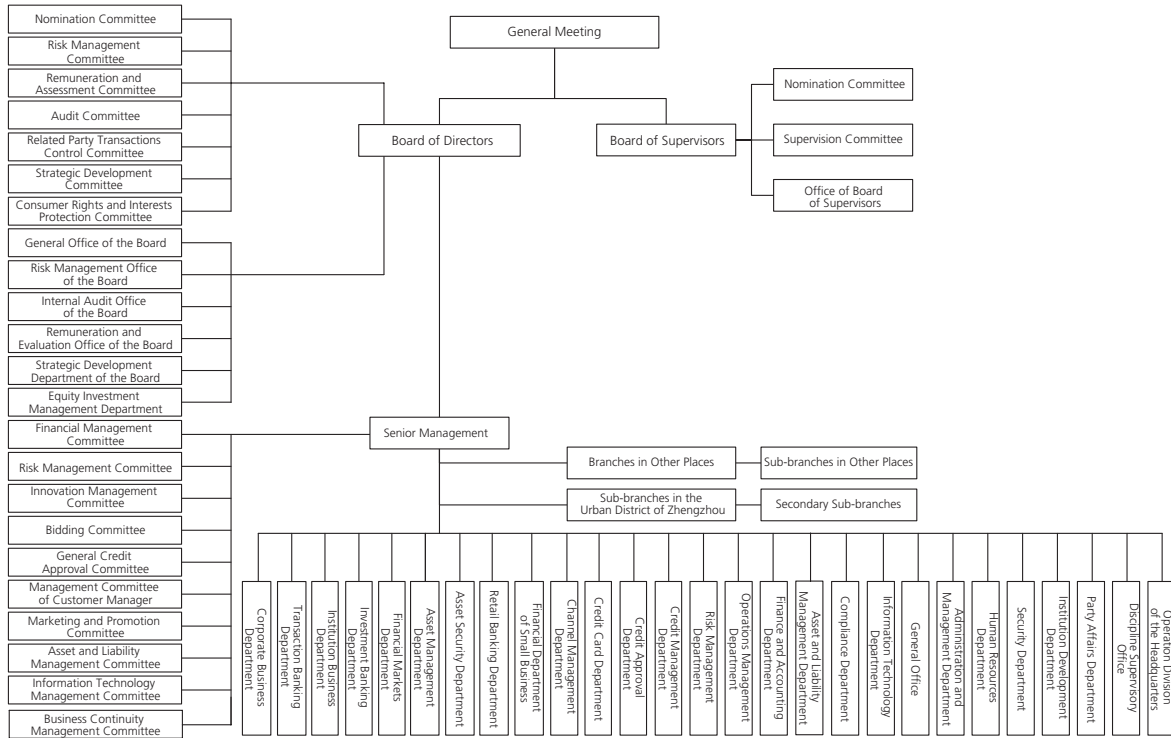
Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Zhengzhou, Henan	Headquarters	22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 116 branch institutions in districts of Zhengzhou for conducting external business and 55 institutions in other prefectural-level cities in Henan for conducting external business	4,854	484,213,318
Zhengzhou, Henan	Branch institutions in districts of Zhengzhou for conducting external business directly managed by the headquarters	-	99 institutions	3,493	409,975,017
Zhengzhou, Henan	Small Business Financial Service Centre	Room 102, 1-2/F and Room 301-309, 3/F, 4A, North of Longhu Zhonghuan South Road and East of Jiuru Road, Zhengdong New District, Zhengzhou City, Henan Province	In charge of 17 institutions for conducting external business	302	5,303,957
Nanyang, Henan	Nanyang	The junction of Zhongjing Road and Fanli Road, Wancheng District, Nanyang City, Henan Province	In charge of 10 institutions for conducting external business	163	10,346,800
Xinxiang, Henan	Xinxiang	No. 278, Xiangyang Road, Xinxiang City, Henan Province	In charge of 7 institutions for conducting external business	126	3,853,486
Luoyang, Henan	Luoyang	Longan Building (隆安大廈), the junction of Guanlin Road and Houzaimen Street, Luolong District, Luoyang City, Henan Province	In charge of 7 institutions for conducting external business	125	12,863,975
Anyang, Henan	Anyang	Yiwu International Business & Trade Mansion, the junction of Zhonghua Road and Delong Street, Andong New District, Anyang City, Henan Province	In charge of 7 institutions for conducting external business	89	8,440,553
Shangqiu, Henan	Shangqiu	Floor A2B, Siji Harbour, Wenhua Road North and Zhongzhou Road East, Liangyuan District, Shangqiu City, Henan Province	In charge of 5 institutions for conducting external business	103	5,394,438

CHAPTER VI DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, STAFF AND INSTITUTIONS

Region	Name of branch	Business address (China)	Number of institutions under the Bank	Number of employees	Asset size (RMB'000)
Xuchang, Henan	Xuchang	Juncheng International Building (亨通君成國際大廈), the junction of Liancheng Avenue and Weiwen Road, Weidu District, Xuchang City, Henan Province	In charge of 4 institutions for conducting external business	83	5,822,442
Luohe, Henan	Luohe	Floor 1-5, Changjian International (昌建國際), the junction of Songshan West Branch Road and Mudanjiang Road, Yancheng District, Luohe City, Henan Province	In charge of 3 institutions for conducting external business	52	3,106,691
Xinyang, Henan	Xinyang	Floor 1-2, Zhongle Baihua Mansion (中樂百花公館), the junction of Xinqi Avenue and Xinba Street, Yangshan New District, Xinyang City, Henan Province	In charge of 4 institutions for conducting external business	75	3,253,943
Puyang, Henan	Puyang	The northwest of junction of Renmin Road and Kaizhou Road, Hualong District, Puyang City, Henan Province	In charge of 2 institutions for conducting external business	69	4,072,160
Pingdingshan, Henan	Pingdingshan	The southeast of junction of Kaiyuan Road and Qinggong Road, Zhanhe District, Pingdingshan City, Henan Province	In charge of 2 institutions for conducting external business	52	3,908,783
Zhumadian, Henan	Zhumadian	The southwest of junction of Huaihe Avenue and Tianzhongshan Avenue, Zhumadian City, Henan Province	In charge of 1 institution for conducting external business	40	2,931,808
Kaifeng, Henan	Kaifeng	The southeast of junction of Jinming Avenue and Hanxing Road, Kaifeng City, Henan Province	In charge of 2 institutions for conducting external business	51	2,900,755
Zhoukou, Henan	Zhoukou	Southeast Corner, Intersection of Traffic Avenue and Bayi Avenue, Zhoukou City, Henan Province	In charge of 1 institution for conducting external business	31	2,038,510

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1 COMPANY STRUCTURE DIAGRAM



Note: During the Reporting Period, as considered and passed at the first extraordinary meeting of the sixth session of the Board of the Bank in 2019, it was decided to repeal the Electronic Banking Department and Internet Finance Department and integrate them to establish the Channel Management Department, and rename the Technology Development Department as the Information Technology Department. As considered and passed at the second extraordinary meeting of the sixth session of the Board of the Bank in 2019, it was decided to establish the Asset and Liability Management Department. As considered and passed at the seventh meeting of the sixth session of the Board of the Bank, it was decided to repeal the Transaction Banking Department I and the Transaction Banking Department II and integrate them to establish the Transaction Banking Department, and integrate the duties of the institutional customer center of the Corporate Business Department and the e-government affairs of the Transaction Banking Department II to establish the Institution Business Department.

CHAPTER VII CORPORATE GOVERNANCE REPORT

2 OVERVIEW OF CORPORATE GOVERNANCE

The Bank has established a relatively sound corporate governance structure, including the general meeting, the Board, the Board of Supervisors, and senior management, to regulate operation, specify duties and maintain effective balance, so as to fully protect and safeguard the legitimate rights and interests of domestic and international shareholders and other stakeholders. During the Reporting Period, the Bank continued to optimize its corporate governance structure, improved various systems of corporate governance, and enhanced corporate governance level, in strict accordance with the requirements of the Company Law, the Securities Law, the Corporate Governance Guidelines for Listed Companies issued by the CSRC, the SZSE Listing Rules, the Guidelines for the Standardized Operation of Listed Companies on the SME Board of the SZSE, and the Stock Exchange Listing Rules together with the Bank's corporate governance practice. As at the end of the Reporting Period, there was no significant inconsistency between the Bank's actual corporate governance and the Company Law and relevant provisions of the CSRC, nor did the Bank receive relevant documents on administrative or regulatory measures from the regulatory authorities requiring rectification within a time limit. Meanwhile, the Bank strictly abided by the code provisions of the Corporate Governance Code and the Listing Rules relating to inside information disclosure. The Directors are not aware of any information indicating that the Bank had not complied with the code provisions set out in the Corporate Governance Code during the Reporting Period.

During the Reporting Period, the Bank constantly reviewed and updated the corporate governance system, and amended numerous systems, including the Information Disclosure Management Measures, the Work Rules for the Nomination Committee of the Board, the Work Rules for the Audit Committee of the Board, and the Administrative Measures on Related Party Transactions, in accordance with relevant laws, regulations and supervisory requirements. The Board adjusted its strategic planning, promoted the non-public issuance of A Shares, and exerted strategic leadership and core decision-making functions. Special committees of the Board strengthened professional functions to improve operational efficiency and performance. The Board of Supervisors earnestly carried out performance evaluations, regularly issued supervision tips, and continuously strengthened supervision function. Independent non-executive Directors and external Supervisors actively conducted business surveys and earnestly expressed independent opinions. In doing so, the expertise and supervisory role of external experts were put into play effectively. The Bank discloses information in a true, accurate, complete and timely manner in accordance with laws, regulations, the Articles of Association and the Bank's information disclosure measures, and ensures that all Shareholders have equal access to such information. The Bank attaches great importance to the management of inside information, strictly controls the scope of personnel having access to inside information, and registers the list of personnel knowing the Bank's inside information in a timely manner. No person with knowledge of inside information has been found to illegally use inside information to trade in the Bank's Shares.

The Bank will continue to review and strengthen corporate governance in order to ensure consistent compliance with the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules and meet higher expectations of shareholders and investors.

CHAPTER VII CORPORATE GOVERNANCE REPORT

The Bank's Independence from Shareholders Holding More Than 5% of the Bank's Shares in Terms of Operations, Staff, Assets, Organizational Structure and Finance

During the Reporting Period, the Bank did not have any controlling shareholder.

- (1) Operations: The Bank operates independently from shareholders holding more than 5% of the Bank's Shares.
- (2) Staff: The Bank operates independently in terms of staff and salary management.
- (3) Assets: The Bank has independent places of business and supporting facilities.
- (4) Organizational structure: The Bank has a sound organizational structure through which the Board, the Board of Supervisors and various functional departments operate independently with clear powers and functions and have no subordinate relations with the functional departments of corporate shareholders holding more than 5% of the Bank's Shares.
- (5) Finance: The Bank sets up the independent finance department and audit department equipped with specialized financial and audit personnel, and established an independent accounting system and financial management system.

Horizontal Competition

The Bank does not have controlling Shareholders or horizontal competition with controlling Shareholders, the de facto controllers and other companies controlled by them.

3 GENERAL MEETINGS

Number, session and type	Investor participation		Date of Meeting Resolutions	Disclosure index
	ratio	Date of convening		
2018 AGM	59.25%	24 May 2019	24 May 2019	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbank.cn) CNINFO (www.cninfo.com.cn)
2019 first extraordinary general meeting	45.61%	3 September 2019	3 September 2019	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbank.cn) CNINFO(www.cninfo.com.cn)
2019 first class meeting of A shareholders	60.49%	3 September 2019	3 September 2019	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbank.cn) CNINFO(www.cninfo.com.cn)
2019 first class meeting of H shareholders	17.67%	3 September 2019	3 September 2019	The website of the Hong Kong Stock Exchange (www.hkexnews.hk) The website of the Bank (www.zzbank.cn) CNINFO (www.cninfo.com.cn)

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During the Reporting Period, the Bank held one annual general meeting, one extraordinary general meeting, one class meeting of A shareholders, and one class meeting of H shareholders, the particulars of which are as follows:

On 24 May 2019, the Bank held the 2018 AGM in Zhengzhou, Henan. In the meeting, 14 resolutions regarding the Work Report of the Board, the Work Report of the Board of Supervisors, Financial Accounts, and Financial Budget, Profit Distribution Scheme, General Mandate to Issue New Shares, and the Amendment to the Articles of Association, were considered and approved;

On 3 September 2019, the Bank held the 2019 first extraordinary general meeting in Zhengzhou, Henan. In the meeting, 10 resolutions regarding the Bank's Compliance with Schemes and Conditions to Issue Non-public A Shares, the Feasible Report on Utilizing Proceeds from Non-public Issuance of A Shares, the Utilization Report on Previously Raised Proceeds, and the Dilution of Current Returns of the Non-Public Issuance of A Shares and the Remedial Measures were considered and approved;

On 3 September 2019, the Bank held the 2019 first class meeting of A Shareholders in Zhengzhou, Henan. In the meeting, 3 resolutions regarding the Non-Public Issuance of A Shares were considered and approved; and

On 3 September 2019, the Bank held the 2019 first class meeting of H Shareholders in Zhengzhou, Henan. In the meeting, 3 resolutions regarding the Non-Public Issuance of A Shares were considered and approved.

The convening of the above general meetings, the notices, the holding and voting procedures were in line with the relevant provisions of the relevant laws and regulations and the Articles of Association.

During the Reporting Period, the Bank did not have any situation in which the shareholders of preference shares whose voting rights were resumed requested to convene extraordinary general meetings, convened and presided over the general meetings, submitted provisional proposals for general meetings.

4 BOARD OF DIRECTORS

4.1 Responsibilities of the Board of Directors

As the decision-making body of the Bank, the Board of Directors is accountable to the general meeting and responsible for implementing the resolutions of the general meeting. The Board of Directors mainly exercises the following powers and rights: convening general meetings and implementing the resolutions adopted at general meetings; deciding on the business development strategies, business plans and investment proposals of the Bank; formulating annual budgets, final accounts, profit distribution plans and loss recovery plans; deciding on external investment, acquisition and disposal of assets, pledge of assets, external guarantee, entrustment of wealth management and other matters of the Bank within the scope of authorization of the general meeting; reviewing and approving the related party transactions which require review and approval by the Board of Directors as stipulated by relevant requirements; deciding on the establishment of the Bank's internal management departments; appointing or dismissing the Bank's President and secretary to the Board of Directors; deciding to appoint or dismiss the Bank's senior management personnel and determining their remuneration, reward and punishment; formulating the basic

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management systems and amendment proposals for amendments to the Articles of Association, the rules of procedures of general meetings and Board meetings of the Bank, deciding on the policies on risk management, internal control and compliance policy of the Bank; proposing at a general meeting the appointment, dismissal or discontinuance of appointment of accounting firms; supervising the performance of the senior management, receiving the President's work report and examining the President's work; managing the information disclosure of the Bank and taking ultimate responsibility for the completeness and accuracy of the Bank's accounting and financial reporting systems; reviewing any material capital expenditure, contract and commitment which exceeds the expenditure limit for senior management set by the Board of Directors; and other powers and rights stipulated by laws, administrative regulations, departmental rules or the Articles of Association, and those authorized by the general meeting.

As the administrative body of the Board of Directors, the Board Office is responsible for the preparation of general meetings and the meetings of the Board of Directors and special committees of the Board of Directors, information disclosure, investor relations management and other daily affairs.

4.2 Operating Model of the Board of Directors

The Board of Directors shall hold at least four regular meetings a year, and convene extraordinary meetings when necessary. The meetings of the Board of Directors shall be held in the form of physical meetings or by way of telecommunication. The notices of meeting and the materials of the meeting shall be sent to each Director at least ten days and five days before the relevant meeting is convened, respectively, in accordance with the related corporate governance requirements under the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules and the Articles of Association. The detailed minutes of the meetings of the Board of Directors will be provided to all attending Directors for their review subsequent to the meetings, and shall be signed by all Directors for confirmation after proposing amendments. A good communication and reporting mechanism has been established among the Board of Directors, the Directors and senior management of the Bank. Senior management provides sufficient information for the Board and its special committees to make decisions. All Directors may seek independent professional opinions with the cost borne by the Bank. The President of the Bank regularly reports to the Board and is subject to its supervision. Relevant members of senior management are invited to participate in meetings of the Board and its special committees from time to time to provide explanations or answers to inquiries. At the meetings of the Board of Directors, all Directors can present their opinions freely, and decisions on important matters should only be made after a detailed discussion.

4.3 Members of the Board and the Board Diversity Policy

The Bank believes that the diversity of the members of the Board of Directors can improve the performance of the Bank. In designing the Board's composition, Board diversity has been considered from a number of aspects, including (but not limited to) gender, qualifications, regional and industry experience, skills, knowledge and educational background. All Board appointments will be determined based on both capability and integrity, and candidates will be considered against objective criteria, with due regard given to the benefits of diversity to the Board.

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The nomination committee of the Board will review and assess this policy, as appropriate, and consider the structuring, size and composition of the Board on an annual basis as well as discuss measurable goals based on certain specific circumstances, to ensure the effective implementation of this policy. The nomination committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The nomination committee will select director candidates based on a series of diversified criteria with reference to the Bank's business model and specific needs. For nomination policy and selection procedures related to Directors, please refer to the paragraphs headed "Nomination Policy and Procedures for Selection of Directors" of this chapter.

As at the end of the Reporting Period, the Board of Directors consisted of a total of 12 members (including 2 female Directors), among them, it includes 3 executive Directors: Mr. WANG Tianyu (王天宇) (Chairman), Mr. SHEN Xueqing (申學清) (President) and Mr. FENG Tao (馮濤) (Vice Chairman); 5 non-executive Directors: Mr. FAN Yutao (樊玉濤), Mr. ZHANG Jingguo (張敬國), Mr. JI Hongjun (姬宏俊), Mr. LIANG Songwei (梁嵩巍) and Mr. WANG Shihao (王世豪); and 4 independent non-executive Directors: Mr. XIE Taifeng (謝太峰), Mr. WU Ge (吳革), Ms. CHAN Mei Bo Mabel (陳美寶) and Ms. LI Yanyan (李燕燕). The proportion of our independent non-executive Directors accounts for one-third of the total number of the members of the Board. Each of the incumbent executive Directors of the Bank has been engaged in banking operation and management over a long period of time, and is familiar with the operation and management of the Bank. All our non-executive Directors have relevant work experience in the economic, financial or business sector, with profound professional knowledge and management experiences. As for our independent non-executive Directors, they are all professionals in finance, law or accounting, each with relatively higher achievements in their respective fields.

For details of each Director's term of office and changes of Directors during the Reporting Period and after the Reporting Period, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

4.4 Chairman and President

The roles and duties of the Chairman of the Board of Directors and the President are taken up by different individuals. There is a clear division of responsibilities in compliance with the requirements and recommendations of the regulatory provisions and the SZSE Listing Rules and the Stock Exchange Listing Rules.

Mr. WANG Tianyu, as the Chairman of the Board of Directors, is mainly in charge of chairing general meetings, convening and chairing meetings of the Board of Directors; supervising and reviewing the implementation of resolutions of the Board of Directors; signing important documents of the Board of Directors and other documents required to be signed by the legal representative of the Bank; and proposing to the Board of Directors candidates of the special committees and secretary to the Board.

Mr. SHEN Xueqing, as the President of the Bank, is mainly in charge of the management of daily operation of the Bank and the implementation of relevant resolutions of the Board of Directors, as well as work report to the Board of Directors.

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4.5 Responsibilities of Directors

During the Reporting Period, all Directors carefully, earnestly and diligently attended relevant meetings as specified and required by relevant laws and regulations and the Articles of Association, where they exercised their rights regarding the operation of the Board and resolutions of the meeting of the Board, and duly considered and voted on its resolutions and actively offered responsible suggestions and advice, which facilitated the Bank's sound and sustainable development and perfectly completed the tasks and objectives of the Board. While properly exercising their rights as Directors, they were performing their corresponding obligations to fully protect the rights of Shareholders and investors. Directors acknowledge their responsibilities for preparing the financial statements of the Bank for the year ended 31 December 2019.

The Board of Supervisors conducted evaluation of the performance of duties of the Directors during the Reporting Period, and reported the results of the evaluation to the general meeting.

4.6 Particulars of Meetings of the Board of Directors and Directors' Attendance

During the Reporting Period, the Bank held 11 meetings of the Board of Directors, considering 71 major resolutions including the annual work report of the Board of Directors, final accounts report, annual profit distribution plan, amendments to the Articles of Association, non-public issuance of A Shares, and related party transactions.

Particulars of the Meetings

Number and session	Date of convening	Form of convening
The 2019 first extraordinary meeting of the sixth session of the Board	27 January 2019	On-site meeting
The 2019 second extraordinary meeting of the sixth session of the Board	5 March 2019	By correspondence
The fourth meeting of the sixth session of the Board	28 March 2019	On-site meeting
The 2019 third extraordinary meeting of the sixth session of the Board	12 April 2019	By correspondence
The fifth meeting of the sixth session of the Board	29 April 2019	On-site meeting
The 2019 fourth extraordinary meeting of the sixth session of the Board	28 June 2019	By correspondence
The 2019 fifth extraordinary meeting of the sixth session of the Board	16 July 2019	On-site meeting
The sixth meeting of the sixth session of the Board	20 August 2019	On-site meeting
The seventh meeting of the sixth session of the Board	28 October 2019	On-site meeting
The 2019 sixth extraordinary meeting of the sixth session of the Board	25 November 2019	By correspondence
The 2019 seventh extraordinary meeting of the sixth session of the Board	17 December 2019	By correspondence

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Directors' Attendance

Director		Special Committees of the Board												
		2018 AGM	2019 first extraordinary general meeting	2019 first class meeting of A Shareholders	2019 first class meeting of H Shareholders	Related Party Transactions							Remuneration and Assessment Committee	Consumer Rights Protection Committee
						Board of Directors	Strategic Development Committee	Risk Management Committee	Control Committee	Audit Committee	Nomination Committee			
Actual/required attendance (times) ⁽¹⁾														
Executive Directors	WANG Tianyu	✓				11/11	2/2						2/2	
	SHEN Xueqing	✓	✓	✓	✓	10/11 ⁽¹⁾	2/2						2/2	
	FENG Tao	✓	✓	✓	✓	11/11	2/2						2/2	
Non-executive Directors	FAN Yutao	✓	✓	✓	✓	11/11					4/4			
	ZHANG Jingguo					11/11						2/2		
	Ji Hongjun	✓	✓	✓	✓	11/11				6/6				
	LIANG Songwei		✓	✓	✓	11/11		4/4	4/4					
	WANG Shihao	✓				11/11		4/4						
Independent Non-executive Directors	XIE Taifeng	✓				11/11		4/4		6/6		2/2		
	WU Ge					11/11			4/4		4/4			
	CHAN Mei Bo Mabel	✓	✓	✓	✓	11/11				6/6	4/4			
	LI Yanyan	✓	✓	✓	✓	11/11			4/4			2/2		

Notes:

- (1) The actual attendance being lower than the required attendance represents proxy attendance on their behalf when the above Directors are absent from Board meetings in person.
- (2) The number of meetings in which Directors of the special committees are required to attend shall be the number of meetings held throughout the year, while the actual number of attendance is the actual number of meetings attended by Directors of the special committee.

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During the Reporting Period, none of the Directors, including independent non-executive Directors, failed to attend the meetings of the Board of Directors in person for two consecutive times.

During the Reporting Period, the Chairman and independent non-executive Directors held meetings without the presence of other Directors.

4.7 Independence and Performance of Duties of Independent Non-executive Directors

4.7.1 Confirmation of the Independence for Independent Non-executive Directors

At present, the Board consists of four independent non-executive Directors and the qualification, number and percentage of independent non-executive Directors satisfy the relevant requirements of the regulatory provisions and the listing rules of the SZSE Listing Rules and the Stock Exchange Listing Rules. All of the independent non-executive Directors are not involved in any conflict with the independence issue described in Rule 3.13 of the Stock Exchange Listing Rules. The Bank had already received letters of confirmation on independence as required by the Stock Exchange Listing Rules submitted by each independent non-executive Director, and believes that all independent non-executive Directors are independent and in compliance with relevant guidelines provided by Rule 3.13 of the Stock Exchange Listing Rules.

The independent non-executive Directors neither have any business or financial interests in the Bank nor hold any management position in the Bank. All the incumbent independent non-executive Directors were elected for a term of three years. They may continue to serve for three years after the expiration of the term.

The independent non-executive Directors account for the majority of seats in and act as chairmen of the related party transactions control committee, the audit committee, the nomination committee and the remuneration and assessment committee of the Board.

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4.7.2 Performance of Duties of Independent Non-executive Directors

Independent Non-executive Directors' Attendance of Board Meetings and Annual General Meeting

Name	Times of required attendance for Board meetings	Attendance in person	Attendance by telecommunication	Times of Attendance by proxy	Times of absence	Failed to attend meetings in person for 2 consecutive times
XIE Taifeng	11	3	8	0	0	No
WU Ge	11	3	8	0	0	No
CHAN Mei Bo Mabel	11	2	9	0	0	No
LI Yanyan	11	3	8	0	0	No
Attendance of independent non-executive Directors at general meetings		Mr. XIE Taifeng attended the 2018 AGM of the Bank. Ms. CHAN Mei Bo Mabel and Ms. LI Yanyan attended the 2018 AGM of the Bank, the 2019 first extraordinary general meeting, the 2019 first class meeting of A Shareholders and the 2019 first class meeting of H Shareholders.				

During the Reporting Period, none of the independent non-executive Directors failed to attend board meetings in person for two consecutive times.

Dissenting Opinions of Independent Non-executive Directors on Relevant Matters of the Bank

During the Reporting Period, none of the independent non-executive Directors had any objection to relevant matters of the Bank.

Other Explanations on Independent Non-executive Directors' Performance of Their Duties

During the Reporting Period, the Bank's independent non-executive Directors performed their duties diligently and faithfully with a responsible attitude towards the Bank and investors, and the duties performed were in strict accordance with the Company Law, the Securities Law, the Guidelines for the Standardized Operation of Listed Companies on the SME Board of the SZSE, the SZSE Listing Rules, the Stock Exchange Listing Rules and other laws and regulations as well as the Articles of Association, the Work Rules for Independent Directors and other relevant requirements. They actively attended Board meetings, general meetings and meetings of relevant committees, conducted on-site inspections of the Bank to learn about the Bank's operations, internal control mechanism and the implementation of resolutions of the Board meetings, and expressed independent opinions on the appointment of senior management personnel, major related party transactions, internal control, profit distribution, Shareholders' return scheme for the next three years and other matters of the Bank, earnestly safeguarding the rights and interests of shareholders, especially those of the public shareholders.

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During the Reporting Period, the Bank's independent non-executive Directors expressed independent opinions on relevant issues considered by the Board. During Board meetings and inspections of the Bank, they put forward an array of opinions and suggestions, all of which were adopted or responded to by the Bank.

Time of disclosure	Subject matter	Type of opinion
28 January 2019	Independent Opinions on Engaging Senior Management Personnel	Agree
6 March 2019	Independent Opinions on Related Party Transactions	Agree
29 March 2019	Independent Opinions on 2018 Profit Distribution Scheme of the Bank, the Special Report on the Deposit and Actual Use of Proceeds Raised in 2018, 2018 Internal Control and Self-assessment Report, Changes in Accounting Policies, the Appointment of External Audit Agency in 2019, the Special Report on Related Party Transactions in 2018, the Estimated Amount of Daily Related Party Transactions in 2019, External Guarantees and the Occupation of Funds by Controlling Shareholders and Other Related Parties, and Remuneration for Directors, Supervisors and Senior Management of the Company	Agree
18 July 2019	Independent Opinions on Non-public Issuance of A Shares Involving Related Party Transactions	Agree
18 July 2019	Independent Opinions on Shareholder Return Planning of the Bank for the Next Three Years (2019-2021)	Agree
21 August 2019	Independent Opinions on External Guarantees and the Occupation of Funds by Controlling Shareholders and Other Related Parties of the Bank, the Distribution of Offshore Preference Shares Dividends, 2018 Performance Appraisal Results and 2019 Performance Appraisal Scheme on Executive Directors and Senior Management Personnel	Agree
18 December 2019	Independent Opinions on the Share Price Stabilization Scheme	Agree

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5 THE SPECIAL COMMITTEES OF THE BOARD

5.1 Strategic Development Committee

The strategic development committee of the Bank currently consists of three executive Directors (Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. FENG Tao). The strategic development committee is chaired by Mr. WANG Tianyu, an executive Director.

The strategic development committee is mainly responsible for researching the Bank's long-term development strategy and significant investment decisions, setting business and management objectives and long-term development strategy for the Bank, making recommendations for the Bank's significant investment decisions, supervising and checking the implementation of annual business plans and investment plans, communicating regularly with the senior management and heads of departments in relation to the operations and risks of the Bank, and providing advice and suggestions and other matters authorized by the Board.

During the Reporting Period, the strategic development committee held a total of two meetings, in which they considered and approved a number of resolutions such as the Mid-term Adjustment Report on Zhengzhou Bank's Five-year Development Plan for 2016-2020, the Capital Increase to Xinzheng Zhengyin County Bank, and the 2018 Annual Work Report of the strategic development committee of the Board.

5.2 Risk Management Committee

The risk management committee of the Bank currently consists of two non-executive Directors, Mr. LIANG Songwei and Mr. WANG Shihao, and one independent non-executive Director, Mr. XIE Taifeng. The risk management committee is chaired by Mr. WANG Shihao, a non-executive Director.

The risk management committee is mainly responsible for controlling, managing, monitoring and assessing risks of the Bank, reviewing risk control principles, objectives and policies of the Bank and reporting them to the Board of Directors for deliberation and approval, reviewing risk management measures of the Bank, examining and supervising the risk management work carried out by the senior management in all aspects, conducting surveys and evaluations on risk policies, management status and risk tolerance levels of the Bank on a regular basis and reporting to the Board of Directors, providing recommendations on improving risk management and internal control of the Bank, and formulating authorization management plan for the Bank and reporting to the Board of Directors and general meetings for deliberation and approval.

During the Reporting Period, the risk management committee held a total of four meetings to consider and approve a number of resolutions such as the 2018 Compliance Management Report, the 2018 Comprehensive Risk Management Report and the 2019 Authorization Proposal of the Board, and the 2019 Risk Preference Statement.

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5.3 Related Party Transactions Control Committee

The related party transactions control committee of the Bank consists of one non-executive Director (Mr. LIANG Songwei) and two independent non-executive Directors (Mr. WU Ge and Ms. LI Yanyan). The related party transactions control committee is chaired by Mr. WU Ge, an independent non-executive Director.

The related party transactions control committee is mainly responsible for the management, review and matters, as authorized by the Board of Directors, of related party transactions, and controlling the risk of related party transactions, formulating rules and management framework relating to related party transactions of the Bank, reviewing related parties of the Bank and reporting them to the Board of Directors and the Board of Supervisors and announcing identified related parties to relevant staff of the Bank timely, reviewing and supervising the control of related party transactions of the Bank, reexamining materials about related party transactions and subsequently submitting the same to the Board of Directors for approval.

During the Reporting Period, the related party transactions control committee held a total of four meetings to consider and approve a number of resolutions such as the Specific Report on 2018 Related Party Transactions, the Estimated Amount for Daily Related Party Transactions in 2019 and Business Cooperation with Related Parties Satisfying Relevant Policy Requirements.

5.4 Audit Committee

The audit committee of the Bank consists of one non-executive Director (Mr. JI Hongjun) and two independent non-executive Directors (Mr. XIE Taifeng and Ms. CHAN Mei Bo Mabel). The audit committee is chaired by Mr. XIE Taifeng, an independent non-executive Director.

The audit committee is mainly responsible for reviewing the risks and compliance status, internal control management system, accounting policies, auditing basic management system, financial reporting procedures and financial position of the Bank, auditing the financial information of the Bank, preparing a report on audited financial statements and submitting it to the Board for consideration; making recommendations on the appointment and change of external audit agency, coordinating the communications between internal audit departments and external auditors; taking charge of the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations, reviewing, evaluating and reporting to the Board of Directors on the internal audit on a regular basis.

During the Reporting Period, the audit committee held a total of six meetings to consider and approve resolutions such as the 2018 Annual Report of the Bank, the 2018 Internal Audit Report, the Appointment of External Auditors for 2019, Changes in Accounting Policies, and the 2019 Interim Report.

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5.5 Nomination Committee

The nomination committee of the Bank consists of one non-executive Director and two independent non-executive Directors. The non-executive Director is Mr. FAN Yutao, and the two independent non-executive Directors are Mr. WU Ge and Ms. CHAN Mei Bo Mabel. The nomination committee is chaired by Ms. CHAN Mei Bo Mabel, an independent non-executive Director.

The nomination committee is responsible for reviewing the structure, size and composition (including skills, know-how, experience and diversity) of the Board and the management every year, and advising the Board on proposed changes to the Board based on the strategy of the Bank; developing the criteria and procedures for selecting Directors and senior management personnel, and formulating or revising the Board Diversity Policy; searching for qualified candidates for directors and submitting nominations to the Board; assessing the independence of independent non-executive Directors; conducting preliminary review of the qualifications of candidates for directors and senior management personnel, and making recommendations to the Board; and widely searching for qualified candidates for directors and senior management.

During the Reporting Period, the nomination committee held a total of four meetings to deliberate and approve a number of resolutions such as the 2018 Work Report of the Nomination Committee, the Nomination of Mr. FU Chunqiao as the Vice President of the Bank, the Nomination of Ms. LI Hong and Mr. LIU Jiuqing as the Assistants to President of the Bank, and Amendments to the Work Rules for the Nomination Committee.

Nomination Policy and Procedures for Selection of Directors

In order to ensure that the Board of Directors have a balance of skills, experience and diversity of perspectives appropriate to the Bank's business, the nomination committee of the Board of Directors shall recommend nominations of directors to the Board of Directors in accordance with the principles of the Board Diversity Policy and the Bank's Nomination Policy. The main criteria and principles of the Bank's Nomination Policy include: (1) reviewing the structure, size and composition (including skills, knowledge, experience and diversity) of the Board of Directors and the management every year according to the operations, management, asset scale and equity structure of the Bank, and providing suggestions to the Board in relation to possible changes of the Board of Directors based on the strategy of the Bank; (2) formulating the criteria and procedures for selecting Directors and members of senior management, and providing suggestions to the Board; formulating or revising the Board Diversity Policy and developing the diversity of the Board of Directors in the process of personnel selection, taking into account, among other things, gender, age, culture, perspective, educational background and professional experience; (3) searching for qualified candidates for directors and proposing nominations to the Board of Directors after due consideration of the Board Diversity Policy of the Bank, the requirements for being a director of the Bank under the Articles of Association of the Bank, the Stock Exchange Listing Rules and applicable laws and regulations, as well as the contributions that relevant candidates can make to the Board of Directors in terms of qualifications, skills, experience, independence and gender diversity; (4) assessing the independence of independent non-executive Directors according to the factors set out in Rule 3.13 of the Stock Exchange Listing Rules and any other factors as may be considered appropriate by the nomination committee or the Board of Directors; where a proposed independent non-executive Director is proposed to serve as a director of five (or more) listed companies, whether he/she can devote enough time to the Board of Directors will be assessed.

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The main procedures for selection of Directors of the Bank are as follows: (1) The general office of the Board and the nomination committee of the Board of Directors shall actively communicate with relevant departments of the Bank to study the Bank's demand for appointment and re-election of Directors and senior management personnel and prepare relevant written documents; (2) the nomination committee of the Board of Directors may extensively search for candidates for directors and senior management personnel within the Bank and its controlled (associate) companies and talent market; (3) the nomination committee of the Board of Directors shall, after due consideration of relevant requirements, including but not limited to the Nomination Policy and the Board Diversity Policy, identify persons who are eligible to become Board members, and assess the independence of independent non-executive Directors as appropriate; the nomination committee of the Board of Directors shall collect and understand information on the candidates including their occupations, educational background, professional titles, detailed work experience, and full-time and part-time job experience, and formulate relevant written materials; (4) the nomination committee shall solicit the nominees' written consent to their nominations, otherwise they may not be put on the list of candidates for Directors, general manager and other senior management personnel; (5) the nomination committee shall convene meetings to review the qualifications of proposed candidates according to the job qualifications required for Directors, general manager and other senior management personnel; (6) the nomination committee shall make recommendations and submit relevant materials to the Board of Directors on candidates for Directors and senior management personnel within a reasonable time prior to the election and re-election of Directors and appointment of senior management personnel; and (7) the nomination committee shall follow up other matters according to the decisions and feedback of the Board of Directors.

5.6 Remuneration and Assessment Committee

The remuneration and assessment committee of the Bank consists of one non-executive Director and two independent non-executive Directors. The non-executive Director is Mr. ZHANG Jingguo, and the two independent non-executive Directors are Mr. XIE Taifeng and Ms. LI Yanyan. The remuneration and assessment committee is chaired by Ms. Li Yanyan, an independent non-executive Director.

The remuneration and assessment committee is mainly responsible for reviewing the remuneration management system and policies of the Bank, studying the criteria for appraising Directors and senior management personnel, and conducting the appraisal and making proposals; making proposals to the Board in respect of the remuneration policies and structures for Directors and senior management of the Bank and the formulated remuneration policies with a view to establishing a set of formal and transparent procedures, supervising and modifying the implementation of the Bank's remuneration policies; reviewing the performance of duties of Directors and senior management personnel and conducting annual performance appraisal on them.

During the Reporting Period, the remuneration and assessment committee held a total of two meetings to deliberate and approve a number of resolutions such as the 2018 Work Report of the Remuneration and Assessment Committee, the 2018 Performance Appraisal Results on Executive Directors and Senior Management Personnel, and the 2019 Performance Appraisal Scheme for Executive Directors and Senior Management Personnel.

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5.7 Consumer Rights Protection Committee

The consumer rights protection committee of the Bank consists of three executive Directors (Mr. WANG Tianyu, Mr. SHEN Xueqing and Mr. FENG Tao). The consumer rights protection committee is chaired by Mr. WANG Tianyu, an executive Director.

The consumer rights protection committee is mainly responsible for formulating the Bank's development goals, strategies and plans for the protection of consumer rights, deploying and coordinating for the protection of consumer rights and conducting research on major issues concerning consumer rights protection, regularly communicating with the senior management and heads of departments about consumer rights protection of the Bank and giving comments and suggestions, supervising and inspecting the implementation of the annual work plan and other issues authorized by the Board of Directors.

During the Reporting Period, the consumer rights protection committee held a total of two meetings to research and deploy the consumer rights protection of the Bank, and considered and approved two resolutions, namely, the 2018 Report of Consumer Rights Protection and the 2018 Work Report of the Consumer Rights Protection Committee.

6 CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for establishing sound corporate governance practices and procedures of the Bank. During the Reporting Period, the Board performed the following duties within its terms of reference: formulating and reviewing the Bank's corporate governance policies and practices, and making recommendations; reviewing and monitoring the training and continuous professional development of Directors, Supervisors and senior management; reviewing and monitoring the Bank's policies and practices in respect of compliance with laws and regulatory requirements; formulating, reviewing and monitoring the codes of conduct for Directors, Supervisors and employees; and reviewing compliance with the Corporate Governance Code and the disclosing in the Corporate Governance Report.

7 BOARD OF SUPERVISORS

7.1 Responsibilities of the Board of Supervisors

The Board of Supervisors, as the supervisory body of the Bank, aims to protect the legitimate rights of the Bank, Shareholders, staff, depositors and other stakeholders. It is accountable to the general meeting. The duties of the Board of Supervisors include: to supervise the performance and due diligence of the Board of Directors, senior management and its members; to question the Directors, the Board of Directors and senior management; to conduct exit audits towards the Directors and senior management personnel, and supervise and audit the business decision making, risk management and internal control of the Bank, if necessary; to require the Directors and senior management personnel to rectify their acts which are detrimental to the interests of the Bank, and propose dismissal or initiate legal proceedings against the Directors and senior management personnel who violate laws, administrative regulations, the Articles of Association or resolutions of the general meeting; to propose the convening of extraordinary general meetings and extraordinary Board meetings, convene and preside over the general meeting in the event that the Board of Directors has failed to fulfil its duty as stipulated by the Company Law to convene

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and preside over the general meeting, and propose resolutions to a general meeting; to review the Bank's financial reports prepared by the Board of Directors and express comments thereon in writing; to examine and supervise the Bank's financial activities and verify financial information such as financial reports, business reports and profit distribution plans to be proposed at the general meeting by the Board of Directors; to make arrangements for remuneration (or allowance) for the Supervisors; and to exercise other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents and the Articles of Association or those authorized by the general meeting.

7.2 Operating Model of the Board of Supervisors

This includes convening regular meetings of the Board of Supervisors, attending general meetings, attending the Board meetings and certain meetings of its special committees, attending the relevant meetings of the senior management, reviewing various documents and materials from the senior management, receiving the work report and project report of the senior management, evaluating the annual performance of Directors and the senior management, facilitating communications among the Directors and the senior management, conducting exit audits of the executive Directors and the senior management, conducting investigation and research on branch institutions, carrying out a variety of special investigations, etc. Through the above work, the Board of Supervisors monitors and evaluates the Bank's operation and management, risk management and internal control, as well as the performance of duties of Directors and the senior management personnel. During the Reporting Period, the Board of Supervisors fulfilled its duties diligently, supervised the legal compliance of performance of duties by Directors and the senior management. They also performed audit on the executive Directors and the senior management personnel as required. They reviewed and supervised the financial activities, risk management and internal control of the Bank, and investigated any abnormal operating activities. The Board of Supervisors of the Bank supervised the 2018 annual performance of the Board of Directors of the Bank, Directors, the senior management and its members and Supervisors, and gave feedback to the Board of Directors and the senior management.

7.3 Members of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors consisted of a total of six Supervisors, including three employee Supervisors: Ms. ZHAO Lijuan (趙麗娟), Ms. CHENG Jie (成潔) and Mr. LI Huaibin (李懷斌); one shareholder Supervisor: Mr. ZHU Zhihui (朱志暉); and two external Supervisors: Mr. MA Baojun (馬寶軍) and Mr. SONG Ke (宋科). The composition of the Board of Supervisors of the Bank is reasonable, and is sufficiently professional and independent to ensure the effective performance of its supervisory role.

For details of the Supervisors and changes of Supervisors, please refer to the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

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7.4 Particulars of Meetings of the Board of Supervisors and Supervisor's Attendance

During the Reporting Period, the Bank held a total of six Board of Supervisors meetings to consider 15 major resolutions including the 2018 Work Report of the Board of Supervisors, the 2018 Annual Report and Highlights, the 2018 Profit Distribution Scheme, the 2018 Performance Assessment Report on the Board of Directors, the Board of Directors, Senior Management and Their Members.

Convening of the Meeting

Session of the Meeting	Date of convening	Form of convening
The 2019 first extraordinary meeting of the sixth session of the Board of Supervisors	27 January 2019	On-site meeting
The fourth meeting of the sixth session of the Board of Supervisors	28 March 2019	On-site meeting
The fifth meeting of the sixth session of the Board of Supervisors	29 April 2019	On-site meeting
The 2019 second extraordinary meeting of the sixth session of the Board of Supervisors	28 June 2019	By correspondence
The sixth meeting of the sixth session of the Board of Supervisors	20 August 2019	On-site meeting
The seventh meeting of the sixth session of the Board of Supervisors	28 October 2019	On-site meeting

Attendance of Supervisors at Meetings of the Board of Supervisors during the Reporting Period

Supervisor		Required attendance	Attendance in person	Attendance by proxy
Employee Supervisor	ZHAO Lijuan	6	6	0
	CHENG Jie	6	6	0
	LI Huaibin	6	6	0
Shareholder Supervisor	ZHU Zhihui	6	6	0
External Supervisor	SONG Ke	6	6	0
	MA Baojun	6	6	0

Attendance at General Meetings During the Reporting Period

During the Reporting Period, all Supervisors attended the AGM, the extraordinary general meetings, and class meetings of shareholders of the Bank, and supervised the legal compliance of the procedures of meetings and the voting process on-site.

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Attendance at the Meetings of the Board and the Senior Management During the Reporting Period

During the Reporting Period, the Supervisors attended on-site meetings of the Board of Directors, and supervised legal compliance of the meetings and procedures of voting as well as the attendance, speech and voting of Directors. The Board of Supervisors also sent representatives to attend the relevant meetings of the senior management and supervised the execution of resolutions of the Board of Directors by the senior management and the business conducted by the senior management according to the Articles of Association and the authorization by the Board of Directors.

7.5 Special Committees of the Board of Supervisors

Special Committees of the Board of Supervisors	Chairman	Members
Nomination Committee	MA Baojun	ZHAO Lijuan, CHENG Jie
Supervision Committee	SONG Ke	ZHU Zhihui, LI Huaibin

The Nomination Committee of the Board of Supervisors

Primary duties of the nomination committee of the Board of Supervisors include: formulating the selection procedures and standards of Supervisors, preliminarily reviewing the qualifications of candidates for supervisors and making recommendations to the Board of Supervisors; supervising the process of election and appointment of Directors; conducting overall assessment on the performance of duties by the Directors, Supervisors and senior management personnel and submitting reports to the Board of Supervisors; supervising the scientificity and reasonableness of the remuneration management system and policies of the Bank and the remuneration proposal for its senior management members; and any other matters authorized by the Board of Supervisors.

During the Reporting Period, the nomination committee of the Board of Supervisors held a total of one meeting to consider and approve a number of resolutions including Board of Supervisors' 2018 Annual Supervision and Assessment Report on the Duties performed by the Board and Its Members, Board of Supervisors and Its Members and Senior Management and Its Members.

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Supervision Committee of the Board of Supervisors

The primary duties of the supervision committee of the Board of Supervisors include: formulating plans for supervision of financial activities of the Bank and implementing relevant inspections; supervising the Board of Directors to establish and adhere to prudent business philosophy and value standards and formulating development strategies that align with the actual situations of the Bank; monitoring and reviewing the business decision making, risk management and internal control of the Bank; and any other matters as authorized by the Board of Supervisors. The supervision committee of the Board of Supervisors may conduct investigation on special affairs of the Bank, and the results of the investigation shall be reported to both the Board of Supervisors and the Board of Directors.

During the Reporting Period, the supervision committee of the Board of Supervisors did not hold any meetings.

8 MANAGEMENT

8.1 Duties and Powers

The management, as the executive body of the Bank, is responsible to the Board of Directors and subject to the supervision of the Board of Supervisors. The division of authority and powers between the management and the Board is determined in accordance with the Articles of Association and other corporate governance documents.

The Bank has one President and several vice presidents and assistants to the President, all of them shall be appointed or removed by the Board. The President is responsible to the Board. Approved and delegated by the Board of Directors, the President of the Bank exercises the following powers and rights: to take charge of the operations management of the Bank, organize the implementation of the resolutions of the meetings of the Board of Directors and report the work to the Board of Directors; to submit annual business plans and investment proposals to the Board of Directors and organize the implementation upon approval by the Board of Directors; to draft proposals on the establishment of the internal management departments, basic management systems and specific regulations of the Bank; to propose to the Board of Directors to appoint or dismiss the vice presidents, assistants to the President, financial officers and other senior management personnel; to decide to appoint or dismiss persons in charge of the internal departments and branches of the Bank other than those to be appointed or dismissed by the Board of Directors, and determine their salaries, benefits, reward and punishment according to the remuneration reward and punishment scheme set up by the Board of Directors; to authorize senior management members and persons in charge of internal departments and branches to conduct operational activities; to decide on the appointment and dismissal of the Bank's staff, and on matters relating to wages, benefits, reward and punishment; to adopt emergency measures when any material emergency occurs in the Bank and report them to the banking regulatory and administrative authorities under the State Council, the Board of Directors and the Board of Supervisors immediately; and to exercise other powers and rights conferred by applicable laws, administrative regulations, departmental rules, regulatory documents, regulations of the relevant regulatory authorities and the Articles of Association as well as those authorized by the Board of Directors.

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8.2 Appraisal and Incentives

The Board of Directors determines the remuneration of senior management personnel of the Bank, deliberates and approves the remuneration packages for senior management personnel, and authorizes the remuneration and assessment committee of the Board to formulate remuneration packages for senior management personnel and carry out performance appraisal for final determination of remuneration. The Bank determines the total annual remuneration of each senior management member based on the annual appraisal results on senior management in accordance with the relevant provisions of the Measures for Compensation and Performance Management of Senior Management Personnel.

9 JOINT COMPANY SECRETARIES

Mr. FU Chunqiao and Ms. LEUNG Wing Han Sharon, president of SWCS Corporate Services Group (Hong Kong) Limited, have been appointed by the Bank as its joint company secretaries. Ms. LEUNG Wing Han Sharon's main contact person at the Bank is Mr. FU Chunqiao, another joint company secretary. During the Reporting Period, both Ms. LEUNG Wing Han Sharon and Mr. FU Chunqiao have received not less than 15 hours of relevant professional training in accordance with the provisions under Rule 3.29 of the Stock Exchange Listing Rules.

10 SHAREHOLDERS' RIGHTS

10.1 Convening of General Meetings

Pursuant to the Articles of Association and the Rules of Procedure of General Meetings, a shareholders' class meeting or extraordinary general meeting shall be convened within two months upon request in writing by shareholders holding individually or collectively 10% or more of the voting shares of the Bank (the "**Requesting Shareholders**").

General meetings shall be convened by the Board. If the Board of Directors is unable to or unwilling to fulfil its duties in convening a general meeting and the Board of Supervisors does not convene a general meeting, shareholders individually or collectively holding more than 10% of the Bank's Shares for more than 90 consecutive days (the "**Convening Shareholders**") may convene and preside over the meeting on a unilateral basis.

Any proposal to the Board of Directors for the convening of a general meeting shall be made in writing. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the meeting within ten days after receiving such proposal.

In the event that the Board of Directors agrees to convene a meeting, the notice of meeting shall be issued within five days after the passing of the relevant resolution at the meeting of the Board of Directors. Any changes to the original proposal made in the notice require prior approval of the shareholders concerned.

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If the Board of Directors does not agree to convene such meetings or does not furnish any reply within ten days after receiving such proposal, shareholders individually or collectively holding more than 10% of the Bank's Shares shall have the right to propose to the Board of Supervisors for the convening of such meetings, provided that such proposal shall be made in writing.

In the event that the Board of Supervisors agrees to convene the meeting, the notice of meeting shall be issued within five days after receiving such request. Any changes to the original proposal made in the notice shall require prior approval of the shareholders concerned.

Failure of the Board of Supervisors to issue the notice of meeting within the required period shall be deemed a failure of the Board of Supervisors to convene and preside over it, and shareholders individually or collectively holding more than 10% of the Bank's Shares for more than 90 consecutive days may convene and preside over the meeting on a unilateral basis.

10.2 Putting Forward Proposals at General Meetings

Shareholders collectively holding 3% or more of the voting shares (the "**Proposing Shareholders**") have the right to put forward proposals in writing to the Bank. The Proposing Shareholders may submit provisional proposals in writing to the convener ten days before the general meeting is convened. The convener shall issue a supplementary notice of the general meeting within two days after receiving the provisional proposals.

10.3 Convening of Extraordinary Board Meeting

The Chairman of the Board shall convene and preside over an extraordinary board meeting within ten days upon receipt of the proposal from shareholders representing more than one tenth voting rights.

10.4 Making Inquiries to the Board

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

Shareholders are entitled to access relevant information in accordance with the laws, administrative regulations, departmental rules, regulatory documents, relevant regulations of the securities regulatory authorities of the places where the Shares of the Bank are listed, and the Articles of Association, including:

1. obtaining a copy of the Articles of Association upon payment of the costs thereof;
2. inspecting, free of charge, and photocopying, after paying a reasonable fee, the following documents:
 - (1) all parts of the register of shareholders;
 - (2) personal information of Directors, Supervisors, the President and other senior management personnel of the Bank;

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- (3) the Bank's share capital;
- (4) a report showing the total nominal value, quantity, highest and lowest prices of each class of Shares repurchased by the Bank since the previous fiscal year and all costs paid by the Bank in this regard;
- (5) minutes of shareholders' general meetings;
- (6) special resolutions of the Bank;
- (7) the latest audited financial statements, and reports of the Board of Directors, auditors and the Board of Supervisors; and
- (8) a copy of the latest annual return filed with the company register department or other competent authorities.

A shareholder who requests to inspect any such information or obtain relevant data shall provide written documentation to the Bank certifying the class and quantity of Shares held by him/her in the Bank. After verifying the identity of the shareholder, the Bank shall provide the shareholder with the relevant information as requested.

11 COMMUNICATION WITH SHAREHOLDERS

Investor Relations

The Bank attaches importance to communication with shareholders, actively responds to shareholders' advices and recommendations, and seeks to improve mutual understanding and communication with shareholders through various channels including general meetings and results presentation conferences and enhance engagement with shareholders via the Bank's website, e-mail and telephone.

For enquiries to the Board, investors may contact: the General Office of Board of Directors of Bank of Zhengzhou Co., Ltd.

Address: 22 Shangwu Waihuan Road, Zhengdong New District, Zhengzhou City, Henan, PRC

Tel: +86-371-67009199 Fax: +86-371-67009898

Email: ir@zzbank.cn

Information Disclosure

The Board of Directors and senior management of the Bank place great importance on information disclosure. They rely on good corporate governance and sound internal control to ensure that investors have access to information in a timely and accurate manner.

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In accordance with the Administrative Measures for Information Disclosure of Listed Companies, the Measures for Information Disclosure of Commercial Banks, the SZSE Listing Rules and the Stock Exchange Listing Rules, the Bank continuously improves the timeliness, accuracy and completeness of the information disclosed. During the Reporting Period, the Bank published relevant announcements and circulars on the website of the Hong Kong Stock Exchange, CNINFO (cninfo.com.cn) (巨潮資訊網), China Securities Journal (《中國證券報》), Shanghai Securities News (《上海證券報》), Securities Times (《證券時報》) and Securities Daily (《證券日報》) from time to time. Meanwhile, the full texts of the Bank's announcements, circulars, and financial reports such as annual reports and interim reports are made available on the website of the Bank, and the annual reports and interim reports are available for inspection by investors and stakeholders in the General Office of the Board of Directors and main outlets of the Bank.

12 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIP AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

The Directors, Supervisors and senior management personnel (including the Chairman and the President) of the Bank do not have any relationship, including financial, business, family and other material relations.

13 SECURITIES TRANSACTIONS BY DIRECTORS, SUPERVISORS AND RELEVANT EMPLOYEES

The Bank has adopted a code of conduct on terms no less exacting than the required standards in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Stock Exchange Listing Rules as the code governing securities transactions by Directors and Supervisors and relevant employees. After having made inquiries to all Directors and Supervisors, the Bank confirmed that they had complied with the above code for the Reporting Period. The Bank is not aware of any relevant employee having breached the code.

The Bank is not aware of any Director, Supervisor and senior management personnel violating the restrictive share trading requirements under the Guidelines for the Standardized Operation of Listed Companies on the SME Board of the SZSE and other standard documents.

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14 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

Training and Research of Directors

All Directors of the Bank are able to perform their duties, actively study relevant regulations and books in respect of corporate governance and the standardized operation of listed companies, constantly learn the latest regulatory policies and related systems, improve self-discipline awareness, compliance awareness, integrity awareness and professional skills. During the Reporting Period, executive Director, Mr. FENG Tao (馮濤), and non-executive Directors, Mr. FAN Yutao (樊玉濤), Mr. ZHANG Jingguo (張敬國), Mr. JI Hongjun (姬宏俊), Mr. LIANG Songwei (梁嵩巍) and Mr. WANG Shihao (王世豪), participated in the training for directors, supervisors and senior management of Henan listed companies organized by the Henan Listed Companies Association. Independent non-executive Director Ms. CHAN Mei Bo Mabel participated in the training of independent directors held by the SZSE and obtained the qualification certificate of independent director issued by the SZSE.

Training of and Research of Supervisors

During the Reporting Period, all Supervisors of the Bank continued their professional learning and participated in relevant business training to improve their overall quality and ability to perform their duties. All Supervisors of the Bank participated in the training for directors, supervisors and senior management of Henan listed companies organized by the Henan Listed Companies Association, and conducted surveys and inspections on some departments of the head office, branches, and subsidiaries. During the surveys and inspections, each Supervisor had in-depth communication with the relevant persons in charge and employees. All Supervisors of the Bank have actively studied relevant regulations and books in respect of corporate governance and the standardized operation of listed companies.

15 EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

At the 2018 AGM held on 24 May 2019, the Bank considered and approved the re-appointment of KPMG Huazhen LLP and KPMG as its domestic and overseas auditors respectively for a term until the 2019 annual general meeting of the Bank. The two accounting firms have provided audit services for the Bank for eight and five consecutive years respectively. The Bank did not change its auditors in the past three years. In 2019, the certified public accountants who signed the auditor's report of the financial statements, which was prepared in accordance with the PRC GAAP by the Bank, were HE Qi and HUANG Menglin, who had provided audit services for the Bank continuously for five years and three years respectively; the certified public accountant who signed the auditor's report of the financial statements, which was prepared in accordance with the IFRS by the Bank, was Liang Mingda, who had provided audit services for the Bank continuously for five years.

During the Reporting Period, the Bank paid a total of RMB5.1 million as remuneration to KPMG Huazhen LLP and KPMG for their review of the Bank's interim financial statements and audit of the Bank's annual financial statements, and paid internal control audit fees for 2019 of RMB0.8 million to KPMG Huazhen LLP. KPMG Huazhen LLP's and KPMG's responsibility statements on the financial reports were set out in the audit reports of the Annual Reports of A Shares and H Shares respectively. The Board and the audit committee under the Board agreed on the selection and appointment of the external auditors of the Bank without any disagreement.

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16 RISK MANAGEMENT AND INTERNAL CONTROL

16.1 Procedures for Identification, Assessment and Management of Material Risks

In order to handle major emergencies in the Bank in a timely and proper manner, effectively prevent and resolve risks, and maintain financial order and social stability, the Bank continuously optimized its risk management system, strengthened its risk management policies and system construction, and improved the operational mechanisms of the risk management committee of the Board and the risk management committee of the senior management to play their role in the decision-making on major risks and internal control matters, while improving the system for comprehensive assessment of risk management of branches. The Bank has formulated a series of management measures including the Management for the Reporting of Major Emergencies and the Measures for the Internal Reporting of Material Information which provide that major emergencies shall be classified by nature and business type and be reported, filed and managed by different departments accordingly in a timely, accurate, true and comprehensive manner.

16.2 Risk Management Responsibility of the Board

The Board of Directors is well aware of its responsibility for implementing risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable but not absolute guarantee against material misstatements or losses. In accordance with relevant laws and regulations including the Comprehensive Risk Management Guidelines for Commercial Banks, the Guidelines for Internal Control of Commercial Banks, and Code Provisions C.2.1 and C.2.2 of the Corporate Governance Code, the Board has formulated the Basic Rules for Comprehensive Risk Management, the Measures for Risk Appetite Management, the Measures for Management of Risk Limits, and has established and implemented risk management and internal control systems. The Board is also responsible for timely reviewing the effectiveness of such measures and systems, reviewing risk control principles, objectives and policies of the Bank, determining the acceptable risk exposure, ensuring that the senior management takes necessary risk control measures, and supervising the senior management's monitoring and assessment of the adequacy and effectiveness of the risk management and internal control systems. The Bank reviews the effectiveness of the risk management and internal control systems of the Bank and its subsidiaries at least once a year. For the Reporting Period, the Board of Directors believes that the risk management and internal control systems developed and implemented by the Bank were adequate and effective.

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16.3 Characteristics of the Risk Management System

The Bank has continuously established the comprehensive risk management system, improved comprehensive risk management policies and procedures, ensured the implementation of policies, conducted self-assessment of the comprehensive risk management system, and enhanced the self-discipline mechanism. We combine qualitative and quantitative methods to identify, measure, evaluate, monitor, report, control or mitigate various risks such as credit risk, market risk, liquidity risk, operational risk, reputation risk and information technology risk, while carefully evaluating the interaction between various risks. The bank's risk management system comprises the following elements: risk management framework, risk appetite and risk limits, risk management policies and procedures, management information system, internal control and audit systems, etc.

16.4 Characteristics of the Internal Control System

Overview of Internal Control

The Bank has established a customer-oriented, vertical and flat organizational structure. With respect to department setup, the front-office business department, the middle-office risk management department and the back-office security department are independent of each other, check each other and coordinate with each other. As to process setup, a risk management-embedded operation method comprising the “front-, middle- and back-offices” has been applied to the business process of the front-office business department. A deliberative office has been set up accordingly at the senior management level to consider matters within the authority, and an operation centre has been set up at the front office and the middle office to take charge of business processing, risk review, etc.

The Bank aims to build a distinctive culture of internal control and compliance. It has established a sound compliance management regime comprising compliance risk management as well as compliance review, inspection and assessment; rolled out more activities for building a compliance culture; compiled and published compliance manuals; set compliance red lines; and built an internal control and compliance management team to cover various branches and professional lines. It has conducted appraisal of the most outstanding and the most advanced in terms of compliance, and penalized those for violation of laws to pursue their responsibility so as to create a work atmosphere which is “compliance for everyone and compliance with everything”, to make “compliance” become the core ethical code of the corporate culture of the Bank.

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The Bank has established a three-tier regime consisting of the basic regime, management measures, operating procedures/details/contingency plans to straighten out and update the regime on a regular basis. In line with various business processes, internal control measures were applied accordingly, which included but not limited to system check, division of powers and responsibilities, restriction of authority, supervision and review, etc.. Process operation, risk identification and assessment were carried out on a regular basis to identify business risks and optimize and improve internal control measures.

The Bank has established a supervisory and inspection system comprising three lines of defence working together. These three lines of defence are the business operation level, risk compliance and other functional departments as well as internal inspection and audit department, deployed to continuously improve the risk management system, develop and apply risk measurement and evaluation methods and monitoring models, and to continuously monitor credit risk, operational risk, market risk, liquidity risk, etc. A risk information sharing platform was built to effectively support the supervision and inspection by the three lines of defence and to make sure business operations are in compliance with the law.

16.5 Internal Control Assessment

16.5.1 Particulars of Major Internal Control Defects Discovered During the Reporting Period

During the Reporting Period, the Bank found no major defects on internal control.

16.5.2 Self-assessment Report on Internal Control

Date of full-text disclosure of internal control assessment report	31 March 2020
Websites for full-text disclosure of internal control assessment report	CNINFO (www.cninfo.com.cn) Website of the Bank (www.zzbank.cn)
The proportion of the total assets of entities covered by the assessment in the total assets in the consolidated financial statements of the Bank	100.00%
The proportion of the operating income of entities covered by the assessment in the operating income in the consolidated financial statements of the Bank	100.00%

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Defect recognition criteria

Category	Financial reports	Non-financial reports
Qualitative criteria	<p>Qualitative criteria for identifying a material weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a material misstatement of financial statements will not be prevented or detected and corrected on a timely basis. Signs of material weaknesses include but are not limited to: directors, supervisors or senior management personnel commit fraud or other malpractices; there are material misstatements in the published financial statements; material or significant weaknesses in internal control of financial reporting have not been rectified; the supervision over internal control of financial reporting is ineffective.</p> <p>Qualitative criteria for identifying a significant weakness: a deficiency, or a combination of deficiencies, in internal control of financial reporting, such that there is a reasonable possibility that a misstatement of financial statements, which is not material but important enough to merit attention by the board of directors and the management, will not be prevented or detected and corrected on a timely basis. Signs of important weaknesses include but are not limited to: failure to select and apply accounting policies in accordance with generally accepted accounting standards, no anti-fraud procedures and control measures have been established; for the accounting treatment of unconventional or special transactions, the corresponding control mechanisms have yet to be established or implemented and there is a lack of remedial control measures; there are one or more deficiencies in the control of the financial reporting process at the end of each reporting period and there is no reasonable assurance that financial statements will be prepared in a true and complete manner.</p>	<p>Qualitative criteria for identify a material weakness: a deficiency or a combination of deficiencies that has a material negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, realization of development strategies and other internal control objectives. Signs of material weaknesses include but are not limited to: material decision-making mistakes; serious violations of national laws and regulations and consequent severe penalties; frequent and extensive negative news in the media; overall ineffective control systems for important business activities.</p> <p>Qualitative criteria for identifying a significant weakness: a deficiency or a combination of deficiencies that has a significant negative impact on legal compliance, asset safety, improvement of operating efficiency and effectiveness, realization of development strategies and other internal control objectives. Signs of important weaknesses include but are not limited to: significant decision-making mistakes; serious losses arising from violation of internal rules and regulations; negative news in the media with limited impact; significant mistakes in the design and control of systems for important business activities.</p>

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	Qualitative criteria for identifying a general weakness: any other weakness in internal control of financial reporting that does not constitute a material or significant weakness.	Qualitative criteria for identifying a general weakness: any other weakness in internal control over non-financial reporting activities that does not constitute a material or significant weakness.
Quantitative criteria	<p>Quantitative criteria for identify a material weakness: The amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the following criteria: amount of misstatement $\geq 5\%$ of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a significant weakness: The amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the following criteria: 0.25% of the total profit before tax in the consolidated income statement for the current year \leq amount of misstatement $< 5\%$ of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a general weakness: The amount of misstatement in the financial statements that may be caused by the underlying internal control weakness meets the following criteria: amount of misstatement $< 0.25\%$ of the total profit before tax in the consolidated income statement for the current year.</p>	<p>Quantitative criteria for identify a material weakness: The direct property loss that may be caused by the underlying internal control weakness meets the following criteria: direct property loss $\geq 5\%$ of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a significant weakness: The direct property loss that may be caused by the underlying internal control weakness meets the following criteria: 0.25% of the total profit before tax in the consolidated income statement for the current year \leq direct property loss $< 5\%$ of the total profit before tax in the consolidated income statement for the current year.</p> <p>Quantitative criteria for identifying a general weakness: The direct property loss that may be caused by the underlying internal control weakness meets the following criteria: direct property loss $< 0.25\%$ of the total profit before tax in the consolidated income statement for the current year.</p>
Number of major defects in financial reports	0	
Number of major defects in non-financial reports	0	
Number of important defects in financial reports	0	
Number of important defects in non-financial reports	0	

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16.6 Audit Report on Internal Control

Review opinions in the audit report on internal control

KPMG Huazhen LLP believes that as of 31 December 2019, Zhengzhou Bank had maintained effective internal control over financial reporting in all material aspects in accordance with the Basic Rules for Internal Control of Enterprises and other relevant regulations.

Disclosure of the audit report on internal control Disclosed

Date of full-text disclosure of the audit report on internal control 31 March 2020

Websites for full-text disclosure of the audit report on internal control CNINFO(www.cninfo.com.cn)
Website of the Bank(www.zzbank.cn)

Type of opinion in the audit report on internal control Standard unqualified opinion

Whether there are major defects in non-financial reports No

The audit report on internal control issued by the accounting firm is consistent with the self-assessment report of the Board.

17 INTERNAL AUDIT

Pursuant to the requirements of the Guidelines for Internal Audit of Commercial Banks and the Guidelines for Internal Control of Commercial Banks, the Bank has established an independent and vertical internal audit management system where the internal audit office as the executive body of the internal audit of the Bank is subordinate to the Board and works under the specific guidance of the audit committee of the Board. In accordance with regulatory requirements and relevant rules and regulations, the internal audit office conscientiously performs its duties, timely submits audit results to the senior management, and regularly reports to the Board of Directors and the Board of Supervisors on the audit work.

Adhering to the principles of independence, objectivity and significance, the internal audit department of the Bank formulates the master plan and annual work plan for internal audit of the Bank, organizes the audit of the Bank's business activities, operations and economic responsibilities of key personnel during their term of service, inspects and assesses the implementation of laws, regulations and rules, and makes improvement suggestions to the management.

During the Reporting Period, the internal audit department of the Bank adhered to the principle of risk-based auditing, actively adjusted to the needs for risk management situation, strengthened audit supervision, continuously followed up the correction of identified audit problems, increased the effort on occupational qualification education and training, constantly enhanced audit professionalism, and improved the quality and efficiency of audit.

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18 INSIDE INFORMATION MANAGEMENT

The Board is responsible for disclosing information of the Bank, which includes enacting standard procedures and methods in relation thereto and reviewing information to be disclosed, and it also assumes liabilities for the truthfulness, accuracy and completeness of the information disclosed. The information disclosure of the Bank is subject to the supervision of regulators and the Board of Supervisors. The Chairman of the Board is the primary person responsible for implementing the management measures for information disclosure, while the Secretary of the Board is in charge of its execution and the General Office of the Board deals with the daily work thereof.

To ensure confidentiality of the Bank's inside information, safeguard the fairness in information disclosure and protect the legal rights of investors, the Bank enacted the Management System for Information Disclosure Affairs (《信息披露事務管理制度》) and Insider Information and Insider Registration Management System (《內幕信息及知情人登記管理制度》) based on domestic and overseas laws, regulations and other regulatory documents such as the Company Law, the Securities Law, Measures for Information Disclosure of Commercial Banks (《商業銀行信息披露辦法》), and the SZSE Listing Rules and the Stock Exchange Listing Rules.

The Bank makes information disclosure and manages inside information in strict compliance with the regulatory requirements and specifies the principles, contents, management and procedures for information disclosure in the Management System for Information Disclosure Affairs, which also provides for the coverage, insider limits and registration, and the security management of inside information as well as punishment for divulging inside information, etc.

During the Reporting Period, the Bank not only stringently complied with the regulatory requirements of domestic and overseas regulators, but also intensified its management rules and enhanced the security measures of its inside information as well as disclosing relevant information timely according to requirements.

19 AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with the applicable requirements of laws, regulations and regulatory documents, including the Company Laws and Interim Measures for the Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》), and taking account of its actual situation, the Bank amended some provisions of the Articles of Association during the Reporting Period. The amendments were considered and approved at the 2018 AGM and approved by the competent banking regulatory authorities. For details of the amendments, please refer to the Bank's announcements dated 29 March 2019, 2 April 2019, 30 April 2019, 25 May 2019 and 25 July 2019 published on CNINFO (www.cninfo.com.cn) and the Bank's announcements dated 29 March 2019, 2 April 2019, 24 May 2019 and 25 July 2019 and circular dated 30 April 2019 published on the website of the Hong Kong Stock Exchange.

After the Reporting Period, the Bank intends to amend the Articles of Association in accordance with laws and regulations, and regulatory documents such as the Company Law, the Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies (Guo Han [2019] No. 97), the Guidelines for Articles of Association of Listed Companies, the Issuance of Securities by Listed Companies, and will submit such amendments to the annual general meeting and A Shareholder class meeting and H Shareholder class meeting for consideration and approval.

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20 PROTECTION OF CONSUMER RIGHTS

During the Reporting Period, the Bank has conscientiously implemented the requirements from the regulatory authorities such as the CBIRC and the PBoC and fully utilized the coordination mechanism of various departments and carried out the protection of consumer rights in an orderly manner.

Enhanced consumer protection for the protection of their legitimate rights and interests. During the Reporting Period, the Bank sent the key staff involved in the protection of consumer rights and interests to attend outside special training programmes for the protection of consumer rights and interests, and had front-line responsible and key staff attended various online and offline training sessions related to the protection of consumer rights and interests in the Bank. Emphasis was also placed on stepping up the building of a team of staff involved in the protection of consumer rights and interests at some of our management banks, thus having effectively stepped up the Bank's protection of consumer rights and interests. Meanwhile, the Bank handled various petition and complaint cases efficiently in accordance with the relevant rules and regulations for petitions and complaints, thus having effectively protected the legitimate rights and interests of consumers of the Bank.

Strengthened publicity and education of financial knowledge to raise consumers' awareness about financial security. During the Reporting Period, the Bank rolled out a number of publicity campaigns such as prevention of phone fraud, prevention of illegal fundraising, promotion of consumer rights day on 15 March, financial knowledge popularization month and two other financial knowledge promotional events. Various publicity materials about financial knowledge were pushed on WeChat public accounts and on LED screens at our branches, and an array of publicity campaigns were staged on campus and in the community by a number of branches. The Bank worked in liaison with local media and community offices to increase the effectiveness of publicity campaigns so as to get relevant financial knowledge publicized and popularized among general financial consumers, with emphasis placed on guiding consumers to invest and consume in a rational manner and on raising their awareness about risk prevention and their capability to protect themselves.

CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

1 PRINCIPAL BUSINESS AND BUSINESS REVIEW

The Bank is primarily engaged in the PRC banking and related financial services, including corporate banking, retailing banking, treasury operation and other businesses.

Further discussion and analysis of the business review as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong), including the key risks and uncertainties faced by the Group, the possible future development plan of the Group's business and the Bank's compliance with laws and regulations, are set out in the sections headed "Highlights of Accounting Data and Major Financial Indicators", "Management Discussion and Analysis", "Significant Events" and "Report of the Board of Supervisors" of this Report. Such discussions form an integral part of this "Report of the Board of Directors".

2 PROFIT DISTRIBUTION

2.1 Formulation, Implementation or Adjustment of Profit Distribution Policy for Ordinary Shares During the Reporting Period

According to the current Articles of Association, the Bank shall give preference to cash dividend distribution with reference to the continuous profitability, compliance with regulatory requirements, and the normal operation and long-term development of the Bank. The Bank shall not distribute profits to holders of Ordinary Shares until it has paid the agreed dividends to holders of the Offshore Preference Shares in full. Subject to the conditions for dividend distribution as stipulated by laws and regulations, the profit distributed to ordinary shareholders in cash every year after the listing of the Bank's A Shares shall not be less than 30% of the distributable profit attributable to ordinary shareholders of the Bank for the current year. Where the Bank is to adjust its profit distribution policy, the Board shall make a special discussion on that, elaborate on the reasons for the adjustment, formulate a written demonstration report and submit it to the general meeting for approval after it is reviewed by the independent non-executive Directors. The adoption of the underlying resolution is subject to affirmative votes representing at least two-thirds of the voting rights held by the Shareholders present at the general meeting. The Bank shall make Internet voting accessible to Shareholders.

The formulation and implementation of the Bank's cash dividend policy is in compliance with the provisions of the Articles of Association and the resolutions of the general meeting. The policy has clearly defined criteria and proportion of dividend distribution and is underpinned by well-established decision-making procedures and mechanisms in which the independent non-executive Directors have performed their duties and roles in good faith. Minority Shareholders have been given the opportunity to fully express their opinions and demands, and their legitimate rights and interests have been fully protected. During the Reporting Period, the Bank's cash dividend policy was not adjusted or changed.

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2.2 Proposal for Profit Distribution and Transfer of Capital Reserve to Share Capital for the Reporting Period

Number of bonus shares per 10 Shares	–
Cash dividend per 10 Shares (RMB) (inclusive of tax)	1.00
Number of Shares transferred per 10 Shares	1
Share capital base for the distribution proposal (Shares)	5,921,931,900
Total cash dividends (RMB'000) (inclusive of tax)	592,193
Distributable profit (RMB'000)	11,280,663
Cash dividends as a percentage of total distributable profit (%)	50.00

Particulars of the cash dividend distribution

For details, please refer to “Section XVI Dividend Distribution Policy” of the (A-Share) Initial Public Offering Prospectus of the Bank disclosed on the website of CNINFO (www.cninfo.com.cn) on 30 August 2018.

Particulars of the proposal for profit distribution and transfer of capital reserve to share capital

In 2019, net profit attributable to the parent company under the consolidated financial statements of the Bank audited by KPMG Huazhen LLP amounted to RMB3,285,122 thousand. In accordance with the requirements of the Accounting Standards for Business Enterprises and the Articles of Association, the audited net profit of the parent company of the Bank amounted to RMB3,193,343 thousand; after deducting dividends on Offshore Preference Shares distributed on 18 October 2019 amounting to RMB512,790 thousand, the profit of the year available for distribution to ordinary Shareholders amounted to RMB2,680,553 thousand. The proposed 2019 plan for profit distribution and transfer of capital reserve to shares is as follows:

- I. 10% of the net profit, equivalent to RMB319,334 thousand was appropriated as statutory surplus reserve;
- II. RMB700 million was appropriated as general risk reserves;
- III. A cash dividend of RMB1.00 (tax inclusive) for every 10 Shares will be distributed to the ordinary Shareholders whose names appear on the register of Shareholders as at the dividend distribution registration date, and 1 new Share for every 10 Shares will be issued to the above-mentioned ordinary Shareholders by way of conversion of capital reserve. Calculated based on the total share capital of 5,921,931,900 shares of the Bank as at 31 December 2019, total cash dividend amounted to RMB592,193 thousand and a total of 592,193,190 conversion shares will be converted. After the implementation of the transfer of capital reserve to share capital, the registered capital of the Bank will increase from RMB5,921,931,900 to RMB6,514,125,090.

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- IV. The remaining undistributed profit will be accumulated and distributed for the upcoming year.

The Bank is currently in the critical stage to transform and upgrade to high quality development, and the retained undistributed profit is principally used to accelerate and promote strategic transformation, optimize business structure, and strengthen risk-resistance capacity. The main consideration factors of the abovementioned cash dividend policy of Bank are: (i) the increasingly strict capital regulation policy requirements and the guideline opinions issued by regulatory authorities on cash dividends distributed by commercial banks; (ii) the Bank is in the critical stage of transformation and needs to retain undistributed profit as appropriate to guarantee continuous replenish of internal capital so as to support the strategic transformation and healthy and sustainable development of various businesses of the Bank; (iii) the Bank ensures its compliance with regulatory requirements on capital adequacy ratios, constantly improves profitability and strengthens risk-resistance capacity, striving to create more value for investors and provide sustainable, stable, and reasonable investment return.

The dividend distribution plan will be implemented after being submitted to, considered and approved at the 2019 annual general meeting. The dividend distribution date is expected to be around 30 June 2020 (Tuesday). For the specific date and the details of dividend distribution, please refer to the circular of the 2019 annual general meeting to be distributed to the Shareholders by the Bank.

2.3 Proposal for Profit Distribution and Transfer of Capital Reserve to Share Capital for the Past Three Years (Including the Reporting Period)

2019 profit distribution plan of Ordinary Shares: the Board recommended the distribution of cash dividends of RMB1.00 (tax inclusive) per 10 Shares to the ordinary Shareholders whose names appeared on the register of Shareholders as at the dividend distribution registration date, and issuance of shares on the basis of 1 new Share for every 10 Shares held by the aforesaid ordinary Shareholders by way of conversion of capital reserve and no bonus share will be issued. The profit distribution plan will be proposed at the 2019 annual general meeting for approval.

2018 profit distribution plan of Ordinary Shares: after the consideration and approval at the 2018 annual general meeting convened on 24 May 2019, the Bank has distributed the 2018 annual dividends in the form of cash to A Shareholders whose names appeared on the register of Shareholders as at 18 June 2019 and H Shareholders whose names appeared on the register of Shareholders as at 4 June 2019. Such dividends were based on RMB1.50 (tax inclusive) per 10 Shares and amounted to approximately RMB888,290 thousand in total.

2017 profit distribution plan of Ordinary Shares: pursuant to relevant provisions required by the CSRC, the Bank did not distribute 2017 final dividend to Shareholders as considered and approved at the 2017 annual general meeting convened on 15 June 2018 due to the Bank's initial public offering of A Shares in 2018.

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The cash dividends for Ordinary Shares of the Bank for the last three years (including the Reporting Period) are as follows:

Unit: RMB'000

Year of dividends	Cash dividend per 10 Shares (inclusive of tax) (RMB/Share)	Cash dividends (inclusive of tax)	Net profit (deducting dividend on preference shares) attributable to ordinary shareholders of the Bank in the consolidated financial statements for the relevant year	Percentage of cash dividend in the net profit (deducting dividend on preference shares) attributable to ordinary shareholders of the Bank in the consolidated financial statements for the relevant year (%)	Amount of cash dividends distributed by other means (such as repurchased Shares)	Percentage of cash dividend by other means in the net profit (deducting dividend on preference shares) attributable to ordinary shareholders of the Bank in the consolidated financial statements for the relevant year (%)	Total cash dividends (including by other means)	Percentage of total cash dividend (including by other means) in the net profit (deducting dividend on preference shares) attributable to ordinary shareholders of the Bank in the consolidated financial statements for the relevant year (%)
2019	1.00	592,193	2,772,332	21.36	-	-	592,193	21.36
2018	1.50	888,290	2,556,488	34.75	-	-	888,290	34.75
2017	-	-	4,280,024	-	-	-	-	-

For details of the profit distribution of Offshore Preference Shares, please refer to the chapter headed "Issuance of Preference Shares".

2.4 Dividend Tax

Distribution of Cash Dividends

Holder of A Shares

For individual shareholders, according to the provisions of the Circular on Issues Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) and the Circular on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) issued by the MOF, the State Administration of Taxation and the CSRC, where an individual acquires the shares of a listed company from public offering of the company or from the stock market, for a holding period of not more than one month (inclusive), the dividends and bonuses paid on such shares shall be included into his taxable income in full amount; for a holding period of more than one month but not more than one year (inclusive), 50% of the dividends and bonuses paid on such shares shall be included into his taxable income; for a holding period of more than one year, the dividends and bonuses paid on such shares are temporarily exempted from individual income tax. The above income is subject to a uniform 20% tax rate for individual income tax. For shareholders being securities investment funds, their dividend income shall also be subject to the above provisions.

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For shareholders being resident enterprises, according to the provisions of paragraph (2) of Article 26 of the Corporate Income Tax Law, dividends, bonuses and other equity investment income between eligible resident enterprises are tax-free income. According to the provisions of Article 83 of the Regulations on the Implementation of the Corporate Income Tax Law, the “dividends, bonuses and other equity investment income between eligible resident enterprises” as mentioned in the provisions of paragraph (2) of Article 26 of the Corporate Income Tax Law refer to investment return received from a resident enterprise’s direct investment in other resident enterprises, excluding the investment income obtained by continuously holding shares publicly issued and listed by resident enterprises for less than 12 months.

For non-resident enterprise shareholders, according to the provisions of the Corporate Income Tax Law” and the Regulations on the Implementation of the Corporate Income Tax Law, the dividend income obtained by non-resident enterprises shall be taxed at a reduced rate of 10%.

For Qualified Foreign Institutional Investors (QFIIs), according to the Circular of the State Administration of Taxation on Issues Concerning the Withholding and Payment of Corporate Income Tax on Dividends, Bonus and Interest Paid by PRC Resident Enterprises to QFIIs (Guo Shui Han [2009] No. 47), listed companies shall withhold and remit corporate income tax for QFIIs at a rate of 10%. QFII shareholders who wish to enjoy tax treaty (arrangement) benefits may apply to the competent tax authority for tax benefits in accordance with the relevant provisions of the tax treaty, and the competent tax authority shall follow such provisions after verification thereof. Where tax refund is involved, an application for tax refund may be made to the competent tax authority in a timely manner after dividends and bonuses are obtained.

Holders of H Shares

For overseas non-resident enterprise shareholders, pursuant to the applicable provisions of the Corporate Income Tax Law of the People’s Republic of China and its implementing regulations, the Notice of the State Administration of Taxation on Issues Concerning the Withholding of Enterprise Income Tax on Dividends Paid by PRC Resident Enterprises to Offshore Non-resident Enterprise Holders of H Shares (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), and the letter entitled “Tax Arrangements of Enterprises in Mainland China on Dividend Issuance to Hong Kong Residents” issued by the Hong Kong Stock Exchange, the Bank shall withhold and remit corporate income tax at a rate of 10% when distributing final dividends to non-resident enterprise holders of H Shares (including H Shares registered in the name of HKSCC Nominees Limited).

For overseas non-resident individual shareholders, pursuant to the applicable provisions of the Individual Income Tax Law of the People’s Republic of China and its implementing regulations as well as the Notice of the State Administration of Taxation on Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the overseas resident individual shareholders of a domestic non-

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foreign-invested enterprise which issued stocks in Hong Kong are entitled to relevant preferential tax treatments in accordance with the tax treaties entered into by and between the countries they are from and China as well as the taxation arrangement between the Mainland China and Hong Kong (Macau). An individual income tax shall be withheld at a preferential tax rate of 10% generally for dividends paid to overseas resident individual shareholders by the domestic non-foreign-invested enterprise which issued stocks in Hong Kong, unless otherwise required by the regulations of relevant tax laws and tax conventions.

Generally, the Bank will withhold and remit individual income tax for holders of H Shares in accordance with the above arrangements, but if the tax authorities require otherwise, the Bank will follow their requirements.

For tax issues concerning Shenzhen-Hong Kong Stock Connect, the provisions of the Circular on Taxation Policies Concerning the Pilot Program of a Mechanism for Mutual Stock Market Access Between Shenzhen and Hong Kong (Cai Shui [2016] No. 127) issued by the MOF, the State Administration of Taxation and the CSRC shall apply.

Conversion of Capital Reserve into Shares

Pursuant to the Notice of State Administration of Taxation in relation to the Capitalisation of Capital Reserve and the Levy of Individual Income Tax regarding the Distribution of Bonus Shares of Joint-Stock Enterprises (Guoshuifa [1997] No. 198) (《國家稅務總局關於股份制企業轉增股本和派發紅股徵免個人所得稅的通知》(國稅發[1997]198號)), the increase of share capital of joint-stock enterprises by way of capitalisation of capital reserve does not belong to the distribution of dividends and bonuses. The shares obtained by individuals from the capitalisation of capital reserve are not treated as individual income, and are exempted from individual income tax. As a result, there will be no levy of PRC taxation in respect of the issue of new Shares under the conversion of capital reserve into Shares and no relevant taxation will be withheld and paid.

Dealings in the new H Shares will be subject to the payment of stamp duty, the Hong Kong Stock Exchange trading fee, transaction levy, or any other applicable fees and charges in Hong Kong.

Distribution of Dividends on Offshore Preference Shares

Pursuant to the PRC tax laws and regulations, the Bank is required to withhold and remit corporate income tax at a rate of 10% when distributing dividends on Offshore Preference Shares to overseas non-resident enterprise shareholders. Pursuant to the regulations of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends on Offshore Preference Shares paid by the Bank.

Shareholders are recommended to consult their tax advisers regarding the PRC, Hong Kong and other tax implications arising from their holding and disposal of H Shares and Offshore Preference Shares of the Bank. The Bank will not take any responsibility for any taxation impact or liability of H Shareholders.

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3 CLOSURE OF REGISTER OF MEMBERS OF H SHARES

In order to determine the eligibility of holders of H Shares of the Bank to vote at the forthcoming annual general meeting, the register of members of H Shares will be closed accordingly. For details, please refer to the circular of the 2019 annual general meeting to be despatched to the Shareholders by the Bank.

4 SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

For details of the share capital and substantial Shareholders of the Bank, please refer to the chapter headed “Changes in Share Capital and Information on Shareholders”.

5 ISSUANCE OF DEBT SECURITIES

For details of the issuance of debt securities of the Bank, please refer to the paragraph headed “Issuance and Repurchase of Bonds” in the chapter headed “Significant Events” in this Report.

6 USE OF PROCEEDS

For details of the use of proceeds of the Bank, please refer to the chapter headed “Management Discussion and Analysis”.

7 RESERVES

Details of movements in the reserves of the Bank for the Reporting Period are set out in the consolidated statement of changes in Shareholders’ equity.

8 PROPERTY AND EQUIPMENT

Details of movements in property and equipment of the Bank are set out in Note 22 to the financial statements in the chapter headed “Independent Auditor’s Report” of this Report.

9 CONNECTED TRANSACTIONS

In the ordinary and usual course of business, the Bank offers commercial banking services and products to the public in China, including certain connected persons of the Bank such as the Shareholders, Directors, Supervisors, President and/or their respective associates. Pursuant to the Stock Exchange Listing Rules, such transactions, being conducted on normal commercial terms in the ordinary and usual course of the business of the Bank, shall be exempt from the reporting, annual review, disclosure and independent Shareholders’ approval requirements under Chapter 14A of the Stock Exchange Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Stock Exchange Listing Rules.

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During the Reporting Period, in order to improve the capital adequacy ratio and capital structure of the Bank, refine the Bank's long-term capital management mechanism, and enhance the capability for sustainable development, the Board agreed to the Non-public Issuance of A Shares on 16 July 2019. On the same day, the Bank entered into a conditional share subscription agreement with Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), pursuant to which Henan Guoyuan Trade Co., Ltd. shall subscribe for A Shares with an amount of not more than RMB600 million but not less than RMB450 million under the non-public issuance. As at the date of the agreement, Mr Zhu Zhihui, a Supervisor, being a connected person of the Bank under Chapter 14A of the Stock Exchange Listing Rules, held 90% of the equity interest in Henan Guoyuan Trade Co., Ltd. Therefore, Henan Guoyuan Trade Co., Ltd. is an associate of Mr. Zhu Zhihui and thus a connected person of the Bank. The transaction constitutes a connected transaction of the Bank and complies with the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Stock Exchange Listing Rules. For details, please refer to the announcements dated 17 July 2019 and 3 September 2019 and the circular dated 16 August 2019 published by the Bank on the website of the Hong Kong Stock Exchange.

After the Reporting Period, the Board resolved to approve the amendments to the non-public issuance of A Shares proposal on 30 March 2020. On the same day, the Bank entered into supplement agreements with Henan Guoyuan Trade Co., Ltd. Such amended transactions constituted the connected transactions of the Bank after the Reporting Period. The Bank will comply with relevant reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Stock Exchange Listing Rules. For details, please refer to the announcement dated on 30 March 2020 published by the Bank on the website of the Hong Kong Stock Exchange and the circular to be dispatched to Shareholders.

The definition of connected persons under Chapter 14A of the Stock Exchange Listing Rules is different from the definition of related parties under International Accounting Standard, and its interpretations by the IASB. Some of the Bank's related party transactions also constitute connected transactions or continuing connected transactions as defined under the Stock Exchange Listing Rules, but none of them constitutes a disclosable connected transaction as defined under the Stock Exchange Listing Rules except the above-mentioned connected transaction with Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司).

10 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details regarding the Directors, Supervisors and senior management of the Bank are set out in the chapter headed "Directors, Supervisors, Senior Management, Staff and Institutions" of this Report.

11 INTERESTS OF DIRECTORS AND SUPERVISORS IN BUSINESS IN COMPETITION WITH THE BANK

None of the Directors or Supervisors of the Bank holds any interest in any business which competes or is likely to compete, whether directly or indirectly, with that of the Bank.

CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

12 REMUNERATION OF THE DIRECTORS AND SUPERVISORS, AND RETIREMENT BENEFITS

Details of the remuneration of the Directors and Supervisors are set out in the chapter headed “Directors, Supervisors, Senior Management, Staff and Institutions” of this Report and in Note 9 to the financial statements of the independent auditor’s report of this Report. Retirement benefits offered by the Bank to employees are set out in Note 32 to the financial statements of the independent auditor’s report of this Report. Details of the remuneration of the top five highest-paid individuals are set out in Note 9 to the financial statements of the independent auditor’s report of this Report.

13 SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

During the Reporting Period, none of the Directors or Supervisors entered into a service contract with the Bank which was not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

14 INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the end of the Reporting Period, the interests of Directors, Supervisors and chief executive officer 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 for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Stock Exchange Listing Rules were set out as follows:

Name	Position	Class of Shares	Nature	Number of Shares held directly or indirectly (Shares) (Long position)	Percentage of the relevant class of Shares in issue (%)	Percentage of all ordinary Shares in issue (%)
WANG Tianyu	Director	A Shares	Beneficial owner	25,003	0.00057	0.00042
ZHU Zhihui	Supervisor	A Shares	Interest of controlled corporation ^(Note)	199,046,474	4.52	3.36
CHENG Jie	Supervisor	A Shares	Beneficial owner	6,309	0.00014	0.00011

Note: 199,046,474 A Shares of the Bank are held directly by Henan Guoyuan Trade Co., Ltd. (河南國原貿易有限公司), which is owned as to 90% by Mr. ZHU Zhihui, a Supervisor of the Bank. By virtue of the SFO, Mr. ZHU Zhihui is deemed to be interested in the Shares held by Henan Guoyuan Trade Co., Ltd.

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

CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

15 MATERIAL INTERESTS OF DIRECTORS AND SUPERVISORS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, neither the Bank nor any of its subsidiaries entered into any significant transaction, arrangement or contract in which the Directors or Supervisors or entity connected with the Directors or Supervisors directly or indirectly had a material interest.

16 THE BANK'S LOANS TO ENTITIES

During the Reporting Period, the Bank did not provide any entity with loans that shall be disclosed under Rule 13.13 of the Stock Exchange Listing Rules.

17 ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank or any of its subsidiaries a party to any arrangement to enable the Directors and Supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

18 MANAGEMENT CONTRACTS

No management or administration contract in relation to all or substantial parts of the business of the Bank was entered into during the Reporting Period.

19 PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OR REDEEMABLE SECURITIES OF THE BANK

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

20 CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

As of the end of the Reporting Period, the Bank had not issued or granted any convertible securities, options, warrants or other similar rights, and there had been no exercise of conversion or subscription rights over the convertible securities, options, warrants or other similar rights issued or granted by the Bank at any time.

21 LOAN AGREEMENTS OR FINANCIAL ASSISTANCE OF THE BANK

During the Reporting Period, the Bank did not provide any of its affiliated companies with any financial assistance or guarantees required to be disclosed under Rule 13.16 of the Stock Exchange Listing Rules. The Bank does not have a controlling shareholder or ultimate controller, nor has it entered into any loan agreement with covenants relating to specific performance of the controlling shareholder or breached the terms of any loan agreement.

CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

22 PRE-EMPTIVE RIGHTS

During the Reporting Period, the Bank did not have provisions in respect of pre-emptive rights under the Articles of Association and according to the relevant provisions of the PRC laws and regulations.

23 DONATIONS

During the Reporting Period, the Bank made charitable and other donations in an aggregate sum of approximately RMB4,046,000.

24 EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than Offshore Preference Shares, the Bank neither had nor entered into any equity-linked agreements.

Upon approval by the former CBRC Henan Office and the CSRC, the Bank issued non-cumulative perpetual Offshore Preference Shares in the amount of USD1,191 million on 18 October 2017 through a private offering on the overseas market. Pursuant to regulations including the Measures on Capital Management of Commercial Banks (Trial) and the Trial Administrative Measures on Preference Shares, a commercial bank shall set up the provisions of coercive conversion of preference shares into ordinary shares, under which the commercial bank shall convert the preference shares into ordinary shares as contractually agreed in case of a trigger event. Such trigger event happens when the common equity tier 1 capital adequacy ratio has decreased to 5.125% (or below) and when the CBIRC determines that the bank will not be able to exist if shares of the bank are not transferred or written down, or when relevant regulators determine that the bank will not be able to exist if there is no capital injection from public sectors or supports with coordinative effects. The Bank, according to relevant regulations, has formulated provisions of trigger events under which Offshore Preference Shares shall be coercively converted into H Shares. If such trigger events happen to the Bank and all Offshore Preference Shares need to be coercively converted into H Shares in accordance with their initial conversion price, the total amount of the Offshore Preference Shares which would be converted into H Shares will not exceed 1,719,533,921 H Shares. During the Reporting Period, the Bank did not experience any trigger event in which the Offshore Preference Shares need to be coercively converted into H Shares.

25 RELATIONS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Bank takes effective measures to safeguard the legitimate rights and interests of its employees, striving to establish a harmonious and stable employment relationship. The Bank enters into “labor contracts” with its employees in accordance with the relevant laws, and continuously improves the relevant labor employment system and employee security system. By conscientiously implementing the national policies and regulations on salary and welfare, the Bank has developed the “Administrative Measures on Salary and Welfare”, under which it pays employees full salaries on time, contributes various social insurance and housing provident fund and built a multi-level pension and medical security system. Assuming the responsibility of protecting the vital interests of employees, the Bank establishes a caregiving relief fund, regularly arranges for employees to receive health check-ups, and purchases mutual insurance for accidental injury and critical illness insurance for employees. The Bank also keeps helping employees to enhance their value through enhancing position system for smooth career development path and providing them with a wide range of professional training.

CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

The Bank adheres to a customer-oriented approach, popularizes service etiquette and knowledge, and promotes the standardization of services at outlets to continuously improve customers' financial experience. To protect consumer rights, the Bank integrated the concept and requirements of consumer protection into its systems and established a consumer rights protection system involving consumer services, information privacy, education on financial knowledge, and customer complaints handling. The Bank pays attention to communication with customers. It keeps in touch with customers through letters, telephone, fax, direct visits, the internet and other forms of communication channels, provides customers with round-the-clock telephone banking services in China through the unified customer service telephone line, and offers online customer service to provide customers with intelligent online services.

Adhering to the principles of openness, fairness and impartiality, the Bank has established the bidding committee, selects suppliers by means of bidding and other similar forms, and maintains good communication and cooperation with various suppliers.

26 PUBLIC FLOAT

As at the Latest Practicable Date, according to the data publicly available to the Bank and the Directors have been aware of, the Bank has complied with the public float requirements under the Stock Exchange Listing Rules.

27 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Bank strictly abided by the code provisions in the Corporate Governance Code and the relevant Stock Exchange Listing Rules on disclosure of inside information. Details of corporate governance of the Bank are set out in the chapter headed "Corporate Governance Report" of this Report.

28 MAJOR DEPOSITORS AND BORROWERS

The Bank is not dependent on a single major depositor/borrower. As at the end of the Reporting Period, the deposits balance of the five largest depositors and loan balance of the five largest borrowers of the Bank represented no more than 30% of the total deposits balance, gross loans and advances of the Bank. The Directors of the Bank and their close associates or any Shareholder which to the knowledge of the Directors own more than 5% of the number of issued Shares do not have any interest in the aforementioned five largest depositors/borrowers.

29 PERMITTED INDEMNITY PROVISION

According to provision A.1.8 of the Corporate Governance Code, the Bank shall maintain appropriate insurance to cover the potential litigation initiated against the Directors. According to the Articles of Association, unless Directors, Supervisors and senior management personnel are proved to have failed to perform their duties honestly or in good faith, the Bank shall, to the fullest extent permitted by laws and administrative regulations or to the extent not prohibited by laws and administrative regulations, assume civil liabilities incurred by Directors, Supervisors and senior management personnel during their performance of duties. The Bank has purchased appropriate liability insurance for the Directors and provided them with an indemnity for liabilities incurred during the operations of the Bank for the Reporting Period.

CHAPTER VIII REPORT OF THE BOARD OF DIRECTORS

30 OTHER MATTERS

As far as the Board is aware, the Bank has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Bank in all material respects. In the meantime, the Bank is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Bank endeavours to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

During the Reporting Period, the Bank was not aware of any Shareholders having waived or agreed to any arrangement to waive dividends.

During the Reporting Period, the Directors of the Bank did not waive or agreed to waive relevant remuneration arrangement.

During the Reporting Period, the Bank had not pledged any significant assets.

During the Reporting Period, the Bank had no controlling shareholder or ultimate controller. As a result, the Bank did not have any controlling shareholder pledging the Bank's shares to secure the Bank's debts or to secure guarantees or other support of the Bank's obligations.

As at the Latest Practicable Date, saves as disclosed in this Report, there were no other significant subsequent events of the Bank requiring disclosure.

By order of the Board
Bank of Zhengzhou Co., Ltd.
WANG Tianyu
Chairman

30 March 2020

CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors of the Bank was dedicated to fulfilling its duties diligently based on its responsibility to the Shareholders and employees in accordance with the Company Law, the Guidelines on the Corporate Governance of Commercial Banks, the Articles of Association and the requirements of the rules and regulations to the Board of Supervisors, and formed a relatively complete supervisory system covering the supervision over meetings, strategies, financial affairs and performance assessment, which was a positive driving force for steady business development, enhancement of risk control and improvement of the corporate governance structure of the Bank. The foregoing promoted standard operation and sound development of corporate governance.

1 MAJOR WORK OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors attended all the meetings and activities of the “Three Boards and one Management” of the Bank. The Board of Supervisors convened six meetings in total and special committees of the Board of Supervisors convened one meeting to consider 15 resolutions concerning business operation, internal control, corporate governance and performance assessment of the Directors and the Supervisors and review 18 reports concerning internal audit, related party transactions and quality of assets. Members of the Board of Supervisors attended the general meetings and were present at all the on-site meetings of the Board, and supervised the compliance with laws and regulations in relation to the convening of the general meetings and Board meetings, voting procedures, and the Directors’ attendance, opinions expressed and voting at the general meetings and Board meetings. Attendance and presence at various meetings and activities of the members of the Board of Supervisors furnished the Board of Supervisors with access to information on the operations management of the Bank in all aspects in a timely manner, thereby substantially consolidating its supervision functions. The Board of Supervisors had no objection to the supervisory affairs during the Reporting Period.

The sixth session of the Board of Supervisors consists of six Supervisors (three employee Supervisors, one shareholder Supervisor and two external Supervisors). Each of the supervisory committee and the nomination committee has three members, respectively, and is chaired by an external Supervisor, thus satisfying the regulatory requirements of the composition and proportion of members of the Board of Supervisors.

During the Reporting Period, the external Supervisors actively acquainted themselves with the operations management of the Bank, and gave opinions or suggestions on significant matters by attending meetings of the Board of Supervisors, convening special committee meetings of the Board of Supervisors, being present at the Board meetings, participating in investigations and surveys conducted by the Board of Supervisors (on a collective or separate basis) at the branch level. During the adjournment of the Board of Directors and the Board of Supervisors, the external Supervisors were able to review various documents and reports of the Bank and exchange opinions with the Board of Directors and management on any problems found in a timely manner, playing an active role in performing the supervisory duties of the Board of Supervisors.

CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

2 INDEPENDENT OPINIONS ON RELEVANT MATTERS

Performance of duties by the Board of Directors and Senior Management and Its Members

The Board of Supervisors completed the 2018 report of performance assessment of the Board of Directors, senior management and its members as required and reported the performance assessment results to the general meetings and regulatory authorities. The Board of Supervisors was of the view that the Board of Directors and senior management performed their duties according to the Guidelines on the Corporate Governance of Commercial Banks and the Articles of Association and gave full play to their strategic leadership functions to facilitate the Bank to realize high-quality development. The senior management continued to improve their capability of implementing strategic decisions, established and finalised various measures, ensuring the smooth completion of various jobs throughout the year. The Board of Supervisors will conduct the 2019 annual assessment on the performance of duties by the Board, senior management and its members as required, and report the assessment results to the general meeting and regulatory departments.

Compliance with laws and regulations in operations

During the Reporting Period, the operating activities of the Bank complied with the requirements of the Company Law, the Law on Commercial Banks and the Articles of Association, and the decision-making process was legitimate and effective. The Directors and senior management were honest, trustworthy, diligent and conscientious. No acts in violation of laws and regulations and the Articles of Association or detrimental to the interests of the Bank and Shareholders were found in the performance of duties by the Directors and senior management of the Bank during the year.

Truthfulness of financial report

Upon careful review of the 2019 annual report of the Bank by all Supervisors in a practical and responsible manner to all Shareholders, the Board of Supervisors was of the view that procedures for the preparation of the 2019 annual report by the Board complied with the laws, administrative regulations and requirements of the CSRC; the contents of the report truthfully, accurately and completely reflected the actual situation of the Bank; and there were no false representations, misleading statements or material omissions contained therein.

Related party transactions

During the Reporting Period, the Board of Supervisors supervised the related party transactions, and considered that the prices of the related party transactions of the Bank were fair and reasonable and no acts detrimental to the interests of the Bank and Shareholders were found by the Board of Supervisors.

CHAPTER IX REPORT OF THE BOARD OF SUPERVISORS

Internal control

The Board of Supervisors considered that the Bank had established a relatively comprehensive corporate governance structure, formulated relatively complete management systems relating to corporate governance and internal control, and was capable of improving the foregoing in accordance with the actual situation of the Bank and regulatory requirements. The internal control system of the Bank had been carried out smoothly, complied with the relevant standard requirements of laws and regulations on the management of corporate internal control systems, and completely, truthfully and objectively reflected the establishment and operation of the internal control system of the Bank. The Board of Supervisors reviewed the 2019 Internal Control Self-Evaluation Report of the Bank and had no objection to its contents.

Implementation of resolutions of general meetings

During the Reporting Period, the Board of Supervisors supervised the implementation of the resolutions of general meetings, and considered that the Board was capable of earnestly implementing the relevant resolutions of general meetings and did not take any action detrimental to the interests of Shareholders.

Profit distribution plan

The Board of Supervisors reviewed the 2019 Profit Distribution Plan of the Bank, and considered that the profit distribution plan complied with the relevant requirements of laws, regulations and the Articles of Association and was in the interests of all Shareholders and beneficial to the long-term development of the Bank.

Changes in accounting policies

During the Reporting Period, changes in accounting policies of the Bank were reasonably made in accordance with the requirements of the relevant documents issued by International Accounting Standards Board (IASB) and the MoF, compiled with the relevant requirements of IASB, the MoF, CSRC, SZSE, the Hong Kong Stock Exchange and other regulatory authorities, was able to reflect the financial position and operating results of the Bank in a more objective and fair manner, and was in the interests of the Bank and Shareholders.

Save as disclosed above, the Board of Supervisors had no objection to other supervisory affairs during the Reporting Period.

By order of the Board of Supervisors
Bank of Zhengzhou Co., Ltd.
ZHAO Lijuan
Chairwoman of the Board of Supervisors

30 March 2020

CHAPTER X SIGNIFICANT EVENTS

1 ISSUANCE AND REPURCHASE OF BONDS

The Bank issued the tier II capital bonds, whose date of value was 15 December 2014, in an amount of RMB2 billion in the national interbank bond market on 12 December 2014, with a fixed rate for a term of 10 years. The Bank shall have the issuer redemption right at the end of the fifth year and the coupon rate is 5.73%. The Bank had redeemed the bonds on 15 December 2019, which was a rest day and was extended to its subsequent first working day (16 December 2019).

The Bank issued the tier II capital bonds, whose date of value was 21 December 2016, in an amount of RMB3 billion in the national interbank bond market on 19 December 2016, with a fixed rate for a term of 10 years. The Bank shall have the issuer redemption right at the end of the fifth year and the coupon rate is 4.10%.

The Bank issued the tier II capital bonds, whose date of value was 31 March 2017, in an amount of RMB2 billion in the national interbank bond market on 30 March 2017, with a fixed rate for a term of 10 years. The Bank shall have the issuer redemption right at the end of the fifth year and the coupon rate is 4.80%.

The Bank issued the 2017 first tranche of green financial bonds (Bonds code: 1720065), whose book-building was recorded in the national interbank bond market, in an amount of RMB3 billion on 5 September 2017, for a maturity term of three years and a coupon rate of 4.70%. The proceeds from the issuance of the bonds was specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds (《綠色金融債券支持項目目錄》) formulated by the Green Finance Committee of China Society of Finance & Banking (中國金融學會綠色金融專業委員會).

The Bank issued the 2019 first tranche of green financial bonds (Bonds code: 1920043), whose book-building was recorded in the national interbank bond market, in an amount of RMB2 billion on 3 June 2019, for a maturity term of three years and a coupon rate of 3.70%. The proceeds from the issuance of the bonds was specially used for green industry projects as defined in the List of Projects Supported by Green Financial Bonds formulated by the Green Finance Committee of China Society of Finance & Banking.

CHAPTER X SIGNIFICANT EVENTS

2 PERFORMANCE OF UNDERTAKINGS

2.1 Undertakings Fully Performed by the Bank's de facto Controller, Shareholders, Related Parties, Purchasers and the Bank during the Reporting Period and Undertakings Not Fully Performed as at the End of the Reporting Period

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau (鄭州市財政局)	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A shares on the SZSE, Zhengzhou Finance Bureau shall not transfer or entrust others to manage the issued shares of the Bank held by it before this round of issue, and shall not allow the Bank to repurchase such shares; if the closing price of the shares issued in this round by the Bank is lower than the issue price for 20 consecutive trading days within six months, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the Bank's shares held by Zhengzhou Finance Bureau shall be automatically extended by 6 months.</p> <p>If it intends to reduce its shareholdings within two years after the expiry of the share lockup period, the annual reduced shareholdings shall be no more than 5% of the number of shares held by it; if it intends to reduce its shareholdings two years after the expiry of the share lockup period, the number of reduced shareholdings will be announced three trading days before it reduces its shareholding, the selling price shall be no less than the issue price of the initial public offering of the Bank's A shares (if there is any dividend distribution, bonus issue of shares, capitalisation of capital reserve, share placing, share subdivision and other ex-rights and ex-dividend events of the Bank's shares, the selling price will be adjusted accordingly by ex-rights and ex-dividend).</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance

CHAPTER X SIGNIFICANT EVENTS

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Shareholders in aggregate holding more than 51% of the Shares (Zhengzhou Finance Bureau excluded) (please refer to the relevant content of the Prospectus of the Shares (A shares) of the IPO of the Bank for detailed list)	Undertaking on shares with selling restrictions	Within 36 months since the date of the initial public offering of the Bank's A shares on the SZSE, these shareholders shall not transfer or entrust others to manage the issued shares of the Bank held by them directly or indirectly before this round of issue, and shall not allow the Bank to repurchase such shares.	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Directors, Supervisors and senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A shares on the SZSE, they shall not transfer or entrust others to manage the issued shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such shares.</p> <p>After the expiry of the lockup period, they shall transfer no more than 15% of the total number of the shares held by them annually during the term of office, and no more than 50% of the total number of the shares held by them within five years, they shall not repurchase in six months after selling their shares or resell in six months after purchasing shares; they shall not transfer the shares of the Bank held by them within six months after they leave office.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Directors, senior management personnel of the Bank	Undertaking on shares with selling restrictions	<p>If the closing price of the A shares of the initial public offering of the Bank on the SZSE is lower than the issue price for 20 consecutive trading days within six months, or the closing price is lower than the issue price as at the end of the six-month period upon the listing, the lockup period for the Bank's shares held by them shall be automatically extended by six months. During the extended lockup period, they shall not transfer or entrust others to manage the issued shares of the Bank held by them before this round of issue, and shall not allow the Bank to repurchase such shares.</p> <p>If the shares are reduced within two years after the expiry of the lockup period, the selling price shall be no less than the issue price of the initial public offering of the Bank's A shares.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance

CHAPTER X SIGNIFICANT EVENTS

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Individuals of the Bank holding more than 50,000 internal staff shares	Undertaking on shares with selling restrictions	<p>Within three years since the listing date of the Bank on the SZSE, they shall not transfer the shares of the Bank of Zhengzhou held by them.</p> <p>After the expiry of the above-mentioned three-year shares transfer lockup period, they shall transfer no more than 15% of the total number of the shares held by them annually, and no more than 50% of the total number of the shares held by them within five years.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	Additional shareholders of the Bank during the Reporting Period	Undertaking on shares with selling restrictions	<p>Within 36 months since the date of the initial public offering of the Bank's A shares on the SZSE, these shareholders shall not transfer or entrust others to manage the issued shares of the Bank held by them directly or indirectly before this round of issue, and shall not allow the Bank to repurchase such shares.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance
Undertakings made in initial public offering of A Shares	The Bank, Zhengzhou Finance Bureau, all Directors (independent non-executive Directors excluded) of the Bank and senior management personnel	Undertakings on the price stabilisation	<p>They will strictly observe and execute the "Price Stabilisation Plan for A Shares" considered and approved at the general meeting of the Bank and perform the obligations of stabilising the share price of the Bank according to the requirements of such plan. Please refer to the relevant content of the prospectus of the Shares (A shares) of the initial public offering of the Bank for the conditions triggering the implementation of the price stabilisation measures and specific measures to stabilize share price.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance

CHAPTER X SIGNIFICANT EVENTS

Undertakings	Undertaking party	Undertaking type	Details of the undertaking	Date of undertakings	Term of undertakings	Performance
Undertakings made in initial public offering of A Shares	Zhengzhou Finance Bureau	Undertakings on avoiding horizontal competition	<p>During the period for being a major shareholder of the Bank, its subsidiary enterprises (including wholly-owned, controlled subsidiaries and effectively-controlled enterprises) will not engage in, directly or indirectly, any forms of business activities that will compete or likely to compete with the Bank's principal business. Zhengzhou Finance Bureau will supervise its subsidiary enterprises in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking.</p> <p>Zhengzhou Finance Bureau will strictly comply with the relevant laws and regulations of the CSRC and the stock exchanges where the Bank's shares are listed and the requirements of company management policies such as the Article of Association and management policies on related party transactions of the Bank, exercise the shareholder's rights and perform the shareholder's obligations as equally as other shareholders, and neither seek unfair interest by use of the position of major shareholder, nor impair the legal interests of the Bank and other shareholders.</p>	19 September 2018	Refer to the details of the undertakings	During the course of performance
Whether the undertakings are performed on time			Yes			
If the undertakings are not performed when overdue, explanations on reasons and working plans for the next step shall be stated in detail			Not applicable			

2.2 Existence of the Profit Forecast about Assets or Projects, and the Reporting Period Was Still in the Profit Forecast Period, the Bank's Explanation on the Profit of Assets or Projects Reaching the Goal and the Reasons

There was no existence of the profit forecast about assets or projects nor the Reporting Period was still in the forecast period for the Bank.

CHAPTER X SIGNIFICANT EVENTS

3 SIGNIFICANT RELATED PARTY TRANSACTIONS

In accordance with relevant provisions under the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders, the SZSE Listing Rules, the Accounting Standards for Business Enterprises, and other laws, administrative rules, departmental regulations, and regulatory documents, the Bank relentlessly improved its regulations such as Administrative Measures of Related Party Transactions, continuously improved its management mechanism of related party transactions, and prudently approved related party transactions using technology systems to prevent related party transaction risks. During the Reporting Period, related party transactions between the Bank and its related parties are conducted in the ordinary course of its business with terms and prices agreed in accordance with the principles of fairness as well as on conditions no better than non-related party transactions of the same type. Such related party transactions had no significant impact on the operation results and financial conditions of the Bank and the indicators on the control of related party transactions were in compliance with the related regulations of regulatory authorities.

3.1 Related Parties Directly or Indirectly Holding 5% or more Shares of the Bank

Name of the related party	Relationship with the related party	Place of registration	Organisation type	Registered capital	Legal representative	Principal business	Change(s) during the Reporting Period
Zhengzhou Finance Bureau (鄭州市財政局)	Shareholder	N/A	Government departments	N/A	N/A	N/A	Nil
Henan Investment Group Co., Ltd. (河南投資集團有限公司)	Shareholder	Zhengzhou, Henan	Company with limited liability (Wholly state-owned)	RMB12 billion	LIU Xinyong	Investment management, investment in construction projects, industrial production information and machinery and equipment required for construction projects, sale of raw materials of products for investment projects (other than those subject to national specific regulations); housing lease (for any of the above-mentioned businesses which are subject to approval, the company is not allowed to operate such business before obtaining approval)	Nil

3.2 Significant Related Party Transaction

In accordance with the relevant requirements of the Administrative Measures for Related Party Transactions Between Commercial Banks and Insiders or Shareholders and the Administrative Measures for Related Party Transactions of the Bank, related party transactions are defined as follows:

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A general related party transaction shall refer to a transaction between the Bank and a single related party with an amount of no more than 1% of the net capital of the Bank and the balance of the transactions between the Bank and the related party after such transaction constituting no more than 5% of the net capital of the Bank. A significant related party transaction shall refer to a transaction between the Bank and a single related party with an amount of more than 1% of the net capital of the Bank or the balance of the transactions between the Bank and the related party after such transaction constituting more than 5% of the net capital of the Bank. If the transaction is non-credit-grant-type, the transaction amount shall be the cumulative amount of all relevant transaction balances between the Bank and the same related party continuously within 12 months; if the transaction is credit-grant-type, the transaction amount shall be the credit balance between the Bank and the same related party; if the transaction involves both non-credit-grant-type and credit-grant-type, the transaction amount shall be calculated on an aggregate basis. In calculating the amount of transactions between a natural person related party and the Bank, the transactions between the person's close relatives and the Bank shall be aggregated; in calculating the amount of transactions between a legal person related party or other organisations and the Bank, the transactions between the legal persons or other organisations constituting a group client together with the legal person related party and the Bank shall be aggregated.

3.3 Implementations of Related Party Transactions

During the Reporting Period, pursuant to the requirements of the Company Law and the Articles of Association, the Bank stringently conducted recurring related party transactions within the estimated quota on recurring related party transactions for 2019 as approved by the general meeting. The details of such transactions are set out in the following table. Apart from such transactions as listed below, the Bank conducted no other transactions that would fall under the definition of major related party transaction as set out by banking regulatory authorities.

3.3.1 Related party transactions of corporation credit grant type

Unit: RMB100 million

Number	Related group client	Estimated	Actual total	Related legal persons	Credit granted
		quota on recurring related party transactions			
1	Henan Investment Group Co., Ltd. (河南投資集團有限公司) and its related parties	20.00	18.80	Henan Yunchuang Construction Engineering Co., Ltd. (河南雲創市政工程有限公司) Henan Yicheng Holdings Co., Ltd. (河南頤城控股有限公司) Henan City Development & Investment Co., Ltd. (河南城市發展投資有限公司)	10.00 3.80 5.00

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Number	Related group client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
2	Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) and its related parties	20.00	13.90	Zhengzhou Transportation Construction Investment Co., Ltd. (鄭州交通建設投資有限公司) Zhengzhou Construction Investment Group Co., Ltd. (鄭州市建設投資集團有限公司) Zhengzhou Road and Bridge Construction Investment Group Co., Ltd. (鄭州路橋建設投資集團有限公司) Zhengzhou Highway Engineering Company (鄭州市公路工程公司)	3.00 5.00 3.90 2.00
3	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) and its related parties	5.00	4.20	Zhengzhou Municipal Construction Engineering General Corporation (鄭州市市政工程總公司) Henan Kanghui Cement Products Co., Ltd. (河南康暉水泥製品有限公司)	3.00 1.20
4	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司) and its related parties	25.00	6.02	Henan Zhengyang Construction Engineering Group Co., Ltd. (河南正陽建設工程集團有限公司) Zhengzhou Airport Economic Comprehensive Experimental Zone Zhenghui Micro-credit Co., Ltd. (鄭州航空港經濟綜合實驗區正輝小額貸款有限公司) Henan Zensun Property Management Co., Ltd. (河南正商物業管理有限公司)	4.20 0.50 1.32
5	Henan Huida Jiarui Real Estate Co., Ltd. (河南暉達嘉睿置業有限公司) and its related parties	29.00	26.15	Henan Huida Construction Investment Co., Ltd. (河南暉達建設投資有限公司) Zhengzhou Huida Industrial Development Co., Ltd. (鄭州暉達實業發展有限公司) Henan Xincheng Real Estate Co., Ltd. (河南新城置業有限公司) Zhengzhou Yingshou Trading Co., Ltd. (鄭州盈首商貿有限公司) Henan Yingshuo Construction Engineering Co., Ltd. (河南盈碩建築工程有限公司)	12.89 5.00 1.80 1.20 5.26

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Number	Related group client	Estimated quota on recurring related party transactions	Actual total credit granted	Related legal persons	Credit granted
6	Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) and its related parties	20.00	19.00	Zhengzhou Zhongrongchuang Industrial Investment Co., Ltd. (鄭州市中融創產業投資有限公司) Zhengzhou Investment Holdings Co., Ltd. (鄭州投資控股有限公司) Zhengzhou Guotou Industrial Development Fund (Limited Partnership) (鄭州國投產業發展基金(有限合夥))	10.00 5.00 4.00
7	Henan Asset Management Company Limited (河南資產管理有限公司) and its related parties	19.00	13.90	Henan Asset Management Company Limited (河南資產管理有限公司)	13.90

3.3.2 Credit-grant-type Related Transactions of Subsidiaries

Unit: RMB100 million

Number	Related parties	Estimated quota on recurring related party transactions	Credit granted
1	Jiuding Financial Leasing Company	30.00	30.00
2	Fugou Zhengyin County Bank	5.00	2.20
3	Xinmi Zhengyin County Bank	3.00	3.00
4	Xunxian Zhengyin County Bank	3.00	1.50
5	Queshan Zhengyin County Bank	3.00	1.00
6	Zhongmu Zhengyin County Bank	3.00	3.00
7	Yanling Zhengyin County Bank	3.00	1.00
8	Xinzheng Zhengyin County Bank	3.00	1.00

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3.3.3 Credit-grant-type Related Transactions of Natural Persons

As at the end of the Reporting Period, the credit balance of natural person related parties in the Bank was RMB73 million, which did not exceed the limit of RMB100 million for the aggregate quota of natural person related parties under Estimated Quota on Recurring Related Party Transactions for 2019.

3.3.4 Other Related Party Transactions

As at the end of the Reporting Period, the subsidiaries purchased a total of RMB3.68 billion of wealth management products from the Bank, of which Fugou Zhengyin County Bank purchased RMB30 million and Zhongmu Zhengyin County Bank purchased RMB3.65 billion. The Bank intends to non-publicly issue A Shares, of which Zhengzhou Investment Holdings Co., Ltd. proposed to subscribe for not less than 171,500,000 A Shares, the subscription amount being the number of Shares to be subscribed for multiplied by the issue price; Bridge Trust Company Limited proposed to subscribe for not more than RMB860 million and not less than RMB660 million, the number of Shares to be subscribed for being the subscription amount divided by the issue price; and Henan Guoyuan Trade Co., Ltd. proposed to subscribe for not more than RMB600 million and not less than RMB450 million, the number of Shares to be subscribed for being the subscription amount divided by the issue price.

After the Reporting Period, the Board resolved to approve the amendments to the non-public issuance of A Shares proposal on 30 March 2020. On the same day, the Bank entered into supplement agreements with Zhengzhou Investment Holdings Co., Ltd., Bridge Trust Co., Ltd. and Henan Guoyuan Trade Co., Ltd. Such amended transactions constituted the connected transactions of the Bank after the Reporting Period and are subject to consideration and approval by Shareholders of the Bank at the 2019 AGM. For details, please refer to the announcement dated on 30 March 2020 published by the Bank on the website of the Hong Kong Stock Exchange and the circular to be dispatched to Shareholders, and the announcement dated on 31 March 2020 on CNINFO (www.cninfo.com.cn).

CHAPTER X SIGNIFICANT EVENTS

4 SIGNIFICANT CONTRACTS AND INFORMATION ON THEIR PERFORMANCE

4.1 Entrustment, Contracting and Leasing Matters

During the Reporting Period, the Bank had no significant contracts on significant entrustment, contracting and leasing matters.

4.2 Significant Guarantees

During the Reporting Period, the Bank did not have any material guarantee that needed to be disclosed save for the financial guarantees within the business scope as approved by the PBoC and the CBIRC.

4.3 Entrust Others to Manage Cash Assets

(1) *Entrusted wealth management*

During the Reporting Period, there was no event in respect of entrusted wealth management beyond the Bank's normal business.

(2) *Entrusted Loans*

During the Reporting Period, the Bank had no entrusted loans beyond its normal business scope.

4.4 Other Significant Contracts

During the Reporting Period, the Bank had no other significant contractual matters requiring disclosure, other than those disclosed in this Report, other announcements and circulars of the Bank.

5 SIGNIFICANT ACQUISITION, DISPOSAL OR ABSORPTION OF ASSETS AND EQUITY

During the Reporting Period, the Bank had no significant acquisition, disposal or absorption of assets and equity.

6 SIGNIFICANT LITIGATION AND ARBITRATION

The Bank was involved in certain litigation and arbitration matters arising from its ordinary course of business due to the recovery of borrowings and other reasons. As at the end of the Reporting Period, the amount of the pending litigations and arbitrations in which the Bank acted as the plaintiff or the applicant was RMB2,793 million; while the total amount of the pending litigation and arbitration of the Bank acting as the defendant or the respondent was RMB10 million. During the Reporting Period, the Bank had no material litigation or arbitration matters that had material adverse impact on its financial position and operating results.

CHAPTER X SIGNIFICANT EVENTS

7 PUNISHMENT AND REMEDIAL ACTIONS OF THE BANK AND THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT OF THE BANK AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE BANK'S SHARES

During the Reporting Period, to the best knowledge of the Bank, none of the Bank, the current and former Directors, Supervisors, senior management personnel of the Bank or shareholders with shareholding of more than 5% was subject to investigation by competent authorities, enforcement actions by judiciary authorities or disciplinary departments, or brought before relevant judiciary authorities or being investigated for criminal responsibilities, investigations or administrative punishments by the CSRC, prohibited against entry into or being identified as an inappropriate person for the securities markets, or is the subject of any material administrative punishments imposed by other administrative authorities or public reprimands by any stock exchange.

8 INTEGRITY OF THE BANK AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

As at the end of the Reporting Period, the Bank had no controlling shareholders or de facto controllers. During the Reporting Period, the Bank and its biggest Shareholder had no failure to execute an effective court judgment, or any large amount of due outstanding debts.

9 OCCUPATION OF CAPITAL BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE BANK FOR NON-OPERATING PURPOSES

There was no occupation of capital of the Bank by the controlling shareholder or other related parties of the Bank.

10 SPECIAL STATEMENT AND INDEPENDENT OPINION OF INDEPENDENT NON-EXECUTIVE DIRECTORS ON EXTERNAL GUARANTEES OF THE BANK AND CAPITAL OCCUPATION BY THE CONTROLLING SHAREHOLDERS AND OTHER RELATED PARTIES OF THE BANK

Guarantee business is one of the regular banking businesses of the Bank, which is approved by the PBoC and CBIRC. The Bank attached great importance to the risk management of this business, strictly implemented relevant operation processes and approval procedures and effectively controlled the risk of external guarantee business. During the Reporting Period, the Bank meticulously implemented the relevant requirements of notice Zhengjianfa [2003] No.56 issued by the CSRC and had no unlawful guarantees.

As at the end of the Reporting Period, there was no capital occupation by the controlling shareholder or other related parties of the Bank.

CHAPTER X SIGNIFICANT EVENTS

11 SHARE OPTION SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES AND THEIR IMPLEMENTATIONS DURING THE REPORTING PERIOD

During the Reporting Period, the Bank did not implement any form of share option scheme, employee share ownership scheme or other employee incentive measures.

12 SUSPENSION IN TRADING OR DELISTING UPON DISCLOSURE OF THIS REPORT

The Bank is not exposed to any risk of suspension in trading or delisting upon disclosure of this Report.

13 MATTERS RELATED TO BANKRUPTCY AND REORGANIZATION

There was no matter related to bankruptcy and reorganization of the Bank during the Reporting Period.

14 AUDIT REVIEW

The financial statements for the year ended 31 December 2019 were prepared by the Bank according to the PRC GAAP/IFRS and were audited by KPMG Huazhen LLP/KPMG, respectively, which issued a standard unqualified audit report/independent auditor's report. The Report was reviewed by the audit committee of the Board and the Board of Directors of the Bank.

15 EXPLANATION ON OTHER SIGNIFICANT EVENTS

During the Reporting Period, the Bank had no other significant events, other than those disclosed in this Report, other announcements and circulars of the Bank.

16 SIGNIFICANT EVENTS OF THE BANK'S SUBSIDIARIES

During the Reporting Period, the Bank's subsidiaries had no significant events.

CHAPTER XI INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Bank of Zhengzhou Co., Ltd.

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

INTRODUCTION

We have audited the consolidated financial statements of Bank of Zhengzhou Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 200 to 345, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the People's Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CHAPTER XI INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and receivables, finance lease receivables and financial investments measured at amortised cost	
<i>Refer to note 18, 19(c) and 20 to the consolidated financial statements and the accounting policies in note 2(7).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>The Group uses the expected credit loss (“ECL”) model to calculate the loss allowance in accordance with International Financial Reporting Standard 9 Financial Instruments (“IFRS 9”).</p> <p>The determination of loss allowances using the ECL model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.</p> <p>In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group’s internal credit risk management strategy. The expected credit losses for corporate loans, finance lease receivables and financial investments measured at amortised cost are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.</p>	<p>Our audit procedures to assess loss allowances of loans and receivables, finance lease receivables and financial investments measured at amortised cost included the following:</p> <ul style="list-style-type: none"> • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and receivables, finance lease receivables and financial investments measured at amortised cost, the credit grading process and the measurement of provisions for impairment; • assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments, and assessing the reasonableness of key management judgement;

CHAPTER XI INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of loans and receivables, finance lease receivables and financial investments measured at amortised cost (continued)	
<i>Refer to note 18, 19(c) and 20 to the consolidated financial statements and the accounting policies in note 2(7).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.</p> <p>We identified the impairment of loans and advances to customers, financial lease receivables and financial investments measured at amortized cost as a key audit matter because of the inherent uncertainty and management judgment involved and because of its significance to the financial results and capital of the Group.</p>	<ul style="list-style-type: none"> assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial investment list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and investment list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources; for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development; for key parameters which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis. In addition, we involved our IT specialists to assess the logics and compilation of the overdue information of loans and advances to customers;

CHAPTER XI INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Impairment of loans and receivables, finance lease receivables and financial investments measured at amortised cost (continued)	
<i>Refer to note 18, 19(c) and 20 to the consolidated financial statements and the accounting policies in note 2(7).</i>	
The Key Audit Matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> evaluating the validity of management's assessment on whether the credit risk of the loans and receivables, finance lease receivables and financial investments measured at amortised cost has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk and checking the overdue information of loans and receivables, finance lease receivables and financial investments measured at amortised cost, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses; for selected samples of loans and receivables, finance lease receivables and financial investments measured at amortised cost that are credit-impaired, assessing the reasonableness of loss given default. We also evaluated management's assessment of the value of collaterals and the forecast cash flows, evaluated the viability of the Group's recovery plans, compared market price of collaterals with management's assessment of the value. We also evaluated the timing and means of realisation of collateral and evaluated other credit enhancements that are integral to the contract terms; recalculating the amount of credit loss allowance using the expected credit loss model for samples of loans and receivables, finance lease receivables and financial investments measured at amortised cost, to verify the calculation accuracy of the credit loss allowance; and evaluating whether the disclosures on impairment of loans and receivables, finance lease receivables and financial investments measured at amortised cost meet the disclosure requirements of the prevailing accounting standards.

CHAPTER XI INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Fair value of financial instruments	
<i>Refer to note 19(a), 19(b) and 41 to the consolidated financial statements and the accounting policies in note 2(7).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.</p> <p>The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data. For level 1 and level 2 financial instruments in the fair value hierarchy, the inputs used in valuation techniques are quoted market prices and observable inputs, respectively. Where one or more significant inputs are unobservable in the valuation techniques, as in the case of level 3 financial instruments, then estimates need to be developed which can involve significant management judgement.</p> <p>The Group has developed its own models to value certain level 2 and level 3 financial instruments, which also involve significant management judgement.</p> <p>We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.</p>	<p>Our audit procedures to assess the fair value of financial instruments included the following:</p> <ul style="list-style-type: none"> assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments; assessing the level 1 fair values, on a sample basis, by comparing the fair values applied by the Group with publicly available market data; involving our internal valuation specialists to assist us in performing independent valuations, on a sample basis, of level 2 and level 3 financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing management valuation with our valuation method, developing parallel models, obtaining inputs independently and verifying the inputs; and assessing whether the financial statement disclosures appropriately reflected the Group's exposure to financial instrument valuation risk with reference to the requirements of the prevailing accounting standards.

CHAPTER XI INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Consolidation of structured entities	
<i>Refer to note 43 to the consolidated financial statements and the accounting policies in note 2(4) and 2(19).</i>	
The Key Audit Matter	How the matter was addressed in our audit
<p>Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to a structured entity through issuing a wealth management product, or act as an investor to a structured entity through investing in an asset management plan, a trust plan or an asset-backed security.</p> <p>In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the risks and rewards retained, the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. These factors are not purely quantitative and need to be considered collectively.</p> <p>As at 31 December 2019, the carrying amount of the Group's non-equity interests in structured entities sponsored by third party institutions which were not consolidated by the Group was RMB138,949 million whilst (31 December 2018: RMB133,564 million), the amounts of assets held by structured entities sponsored by the Group which the Group did not consolidate but in which it held an non-equity interest was RMB42,397 million (31 December 2018: RMB36,372 million).</p> <p>We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated financial statements and relevant regulatory capital requirements could be significant.</p>	<p>Our audit procedures to assess the consolidation of structured entities included the following:</p> <ul style="list-style-type: none"> • Understanding and assessing design and implementation of key internal controls over the consolidation of structured entities; • selecting significant structured entities of each key product type and performing the following procedures for each entity selected: <ul style="list-style-type: none"> – inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity; – reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity; – reviewing management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity; and – assessing management's judgement over whether the structured entity should be consolidated or not; and • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

CHAPTER XI INDEPENDENT AUDITOR'S REPORT

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

CHAPTER XI INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

CHAPTER XI INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Tat Ming.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
Interest income		21,557,567	18,992,970
Interest expense		(12,573,369)	(12,350,287)
Net interest income	3	8,984,198	6,642,683
Fee and commission income		1,756,829	1,987,506
Fee and commission expense		(147,140)	(113,187)
Net fee and commission income	4	1,609,689	1,874,319
Net trading gains	5	708,485	365,364
Net gains arising from investments	6	2,097,656	2,190,324
Other operating income	7	40,186	60,965
Operating income		13,440,214	11,133,655
Operating expenses	8	(3,693,321)	(3,215,750)
Impairment losses on assets	11	(5,796,660)	(4,160,169)
Operating profit		3,950,233	3,757,736
Share of profits of associates	21	55,793	52,170
Profit before taxation		4,006,026	3,809,906
Income tax expense	12	(632,806)	(708,450)
Profit for the year		3,373,220	3,101,456
Net profit attributable to:			
Equity shareholders of the Bank		3,285,122	3,058,831
Non-controlling interests		88,098	42,625
		3,373,220	3,101,456

The notes on pages 208 to 345 form part of these financial reports.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2019 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
Profit for the year		3,373,220	3,101,456
Other comprehensive income:			
Other comprehensive income net of tax attributable to equity shareholders of the Bank			
Items that may be reclassified subsequently to profit or loss			
– Net gain from debt instruments measured at fair value through other comprehensive income		58,473	62,523
Item that will not be reclassified subsequently to profit or loss			
– Remeasurement of net defined benefit liability		(1,932)	8,122
Non-controlling interests		(558)	548
Other comprehensive income net of tax		55,983	71,193
Total comprehensive income		3,429,203	3,172,649
Total comprehensive income attributable to:			
Equity shareholders of the Bank		3,341,663	3,129,476
Non-controlling interests		87,540	43,173
		3,429,203	3,172,649
Basic and diluted earnings per share (in RMB)	13	0.47	0.47

The notes on pages 208 to 345 form part of these financial reports.

Consolidated Statement of Financial Position

at 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2019	31 December 2018
Assets			
Cash and deposits with central bank	14	38,465,676	46,224,453
Deposits with banks and other financial institutions	15	1,930,394	2,156,931
Placements with banks and other financial institutions	16	2,784,681	3,768,759
Derivative financial assets	28	94,602	231,551
Financial assets held under resale agreements	17	2,998,744	3,452,125
Loans and advances to customers	18	189,266,541	153,999,381
Financial investments:			
Financial investments at fair value through profit or loss	19	55,062,294	60,032,975
Financial investments at fair value through other comprehensive income	19	15,751,610	8,175,758
Financial investments measured at amortised cost	19	173,168,422	167,830,054
Finance lease receivables	20	12,501,697	13,710,666
Interest in associates	21	376,874	321,081
Property and equipment	22	2,372,354	2,081,350
Deferred tax assets	23	2,834,990	1,947,787
Other assets	24	2,869,248	2,209,547
Total assets		500,478,127	466,142,418
Liabilities			
Due to central bank	25	9,954,864	4,196,194
Deposits from banks and other financial institutions	26	18,906,118	27,398,665
Placements from banks and other financial institutions	27	14,113,018	13,652,888
Derivative financial liabilities	28	4,944	38,501
Financial assets sold under repurchase agreements	29	16,385,737	18,956,133
Deposits from customers	30	292,125,786	267,758,206
Tax payable		745,840	428,752
Debt securities issued	31	105,245,667	93,649,019
Other liabilities	32	3,104,531	2,200,561
Total liabilities		460,586,505	428,278,919

The notes on pages 208 to 345 form part of these financial reports.

Consolidated Statement of Financial Position

at 31 December 2019 (continued)

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	31 December 2019	31 December 2018
Equity			
Share capital	33	5,921,932	5,921,932
Other equity instruments			
Include: preference shares	36	7,825,508	7,825,508
Capital reserve	34	5,163,655	5,163,655
Surplus reserve	34	2,675,548	2,356,214
General reserve	34	6,619,553	5,870,320
Fair value reserve	34	97,063	38,590
Remeasurement of net defined benefit liability	34	(46,424)	(44,492)
Retained earnings	35	10,333,487	9,518,012
<hr/>			
Total equity attributable to equity shareholders of the Bank		38,590,322	36,649,739
Non-controlling interests		1,301,300	1,213,760
<hr/>			
Total equity		39,891,622	37,863,499
<hr/>			
Total liabilities and equity		500,478,127	466,142,418

Approved and authorised for issue by the board of directors on 30 March 2020.

Wang Tianyu
Chairman of the Board of Directors
Executive Director

Shen Xueqing
President
Executive Director

Fu Chunqiao
Chief accountant

Gao Chenxin
General Manager of the Planning and
Finance Department

(Company chop)

The notes on pages 208 to 345 form part of these financial reports.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank										Total equity
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	Non-controlling interests	
Balance at 1 January 2019	5,921,932	7,825,508	5,163,655	2,356,214	5,870,320	38,590	(44,492)	9,518,012	36,649,739	1,213,760	37,863,499
Profit for the year	-	-	-	-	-	-	-	3,285,122	3,285,122	88,098	3,373,220
Other comprehensive income	-	-	-	-	-	58,473	(1,932)	-	56,541	(558)	55,983
Total comprehensive income	-	-	-	-	-	58,473	(1,932)	3,285,122	3,341,663	87,540	3,429,203
Appropriation of profit:											
Appropriation to surplus reserve	-	-	-	319,334	-	-	-	(319,334)	-	-	-
Appropriation to general reserve	-	-	-	-	749,233	-	-	(749,233)	-	-	-
Cash dividends on ordinary shares	-	-	-	-	-	-	-	(888,290)	(888,290)	-	(888,290)
Cash dividends on preference shares	-	-	-	-	-	-	-	(512,790)	(512,790)	-	(512,790)
Sub-total	-	-	-	319,334	749,233	-	-	(2,469,647)	(1,401,080)	-	(1,401,080)
Balance at 31 December 2019	5,921,932	7,825,508	5,163,655	2,675,548	6,619,553	97,063	(46,424)	10,333,487	38,590,322	1,301,300	39,891,622

The notes on pages 208 to 345 form part of these financial reports.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019 (continued)
(Expressed in thousands of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank										Total equity
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Sub-total	
Balance at 1 January 2018	5,921,932	7,825,508	3,054,869	2,054,756	5,520,320	(22,667)	(52,614)	8,503,783	32,205,887	1,233,478	33,439,365
Changes in accounting policies	-	-	-	-	-	(1,266)	-	(890,801)	(892,067)	(62,891)	(954,958)
Balance at 1 January 2018 adjusted	5,921,932	7,825,508	3,054,869	2,054,756	5,520,320	(23,933)	(52,614)	7,612,982	31,313,820	1,170,587	32,484,407
Profit for the year	-	-	-	-	-	-	-	3,068,831	3,068,831	42,625	3,101,456
Other comprehensive income	-	-	-	-	-	62,523	8,122	-	70,645	548	71,193
Total comprehensive income	-	-	-	-	-	62,523	8,122	3,068,831	3,129,476	43,173	3,172,649
Share capital invested by shareholders	-	-	-	-	-	-	-	-	-	-	-
- Share capital invested by A-share holders	600,000	-	2,108,786	-	-	-	-	-	2,708,786	-	2,708,786
Appropriation of profit:											
Appropriation to surplus reserve	34(b)	-	-	301,458	-	-	-	(301,458)	-	-	-
Appropriation to general reserve	34(c)	-	-	-	350,000	-	-	(350,000)	-	-	-
Cash dividends on preference shares	35	-	-	-	-	-	-	(502,343)	(502,343)	-	(502,343)
Sub-total	-	-	-	301,458	350,000	-	-	(1,153,801)	(502,343)	-	(502,343)
Balance at 31 December 2018	5,921,932	7,825,508	5,163,655	2,356,214	5,870,320	38,590	(44,492)	9,518,012	36,649,739	1,213,760	37,863,499

The notes on pages 208 to 345 form part of these financial reports.

Consolidated Cash Flow Statement

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	2019	2018
Cash flows from operating activities		
Profit before tax	4,006,026	3,809,906
<i>Adjustments for:</i>		
Impairment losses on assets	5,796,660	4,160,169
Depreciation and amortisation	474,790	301,903
Unrealised foreign exchange gains	(290,466)	(546,835)
Net losses/(gains) from disposal of long-term assets	2,758	(130)
Net trading gains of financial investments at fair value through profit or loss	(133,694)	(187,702)
Net gains arising from investments	(2,097,656)	(2,190,324)
Share of profits of associates	(55,793)	(52,170)
Interest expense on debt securities issued	3,465,530	3,469,399
Interest income on financial investments	(9,640,255)	(9,003,837)
	1,527,900	(239,621)
<i>Changes in operating assets</i>		
Net decrease in deposits with central bank	3,877,825	3,972,139
Net decrease in deposits and placements with banks and other financial institutions	345,187	12,809,684
Net decrease/(increase) in financial investments at fair value through profit or loss	6,200,598	(12,380,709)
Net increase in loans and advances to customers	(39,721,461)	(33,021,362)
Net decrease in financial assets held under resale agreements	451,046	958,125
Net decrease/(increase) in finance lease receivables	1,029,973	(2,939,745)
Net (increase)/decrease in other operating assets	(899,875)	556,445
	(28,716,707)	(30,045,423)
<i>Changes in operating liabilities</i>		
Net increase in amounts due to central bank	5,718,800	2,534,150
Net decrease in deposits and placements from banks and other financial institutions	(7,818,114)	(10,715,581)
Net (decrease)/increase in financial assets sold under repurchase agreements	(2,565,857)	4,860,780
Net increase in deposits from customers	25,085,926	8,723,536
Net increase in other operating liabilities	128,722	673,806
	20,549,477	6,076,691
Cash used in operations	(6,639,330)	(24,208,353)
Income tax paid	(1,211,473)	(1,611,116)
Net cash flows used in operating activities	(7,850,803)	(25,819,469)

The notes on pages 208 to 345 form part of these financial reports.

Consolidated Cash Flow Statement

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	2019	2018
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		116,606,924	164,171,904
Proceeds from disposal of property and equipment and other assets		4,762	24,598
Payments on acquisition of investments		(130,508,275)	(164,260,205)
Dividends and interest received		11,286,763	10,580,815
Payments on acquisition of property and equipment and other assets		(908,738)	(644,071)
Net cash flows (used in)/generated from investing activities		(3,518,564)	9,873,041
Cash flows from financing activities			
Proceeds received from issuance of A-share		–	2,708,786
Proceeds received from debt securities issued		124,738,282	111,834,858
Repayment of debt securities issued		(113,140,978)	(91,548,208)
Interest paid on debt securities issued		(3,466,185)	(3,480,010)
Dividends paid		(1,396,879)	(502,343)
Cash flows from other financing activities		(147,366)	–
Net cash flows generated from financing activities		6,586,874	19,013,083
Net (decrease)/increase in cash and cash equivalents		(4,782,493)	3,066,655
Cash and cash equivalents as at 1 January		22,521,114	19,254,054
Effect of foreign exchange rate changes on cash and cash equivalents		27,942	200,405
Cash and cash equivalents as at 31 December	37(a)	17,766,563	22,521,114
Net cash flows generated from operating activities include:			
Interest received		13,769,703	10,952,564
Interest paid		(10,096,248)	(8,925,264)

The notes on pages 208 to 345 form part of these financial reports.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Bank of Zhengzhou Co., Ltd., formerly known as City Commercial Bank of Zhengzhou Co., Ltd., is a joint-stock commercial bank established with the approval of the People's Bank of China (the "PBOC") in accordance with the notice of JiyinFu [2000] No. 64. The Bank changed its name to Bank of Zhengzhou Co., Ltd. in October 2009. The registered address is No.22 Business Waihuan Road, Zhengdong New District, Zhengzhou City, Henan Province. The Bank operates in Henan Province of the PRC.

The Bank obtained its financial institution license No. B1036H241010001 from the former China Banking Regulatory Commission ("the former CBRC"), and obtained its business license No. 410000100052554 from the State Administration for Industry and Commerce of the People's Republic of China (the "PRC"). The Bank is regulated by the China Banking Insurance Regulatory Commission (the "CBIRC") authorized by the State Council.

In December 2015, the Bank's H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 06196). In September 2018, the Bank's A-share was listed on the SME Board of the Shenzhen Stock Exchange (Stock code: 002936).

The principal activities of the Bank and its subsidiaries (collectively the "Group") includes taking deposits from the public; extending short-term, medium-term and long-term loans; effecting domestic settlements; accepting and discounting bills; issuing financial bonds; acting as the issuing agent, cashing agent and the underwriting of government bonds; trading government bonds; engaging in interbank borrowings; financial leasing; offering guarantees; providing safe-deposit box service; collecting and making payments as agent and acting as insurance agent; accepting entrusted loans and other businesses approved by the banking regulatory authorities under the State Council.

For subsidiaries of the Bank, refer to note 21 for more information.

2 SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual IFRSs, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Basis of preparation

The consolidated financial statements for the year ended 31 December 2019 comprise the Bank and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of preparation (Continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgement about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2(25).

The measurement basis used in the preparation of the financial statements is the historical basis, except for financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, or derivative financial instruments (see Note 2(7)) are stated at their fair value as explained in the accounting policies.

The financial statements are presented in RMB, rounded to the nearest thousand, which is the functional currency of the Group.

This is the first set of the Group's annual financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 2(3).

(3) Change in accounting policies

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. Impacts of the adoption of the revised IFRSs, are as follows:

IFRS 16, Leases

The Group has initially adopted IFRS 16 Leases ("IFRS 16") from 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) Change in accounting policies (Continued)

IFRS 16, Leases (Continued)

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below:

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease (“IFRIC 4”). The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are 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 Group has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Significant accounting policies

The Group leases many assets, including properties, electronic equipment, transportation, and other office equipment.

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group includes all major leases in the balance sheet, and recognises right-of-use assets and lease liabilities.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The Group presents the right-of-use asset in other assets.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) Change in accounting policies (Continued)

Significant accounting policies (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, the Group uses its incremental borrowing rate as the discount rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Group presents the lease liability in other liabilities.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Impacts on IFRS16 transition

As at 1 January 2019, the Group initially recognized lease liabilities of RMB474 million and right-of-use assets of RMB531 million. The Group chose to measure right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position immediately before the date of initial application. Thus the adoption of the new lease standards does not have any impact on the beginning balance of retained earnings.

The difference between the minimum lease payments in respect of operating leases as at 31 December 2018 and the lease liabilities recognised in the statement of financial position at 1 January 2019 for the Group and the Bank is summarised below. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 4.00%.

	Group	Bank
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	565,004	548,270
Lease payments under IFRS 16 (without discounting)	565,004	548,270
Lease liabilities recognised as at 1 January 2019	474,214	458,724

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) Change in accounting policies (Continued)

The IASB has issued other amendments to IFRSs that are first effective for the current accounting year of the Group. These amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

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

(4) Consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Bank and its subsidiaries. Control exists when the investor has all of following: power over the investee; exposure, or rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests are presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to non-controlling shareholders is presented separately in the consolidated income statement below the net profit line item. Comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item. When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess is still allocated against the non-controlling interests.

When the accounting period or accounting policies of a subsidiary are different from those of the Bank, the Bank makes necessary adjustments to the financial statements of the subsidiary based on the Bank's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated when preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, unless they represent impairment losses that are recognised in the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to Renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are generally recognised in profit or loss. Non-monetary items that are measured at historical cost in foreign currencies are translated to Renminbi using the exchange rate at the transaction date. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rate at the date the fair value is determined. The resulting exchange differences are recognised in profit or loss, except for the differences arising from the re-translation of financial assets measured at fair value through other comprehensive income, which are recognised in other comprehensive income.

(6) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with central bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

(7) Financial instruments

(i) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

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For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets*

Classification of financial assets

The Group classifies financial assets into different categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets:

- Financial assets measured at amortised cost, including loans and advances to customers and financial investments measured at amortised cost;
- Financial assets at fair value through other comprehensive income (“FVOCI”), including loans and advances to customers at FVOCI and financial investments at FVOCI; and
- Financial assets at fair value through profit or loss (“FVTPL”).

Financial assets may not be reclassified after initial recognition unless the Group changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes.

Financial assets not designated as FVTPL that meet the following conditions are classified as financial assets measured at amortised cost:

- The purpose of the Group’s business model for managing the financial assets is to receive contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

The Group classifies financial assets not designated as FVTPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group’s business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Classification of financial assets (Continued)

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

Except for the above-mentioned financial assets that are measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.

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For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Subsequent measurement of financial assets

– Financial assets at FVTPL

Subsequent to initial recognition, the financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is part of a hedging relationship.

– Financial assets measured at amortised cost

Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and amortisation using the effective interest method or recognition of impairment.

– Financial assets at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

– Equity investments at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.

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For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Financial instruments (Continued)

(iii) *Classification and subsequent measurement of financial liabilities*

The Group classifies financial liabilities into financial liabilities at FVTPL, financial guarantee contract liabilities, and financial liabilities carried at amortised cost.

– Financial liabilities at FVTPL

The financial liabilities includes trading financial liabilities and financial liabilities designated at FVTPL.

Subsequent to initial recognition, the financial liabilities are measured at fair value. Any resulting gains or losses (including interest expenses), unless related to hedge accounting, are recognised in profit or loss.

– Financial guarantee contract liabilities

Financial guarantee contracts refer to contracts that require the Group to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or revised terms of a debt instrument.

The financial guarantee contract liabilities is subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognised less accumulated amortisation (see Note 2(7)(v)).

– Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

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For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Financial instruments (Continued)

(iv) *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

(v) *Impairment*

The Group recognises provision for expected credit loss (“ECL”) on:

- Financial assets measured at amortised cost;
- Debt instruments at FVOCI;
- Finance lease receivables;
- Credit commitments.

Other financial assets measured at fair value, including financial assets at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the ECL assessment.

Notes to the Financial Statements

For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Financial instruments (Continued)

(v) Impairment (Continued)

Measurement of ECLs

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

The Group's measurement of expected credit losses is described in Note 40(a).

Presentation of provision for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the balance sheet. The Group recognises provision for debt instruments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.

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For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Financial instruments (Continued)

(v) Impairment (Continued)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vi) *Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when the following conditions are met:

- The Group's contractual rights to the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged.

Notes to the Financial Statements

For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Financial instruments (Continued)

(vii) Offsetting

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(8) Financial assets purchased under resale agreements and sold under repurchase agreements

The assets purchased under resale agreements are not recognised, and the payment is reported as a receivable in the balance sheet and is carried at amortised cost.

Financial assets sold under repurchase agreements continue to be recognised in the balance sheet and are measured in accordance with applicable accounting policies. The funds received are reported as liabilities in the balance sheet and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(9) Preference shares

Preference shares or their components are initially recognised as financial assets, financial liabilities or equity instruments according to the terms and the economic substance combined with the definition of financial assets, financial liabilities and equity instruments.

When the issued preference shares contain equity and liability components, the Group follows the same accounting policy as for convertible bonds with equity components. For the issued preference shares which do not contain equity component, the Group follows the accounting policy as accounting for the convertible bonds only with liability component.

For the issued preference shares that should be classified as equity instruments, will be recognised as equity in actual amount received. Interest and dividends payables are recognised as distribution of profits. Redemption before maturity will write down equity as redemption price.

Notes to the Financial Statements

For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) Fair value measurement

Unless otherwise specified, the Group measures fair value as follows:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date, and uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Valuation techniques mainly include the market approach, the income approach and the cost approach.

(11) Long-term equity investments

(i) *Investment in subsidiaries*

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note 2(4).

In the Bank's separate financial statements, long-term equity investments in subsidiaries are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Bank recognises its share of the cash dividends or profit distributions declared by the investee as investment income for the current period. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses (see Note 2(15)).

(ii) *Investments in associates*

An associate is an enterprise over which the Group has significant influence.

A long-term equity investment in an associate is accounted for using the equity method for subsequent measurement, unless the investment is classified as held for sale.

Notes to the Financial Statements

For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(11) Long-term equity investments (Continued)

(ii) *Investments in associates (Continued)*

Under the equity method:

- Where the initial cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is recognised in profit or loss.

After the acquisition of the investment, the Group recognises its share of the investee's profit or loss and other comprehensive income as investment income or losses and other comprehensive income respectively, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by the amount attributable to the Group. Changes in the Group's share of the investee's owners' equity, other than those arising from the investee's net profit or loss, other comprehensive income or profit distribution ("other changes in owners' equity"), is recognised directly in the Group's equity, and the carrying amount of the investment is adjusted accordingly.

In calculating its share of the investee's net profits or losses, other comprehensive income and other changes in owners' equity, the Group recognises investment income and other comprehensive income after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair value of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses resulting from transactions between the Group and its associates are eliminated in the same way as unrealised gains but only to the extent that there is no impairment.

- The Group discontinues recognising its share of further losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. If the associate subsequently reports net profits, the Group resumes recognising its share of those profits only after its share of the profits has fully covered the share of losses not recognised.

For the impairment of the investments in associates, refer to Note 2(15).

Notes to the Financial Statements

For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) Fixed assets and construction in progress

Fixed assets are tangible assets held by the Group for operation and administration purposes with useful lives over one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see Note 2(15)). Construction in progress is stated in the balance sheet at cost less impairment loss (Note 2(15)).

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use.

All direct and indirect costs that are related to the construction of the fixed assets and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Any subsequent costs including the cost of replacing part of an item of fixed assets are recognised as assets when it is probable that the economic benefits associated with the costs will flow to the Group, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of fixed assets are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values and accumulated impairment losses (that is the cost of fixed assets (net of the estimated residual values) divided by the estimated useful lives). The estimated useful lives, estimated residual value rates and annual depreciation rates of each class of fixed assets are as follows:

	Estimated useful lives	Estimated net residual value rate	Depreciation rate
Premises	20–50 years	5%	1.90%–4.75%
Electronic equipment	5 years	5%	19.00%
Vehicles	5 years	5%	19.00%
Office equipment and others	5–10 years	5%	9.50%–19.00%

Estimated useful lives, estimated residual values and depreciation methods are reviewed at least at each year-end.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) Leases

A contract is lease if the lessor conveys the right to control the use of an identified asset to lessee for a period of time in exchange for consideration.

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

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. An identified asset may be specified explicitly or implicitly specified in a contract and should be physically distinct, or capacity portion or other portion of an asset that is not physically distinct but it represents substantially all of the capacity of the asset and thereby provides the customer with the right to obtain substantially all of the economic benefits from the use of the asset. If the supplier has a substantive substitution right throughout the period of use, then the asset is not identified;
- the lessee has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the lessee has the right to direct the use of the asset.

For a contract that contains lease and non-lease components, the Group has elected not to separate non-lease components from lease components and account for the lease and non-lease components as a single lease component.

(i) *As a lessee*

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, any lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to 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.

Notes to the Financial Statements

For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) Leases (Continued)

(i) As a lessee (Continued)

The right-of-use asset is depreciated using the straight-line method. If the lessee is reasonably certain to exercise a purchase option by the end of the lease term, the right-of-use asset is depreciated over the remaining useful lives of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. Impairment losses of right-of-use assets are accounted for in accordance with the accounting policy described in Note 2(15).

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Each institution of the Group uses interest rate that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment as incremental borrowing rate.

A constant periodic rate is used to calculate the interest on the lease liability in each period during the lease term with a corresponding charge to profit or loss or included in the cost of assets where appropriate. Variable lease payments not included in the measurement of the lease liability is charged to profit or loss or included in the cost of assets where appropriate as incurred.

Under the following circumstances after the commencement date, the Group remeasures lease liabilities based on the present value of revised lease payments:

- there is a change in the amounts expected to be payable under a residual value guarantee;
- there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments;
- there is a change in the assessment of whether the Group will exercise a purchase, extension or termination option, or there is a change in the exercise of the extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) Leases (Continued)

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

When the Group is a sub-lessor, it assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies practical expedient described above, then it classifies the sub-lease as an operating lease.

Under a finance lease, at the commencement date, the Group recognises the finance lease receivable and derecognises the finance lease asset. The finance lease receivable is initially measured at an amount equal to the net investment in the lease. The net investment in the lease is measured at the aggregate of the unguaranteed residual value and the present value of the lease receivable that are not received at the commencement date, discounted using the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return. The derecognition and impairment of the finance lease receivable are recognised in accordance with the accounting policy in Note 2(7). Variable lease payments not included in the measurement of net investment in the lease are recognised as income as they are earned.

Lease receipts from operating leases is recognised as income using the straight-line method over the lease term. The initial direct costs incurred in respect of the operating lease are initially capitalised and subsequently amortised in profit or loss over the lease term on the same basis as the lease income. Variable lease payments not included in lease receipts are recognised as income as they are earned.

(14) Intangible assets

Intangible assets are stated in the balance sheet at cost or share-based restructuring basis valuation less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(15)). The cost of intangible assets less estimated residual value and accumulated impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for such intangible assets are as follows:

Land use rights	30–50 years
Softwares	5–10 years

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) Impairment of non-financial assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on internal and external sources of information to determine whether there is any indication of impairment:

- Fixed assets and construction in progress;
- Right-of-use assets;
- Intangible assets;
- Long-term equity investments.

If any indication exists, the recoverable amount of the asset is estimated.

An asset group is composed of assets directly related to cash generation and is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups.

The recoverable amount of an asset (or asset group, set of asset groups) is the higher of its fair value less costs to sell and its present value of expected future cash flows. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using an appropriate pre-tax discount rate, taking into account the expected future cash, useful life and discount rate.

An impairment loss is recognised in profit or loss when the recoverable amount of an asset is less than its carrying amount. A provision for impairment of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, such allocation would not reduce the carrying amount of an asset below the highest of its fair value less costs to sell (if measurable), its present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) Employee benefits

(i) *Short-term employee benefits*

Employee wages or salaries, bonuses, social security contributions such as medical insurance, work injury insurance, maternity insurance and housing fund, measured at the amount incurred or accrued at the applicable benchmarks and rates, are recognised as a liability as the employee provides services, with a corresponding charge to profit or loss or included in the cost of assets where appropriate. If the liability is not expected to be fully paid within 12 months after the end of the annual reporting period in which the employee provides the services, and the financial impact is significant, the liability is measured at the discounted amount.

(ii) *Post-employment benefits – defined contribution plans*

Pursuant to the relevant laws and regulations of the People's Republic of China, the Group participates in a defined contribution basic pension insurance, unemployment insurance and annuity plans in the social insurance system established and managed by government organisations. The Group makes contributions to basic pension insurance and unemployment insurance plans based on the applicable benchmarks and rates stipulated by the government. The Group provides an annuity plan for eligible employees and makes contribution based on a certain percentage of the total salaries of the employees. The corresponding expenses incurred are recognised in profit or loss.

(iii) *Post-employment benefits – defined benefit plans*

In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value. The resulting amount, net of the deficit or surplus arising from the fair value of the defined benefit assets (if any), is recognised as a net defined benefit liability/asset.

The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and net interest expense on the net defined benefit liability/asset are charged to profit or loss or recognised as part of the cost of assets, and remeasurements of net defined benefit liability/asset are recognised in other comprehensive income.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) Employee benefits (Continued)

(iv) Termination benefits

When the Group terminates the employment with employees before the employment contracts expire, or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognised with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal;
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

(17) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

At the balance sheet date, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). The temporary difference arising from the initial recognition of goodwill does not give rise to deferred tax.

Notes to the Financial Statements

For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) Income tax (Continued)

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- The taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- They relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(18) Financial guarantees, provisions and contingent liabilities

(i) *Financial guarantees*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group used the expected credit loss model to measure losses incurred because a specified debtor fails to make payment when due, and included them in provisions. Refer to Note 2(7)(v) for details of the expected credit loss model.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(18) Financial guarantees, provisions and contingent liabilities (Continued)

(ii) Other provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where there is a continuous range of possible outcomes for the expenditure required, and each possible outcome in that range is as likely as any other, the best estimate is the mid- point of that range. In other cases, the best estimate is determined according to the following circumstances:

- Where the contingency involves a single item, the best estimate is the most likely outcome;
- Where the contingency involves a large population of items, the best estimate is determined by weighting all possible outcomes by their associated probabilities.

The Group reviews the carrying amount of a provision at the balance sheet date and adjusts the carrying amount to the current best estimate.

(19) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

Notes to the Financial Statements

For the year ended 31 December 2019
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) Revenue recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group's ordinary activities when the inflows result in increase in shareholders' equity, other than increase relating to contributions from shareholders.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

When one of the following conditions are met, the Group perform its performance obligations over time, and otherwise, at a point in time:

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

For performance obligations performed over time, the Group recognises revenue over time according to the performance progress. When the performance progress cannot be determined, The Group is expected to be reimbursed for the costs already incurred and recognise the revenue based on the costs already incurred until the performance progress can be reasonably determined.

For performance obligations performed at a point in time, the Group recognises revenue at the point when the customer obtains control of the promised good or service. When judging whether the customer obtains control of the promised good or service, the Group should consider the following indications:

- The Group has a present right to payment for the good or service;
- The Group has transferred physical possession of the good to the customer;
- The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;
- The customer has accepted the good or service.

Notes to the Financial Statements

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) Revenue recognition (Continued)

The specific accounting policies related to the revenue of Group's principal activities are described below:

(i) *Interest income*

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the year. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

Interest income from finance leases is recognised in profit or loss in the period of the lease using the effective interest method. Contingent rentals are recognised as income as incurred.

(ii) *Fee and commission income*

Fee and commission income is recognised when the corresponding service is provided.

Origination or commitment fees received by the Group which result in the creation or acquisition of a financial asset are deferred and recognised as an adjustment to the effective interest rate. If the commitment expires without making a loan, the fee is recognised as fee and commission income upon its expiry.

(iii) *Other income*

Other income is recognised on an accrual basis.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) Revenue recognition (Continued)

(iv) *Government grants*

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant. Government grants related to assets are grants whose primary condition is that the Group qualifying for them should purchase, construct or otherwise acquire long-term assets. Government grants related to income are grants other than those related to assets. A government grant related to an asset is recognised as deferred income and amortised over the useful life of the related asset on a reasonable and systematic manner as other income or non-operating income. A grant that compensates the Group for expenses or losses to be incurred in the future is recognised as deferred income, and included in other income or non-operating income in the periods in which the expenses or losses are recognised, or included in other income or non-operating income directly.

(21) Expense recognition

(i) *Interest expenses*

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) *Other expenses*

Other expenses are recognised on an accrual basis.

(22) Dividends

Dividends proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date are not recognised as a liability at the balance sheet date but disclosed separately in the notes to the financial statements.

(23) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Bank is under common control only from the State and that have no other related party relationships are not regarded as related parties.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Inter-segment revenues are measured on the basis of the actual transaction prices for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

(25) Significant accounting estimates and judgements

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

(i) *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 40(a) for the explanation of the assumptions and estimation used in measuring ECL.

(ii) *Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) Significant accounting estimates and judgements (Continued)

(iii) *Impairment of non-financial assets*

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(iv) *Depreciation and amortisation*

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in this year. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(v) *Determination of control over investees*

Management applies its judgement to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager. In assessing whether the Group is acting as agent, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns.

Notes to the Financial Statements

For the year ended 31 December 2019
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3 NET INTEREST INCOME

	2019	2018
Interest income arising from		
Deposits with central bank	465,408	522,573
Deposits and placements with banks and other financial institutions	153,241	291,729
Loans and advances to customers		
– Corporate loans and advances	6,960,284	5,571,888
– Personal loans and advances	2,993,177	2,324,463
– Discounted bills	415,160	277,764
Financial assets held under resale agreements	110,907	258,213
Financial investments	9,640,255	9,003,837
Finance lease receivables	819,135	742,503
Sub-total	21,557,567	18,992,970
Interest expense arising from		
Amounts due to central bank	(186,542)	(87,578)
Deposits and placements from banks and other financial institutions	(1,355,932)	(2,281,083)
Deposits from customers	(7,140,622)	(6,012,153)
Financial assets sold under repurchase agreements	(424,743)	(500,074)
Debt securities issued	(3,465,530)	(3,469,399)
Sub-total	(12,573,369)	(12,350,287)
Net interest income	8,984,198	6,642,683

Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

4 NET FEE AND COMMISSION INCOME

	2019	2018
Fee and commission income		
Agency and custody services fees	1,160,799	1,262,758
Underwriting and advisory fees	259,983	410,439
Acceptance and guarantee services fees	163,492	191,991
Bank card services fees	146,941	96,777
Others	25,614	25,541
Sub-total	1,756,829	1,987,506
Fee and commission expense	(147,140)	(113,187)
Net fee and commission income	1,609,689	1,874,319

5 NET TRADING GAINS

	Note	2019	2018
Net gains from debt securities and investment funds	(a)	677,114	359,235
Net foreign exchange gains	(b)	31,395	7,164
Net losses from interest rate swap		(24)	(1,035)
Total		708,485	365,364

(a) Net gains from debt securities and funds include gains arising from the buying and selling of, net gains arising from and changes in the fair value of financial assets held for trading.

(b) Net foreign exchange gains mainly included gains from purchase and sale of foreign currency spot, changes in the fair value of foreign currency derivatives, and translation of foreign currency monetary assets and liabilities into Renminbi.

6 NET GAINS ARISING FROM INVESTMENTS

	2019	2018
Net gains from debt securities at fair value through other comprehensive income	72,737	125,444
Net gains from other debt instruments	2,024,919	2,064,880
Total	2,097,656	2,190,324

Notes to the Financial Statements

For the year ended 31 December 2019
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7 OTHER OPERATING INCOME

	2019	2018
Rental income	12,300	11,631
Government grants	18,623	16,738
Net (losses)/gains on disposal of property and equipment	(2,758)	130
Others	12,021	32,466
Total	40,186	60,965

8 OPERATING EXPENSES

	Note	2019	2018
Staff costs			
– Salaries, bonuses and allowance		1,607,809	1,160,730
– Social insurance and annuity		251,867	245,223
– Supplementary retirement benefits		15,397	13,890
– Staff welfare		172,375	189,085
– Housing allowance		89,090	73,057
– Others		62,180	49,759
Sub-total		2,198,718	1,731,744
Depreciation and amortisation			
– Depreciation of right-of-use assets		154,622	–
– Others		320,168	301,903
Rental and property management expenses		98,819	229,157
Office expenses		51,950	73,598
Tax and surcharges		115,617	91,522
Interest expense of lease liabilities		17,611	–
Other general and administrative expenses	(1)	735,816	787,826
Total		3,693,321	3,215,750

(1) Auditor's remunerations were RMB5.90 million for the year ended 31 December 2019 (2018: RMB5.35 million).

Notes to the Financial Statements

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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

Name	Year ended 31 December 2019				
	Fees	Salaries	Discretionary bonus	Social insurance and welfare plans, housing allowance, etc.	Total emoluments before tax
Executive directors					
Wang Tianyu	-	876	228	108	1,212
Shen Xueqing	-	830	868	105	1,803
Feng Tao	-	797	822	89	1,708
Non-executive directors					
Fan Yutao	-	-	-	-	-
Zhang Jingguo	36	-	-	-	36
Liang Songwei	-	-	-	-	-
Ji Hongjun	36	-	-	-	36
Wang Shihao	-	157	12	-	169
Independent non-executive directors					
Xie Taifeng	180	-	-	-	180
Wu Ge	180	-	-	-	180
Chan Mei Bo, Mabel	180	-	-	-	180
Li Yanyan	-	-	-	-	-
Supervisors					
Zhao Lijuan	-	784	206	101	1,091
Song Ke	150	-	-	-	150
Zhu Zhihui	36	-	-	-	36
Ma Baojun	150	-	-	-	150
Cheng Jie	-	80	907	69	1,056
Li Huaibin	-	80	1,511	68	1,659
Total	948	3,604	4,554	540	9,646

Notes to the Financial Statements

For the year ended 31 December 2019
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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Name	Note	Year ended 31 December 2018					Total emoluments before tax
		Fees	Salaries	Discretionary bonus	Social insurance and welfare plans, housing allowance, etc.		
Executive directors							
Wang Tianyu		–	984	914	228	2,126	
Shen Xueqing		–	935	868	220	2,023	
Feng Tao		–	886	822	160	1,868	
Non-executive directors							
Fan Yutao		–	–	–	–	–	
Zhang Jingguo		36	–	–	–	36	
Liang Songwei		–	–	–	–	–	
Ji Hongjun		36	–	–	–	36	
Wang Shihao	(2)	172	–	–	–	172	
Independent non-executive directors							
Xie Taifeng		180	–	–	–	180	
Wu Ge		180	–	–	–	180	
Chan Mei Bo, Mabel		180	–	–	–	180	
Li Yanyan	(2)	75	–	–	–	75	
Supervisors							
Zhao Lijuan		–	886	822	210	1,918	
Song Ke		150	–	–	–	150	
Zhu Zhihui		36	–	–	–	36	
Ma Baojun	(2)	138	–	–	–	138	
Cheng Jie	(2)	–	148	1,376	111	1,635	
Li Huaibin	(2)	–	148	1,108	115	1,371	
Former Non-executive directors							
Xu Jingnan	(2)	18	–	–	–	18	
Ma Jinwei	(2)	18	–	–	–	18	
Yu Zhanglin	(2)	18	–	–	–	18	
Former Independent non-executive directors							
Li Huaizhen	(2)	150	–	–	–	150	
Former supervisors							
Tang Yunwei	(2)	75	–	–	–	75	
Meng Jun	(2)	18	–	–	–	18	
Duan Ping	(2)	–	202	643	117	962	
Zhang Chungu	(2)	–	95	690	121	906	
Cui Huarui	(2)	–	186	1,406	147	1,739	
Total		1,480	4,470	8,649	1,429	16,028	

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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

- (1) During the year, there was no arrangement under which a director or a supervisor were appointed or removed.
- (2) At the Bank's 2017 General Meeting held on 15 June 2018, Mr. Wang Shihao resigned as independent non-executive directors of the Bank and was elected as non-executive directors of the Bank; Ms. Li Yanyan was elected as independent non-executive directors of the Bank; Ms. Xu Jingnan, Mr. Ma Jinwei and Mr. Yu Zhanglin resigned as non-executive directors of the Bank; Ms. Meng Jun and Mr. Tang Yunwei, resigned as supervisors of the Bank. At the Bank's Employees' Representative Meeting held on 8 April 2018, Ms. Cheng Jie and Mr. Li Huaibin were elected as supervisors of the Bank; Ms. Duan Ping, Mr. Zhang Chungong and Ms. Cui Huarui resigned as supervisors of the Bank. At the Bank's Extraordinary General Meeting held on 19 January 2018, Mr. Ma Baojun was elected as supervisors of the Bank. On 19 October 2018, Mr. Li Huaizhen resigned as independent non-executive director of the Bank.

During the year, there was no arrangement under which a director or a supervisor waived or agreed to waive any remuneration (2018: Nil).

During the year, no emolument was paid by the Group to any of the directors or supervisors as an inducement to join or upon joining the Group or as a compensation for loss of office (2018: Nil).

The total compensation packages (including discretionary bonus) for executive directors and supervisors for the year ended 31 December 2019 have not yet been finalised. The amount of the compensation not provided is not expected to have any significant impact on the Group's consolidated financial statements for the year ended 31 December 2019.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five individuals with highest emoluments include 2 directors and 1 supervisor (2018: 3 directors and 1 supervisor) of the Group, whose emoluments are disclosed in Note 9. The emoluments for the other highest paid individual is as follows:

	2019	2018
Salaries and other emoluments	933	886
Discretionary bonuses	2,454	823
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	173	213
Total	3,560	1,922

The individual's emoluments before individual income tax is within the following bands:

	2019	2018
RMB1,500,001 – 2,000,000	2	1

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11 IMPAIRMENT LOSSES ON ASSETS

	2019	2018
Loans and advances to customers measured at amortised cost	4,676,458	3,420,277
Loans and advances to customers measured at fair value through other comprehensive income	62,596	29,694
Financial investments measured at amortised cost	837,322	565,957
Financial investments at fair value through other comprehensive income	541	(207)
Finance lease receivables	170,001	165,373
Financial assets held under resale agreements	(1,910)	1,063
Placements with banks and other financial institutions	420	(1,805)
Deposits with banks and other financial institutions	431	(352)
Off-balance sheet credit commitments	50,801	(19,831)
Total	5,796,660	4,160,169

12 INCOME TAX EXPENSE

(a) Income tax for the year:

	Note	2019	2018
Current tax		1,442,569	1,185,384
Deferred tax	23	(905,865)	(420,987)
Adjustment for prior years		96,102	(55,947)
Total		632,806	708,450

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12 INCOME TAX EXPENSE (CONTINUED)

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

	Note	2019	2018
Profit before tax		4,006,026	3,809,906
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		1,001,507	952,477
Non-deductible expenses		2,446	3,508
Non-taxable income	(1)	(472,853)	(193,558)
Tax effect of unrecognised tax losses		5,604	1,970
Adjustment for prior years		96,102	(55,947)
Income tax		632,806	708,450

(1) Non-taxable income consists of interest income from the PRC government bonds and share of profits of associates, which are exempted from income tax under the PRC tax regulations.

13 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share of the Group is based on the following:

	Note	2019	2018
Earnings:			
Net profit attributable to equity shareholders of the Bank		3,285,122	3,058,831
Less: Profit for the year attributable to other equity instruments holders of the Bank		(512,790)	(502,343)
Profit for the year attributable to ordinary shareholders of the Bank		2,772,332	2,556,488
Shares:			
Weighted average number of ordinary shares (in thousand shares)	(a)	5,921,932	5,471,932
Basic and diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB)		0.47	0.47

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

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13 BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

(a) Weighted average number of ordinary shares (in thousand shares)

	2019	2018
Number of ordinary shares as at 1 January	5,921,932	5,321,932
Increase in weighted average number of ordinary shares	–	150,000
Weighted average number of ordinary shares	5,921,932	5,471,932

14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	31 December 2019	31 December 2018
Cash on hand		818,502	663,758
Deposits with central bank			
– Statutory deposit reserves	(a)	24,597,792	28,057,980
– Surplus deposit reserves	(b)	12,739,930	16,788,883
– Fiscal deposits		296,178	713,815
– Interest accrued		13,274	17
Sub-total		37,647,174	45,560,695
Total		38,465,676	46,224,453

- (a) The Bank and its subsidiaries place statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the relevant period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2019	31 December 2018
Reserve ratio for RMB deposits	8.5%	11.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The statutory deposit reserves are not available for the Group's daily business.

The subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.

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15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2019	31 December 2018
Deposits in mainland China		
– Banks	1,677,433	1,843,680
– Other financial institutions	565	6,902
Sub-total	1,677,998	1,850,582
Deposits outside mainland China		
– Banks	252,536	304,901
Sub-total	252,536	304,901
Total	1,930,534	2,155,483
Interest accrued	452	1,609
Less: provision for impairment losses	(592)	(161)
Total	1,930,394	2,156,931

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2019	31 December 2018
Placements in mainland China		
– Banks	997,597	2,078,177
– Other financial institutions	1,700,000	1,600,000
Placements outside mainland China		
– Banks	83,449	83,449
Total	2,781,046	3,761,626
Interest accrued	4,371	7,449
Less: provision for impairment losses	(736)	(316)
Total carrying amount	2,784,681	3,768,759

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17 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2019	31 December 2018
In mainland China		
– Banks	1,781,820	400,769
– Other financial institutions	1,216,485	3,048,582
Total	2,998,305	3,449,351
Interest accrued	494	4,739
Less: provision for impairment losses	(55)	(1,965)
Total	2,998,744	3,452,125

(b) Analysed by type of collateral

	31 December 2019	31 December 2018
Debt securities	2,998,305	3,449,351
Interest accrued	494	4,739
Less: provision for impairment losses	(55)	(1,965)
Total	2,998,744	3,452,125

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18 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2019	31 December 2018
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	121,496,875	103,257,436
Personal loans and advances		
– Personal business loans	20,912,865	16,645,672
– Residential mortgage	30,052,807	16,265,454
– Personal consumption loans	5,807,222	9,107,358
– Credit card	2,820,929	1,900,727
Sub-total	59,593,823	43,919,211
Total amount of loans and advances to customers measured at amortised cost	181,090,698	147,176,647
Loans and advances to customers measured at fair value through other comprehensive income		
– Corporate loans and advances-Forfeiting	3,068,741	4,604,345
– Discounted bills	11,752,226	7,791,800
Sub-total	14,820,967	12,396,145
Gross loans and advances to customers	195,911,665	159,572,792
Interest accrued	682,722	489,560
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(7,327,846)	(6,062,971)
Net loans and advances to customers	189,266,541	153,999,381

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector

	31 December 2019		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail	27,095,140	13.83%	12,035,736
Real estate	26,677,880	13.62%	16,171,219
Water, environment and public facility management	16,128,317	8.23%	2,864,540
Manufacturing	14,577,464	7.44%	3,790,602
Construction	12,156,369	6.21%	5,359,425
Leasing and commercial services	10,892,165	5.56%	3,346,461
Transportation, storage and postal services	2,604,391	1.33%	1,331,173
Production and supply of electric and heating power, gas and water	2,369,014	1.21%	640,660
Culture, sports and entertainment	1,808,720	0.92%	1,635,690
Agriculture, forestry, animal husbandry and fishery	1,685,307	0.86%	678,712
Accommodation and catering	1,317,211	0.67%	1,195,588
Mining	322,300	0.16%	89,500
Others	6,931,338	3.54%	1,369,165
Sub-total of corporate loans and advances	124,565,616	63.58%	50,508,471
Personal loans and advances	59,593,823	30.42%	47,716,326
Discounted bills	11,752,226	6.00%	11,752,226
Gross loans and advances to customers	195,911,665	100.00%	109,977,023

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2018		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail	36,467,388	22.85%	17,140,067
Real estate	18,098,412	11.34%	11,576,934
Manufacturing	14,407,170	9.03%	3,456,366
Construction	10,518,173	6.59%	5,225,623
Water, environment and public facility management	8,119,439	5.09%	3,114,050
Leasing and commercial services	5,994,122	3.76%	3,569,398
Production and supply of electric and heating power, gas and water	2,312,929	1.45%	484,900
Transportation, storage and postal services	1,927,392	1.21%	599,355
Agriculture, forestry, animal husbandry and fishery	1,876,474	1.18%	698,136
Accommodation and catering	1,477,051	0.92%	1,289,970
Mining	361,158	0.23%	80,000
Culture, sports and entertainment	287,210	0.18%	215,700
Others	6,014,863	3.77%	1,451,798
Sub-total of corporate loans and advances	107,861,781	67.60%	48,902,297
Personal loans and advances	43,919,211	27.52%	31,391,695
Discounted bills	7,791,800	4.88%	5,644,495
Gross loans and advances to customers	159,572,792	100.00%	85,938,487

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	31 December 2019	31 December 2018
Unsecured loans	26,395,641	20,781,632
Guaranteed loans	59,539,001	52,852,673
Collateral loans		
– Loans secured by tangible assets other than monetary assets	77,715,145	54,390,463
– Loans secured by intangible assets or monetary assets	32,261,878	31,548,024
Gross loans and advances to customers	195,911,665	159,572,792
Interest accrued	682,722	489,560
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(7,327,846)	(6,062,971)
Net loans and advances to customers	189,266,541	153,999,381

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period

	31 December 2019				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	104,356	34,950	13,056	–	152,362
Guaranteed loans	1,656,742	1,198,988	1,268,471	346,300	4,470,501
Loans secured by tangible assets other than monetary assets	678,530	445,447	446,428	35,310	1,605,715
Loans secured by intangible assets or monetary assets	585,596	220,400	108,953	–	914,949
Total	3,025,224	1,899,785	1,836,908	381,610	7,143,527
As a percentage of gross loans and advances to customers	1.54%	0.97%	0.94%	0.19%	3.64%

	31 December 2018				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	159,795	60,911	10,980	–	231,686
Guaranteed loans	1,800,337	1,689,914	854,083	254,175	4,598,509
Loans secured by tangible assets other than monetary assets	771,614	241,671	441,872	76,623	1,531,780
Loans secured by intangible assets or monetary assets	562,573	95,198	6,098	23,500	687,369
Total	3,294,319	2,087,694	1,313,033	354,298	7,049,344
As a percentage of gross loans and advances to customers	2.07%	1.31%	0.82%	0.22%	4.42%

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advances and provision for impairment losses

	31 December 2019			
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	Total
Total loans and advances to customers measured at amortised cost	171,031,061	4,427,237	5,632,400	181,090,698
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(2,790,879)	(1,069,890)	(3,467,077)	(7,327,846)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	168,240,182	3,357,347	2,165,323	173,762,852
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income (excluding accrued interest)	14,235,371	585,596	-	14,820,967
Total carrying amount of loans and advances to customers (excluding accrued interest)	182,475,553	3,942,943	2,165,323	188,583,819

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	31 December 2018			Total
	Loans and advances that are assessed for 12-month ECL	Not credit-impaired loans and advances that are assessed for lifetime ECL	Credit-impaired loans and advances that are assessed for lifetime ECL	
Total loans and advances to customers measured at amortised cost	138,222,545	4,828,422	4,125,680	147,176,647
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(1,971,808)	(1,244,144)	(2,847,019)	(6,062,971)
Carrying amount of loans and advances to customers measured at amortised cost (excluding accrued interest)	136,250,737	3,584,278	1,278,661	141,113,676
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income (excluding accrued interest)	12,396,145	–	–	12,396,145
Total carrying amount of loans and advances to customers (excluding accrued interest)	148,646,882	3,584,278	1,278,661	153,509,821

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

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

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	1,971,808	1,244,144	2,847,019	6,062,971
Transferred:				
– to 12-months ECL	152	(152)	–	–
– to lifetime ECL not credit-impaired	(31,447)	35,197	(3,750)	–
– to lifetime ECL credit-impaired	(109,270)	(285,473)	394,743	–
Charge for the year	959,636	76,174	3,640,648	4,676,458
Write-offs and disposals	–	–	(3,869,583)	(3,869,583)
Recoveries of loans previously written off	–	–	458,000	458,000
As at 31 December 2019	2,790,879	1,069,890	3,467,077	7,327,846

	31 December 2018			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2018	1,534,700	656,690	2,136,894	4,328,284
Transferred:				
– to 12-months ECL	1,368	(1,368)	–	–
– to lifetime ECL not credit-impaired	(52,196)	52,353	(157)	–
– to lifetime ECL credit-impaired	(33,449)	(79,449)	112,898	–
Charge for the year	521,385	615,918	2,282,974	3,420,277
Write-offs	–	–	(1,779,584)	(1,779,584)
Recoveries of loans previously written off	–	–	93,994	93,994
As at 31 December 2018	1,971,808	1,244,144	2,847,019	6,062,971

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18 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

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

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	34,405	-	-	34,405
Transferred:				
- to 12-months ECL	-	-	-	-
- to lifetime ECL not credit-impaired	(17,305)	17,305	-	-
- to lifetime ECL credit-impaired	-	-	-	-
Charge for the year	4,429	58,167	-	62,596
As at 31 December 2019	21,529	75,472	-	97,001

	31 December 2018			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2018	4,711	-	-	4,711
Charge for the year	29,694	-	-	29,694
As at 31 December 2018	34,405	-	-	34,405

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognized in other comprehensive income, while the impairment losses are recognized in profit or loss. Besides, the carrying amount of the financial assets presented in the balance sheet are not reduced.

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19 FINANCIAL INVESTMENTS

	Note	31 December 2019	31 December 2018
Financial investments at fair value through profit or loss	(a)	55,062,294	60,032,975
Financial investments at fair value through other comprehensive income	(b)	15,424,513	8,002,724
Financial investments measured at amortised cost	(c)	171,736,562	166,402,921
Interest accrued		1,758,957	1,600,167
Total		243,982,326	236,038,787

(a) Financial investments at fair value through profit or loss:

	Note	31 December 2019	31 December 2018
Debt securities			
– Debt securities held for trading purpose	(1)	12,354,905	15,766,512
Investment funds and other investments			
– Investment funds held for trading purpose		6,242,542	8,421,637
– Other financial investments at fair value through profit or loss	(2)	36,464,847	35,844,826
Total		55,062,294	60,032,975

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19 FINANCIAL INVESTMENTS (CONTINUED)

(a) Financial investments at fair value through profit or loss: (Continued)

(1) Debt securities held for trading purpose

	31 December 2019	31 December 2018
Mainland China		
– Government	7,206,297	6,803,756
– Policy banks	2,875,175	7,762,646
– Banks and other financial institutions	1,442,218	355,515
– Corporate	831,215	844,595
Total	12,354,905	15,766,512
Debt securities analysed into		
– Listed outside Hong Kong	8,276,336	7,389,146
– Unlisted	4,078,569	8,377,366
Total	12,354,905	15,766,512

(2) Other financial investments at fair value through profit or loss

	31 December 2019	31 December 2018
Other financial investments at fair value through profit or loss		
– Investment management products managed by securities companies	20,112,305	18,160,278
– Investment management products under trust scheme	9,538,950	11,291,672
– Wealth management products	30,000	500,314
– Others	6,783,592	5,892,562
Total	36,464,847	35,844,826

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19 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial investments at fair value through other comprehensive income

	31 December 2019	31 December 2018 The Group
Debt instruments		
– Government	7,072,319	3,050,827
– Bank and other financial institutions	8,017,880	4,629,504
– Corporate	325,914	313,993
– Interest accrued	327,097	173,034
Sub-total	15,743,210	8,167,358
Equity instruments	8,400	8,400
Total	15,751,610	8,175,758
Debt instrument investment by category		
– Listed outside Hong Kong	7,504,187	3,474,207
– Unlisted	7,911,926	4,520,117
– Interest accrued	327,097	173,034
	15,743,210	8,167,358
Equity instrument investment by category		
– Unlisted	8,400	8,400
	8,400	8,400

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19 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial investments at fair value through other comprehensive income (Continued)

Movements of provision for impairment of financial investments measured at fair value through other comprehensive income during the period:

	12-months ECL	Lifetime ECL not credit- impaired	Lifetime ECL credit-impaired	Total
Balance at the beginning of the year	625	-	-	625
Charge for the year	541	-	-	541
Balance at the end of the year	1,166	-	-	1,166

Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses/gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the balance sheet are not reduced.

(c) Financial investments measured at amortised cost:

	Note	31 December 2019	31 December 2018
Debt securities	(1)	49,281,931	53,037,488
Investment management products under the trust scheme		67,950,697	65,671,484
Investment management products managed by securities companies		36,581,276	30,651,556
Other beneficial right transaction plans		8,526,500	11,517,013
Others		11,960,100	7,252,000
Sub-total		174,300,504	168,129,541
Interest accrued		1,431,860	1,427,133
Less: Provision for impairment losses	(2)	(2,563,942)	(1,726,620)
Total		173,168,422	167,830,054

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19 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost: (Continued)

(1) Debt securities:

	31 December 2019	31 December 2018
Debt securities		
– Government	17,335,867	19,016,219
– Policy banks	23,102,693	24,536,776
– Banks and other financial institutions	1,532,226	2,381,980
– Corporate	7,311,145	7,102,513
– Interest accrued	1,009,383	1,052,662
Total	50,291,314	54,090,150
Debt securities analysed into:		
– Listed outside Hong Kong	20,185,899	20,906,644
– Unlisted	29,096,032	32,130,844
– Interest accrued	1,009,383	1,052,662
Total	50,291,314	54,090,150

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19 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial investments measured at amortised cost: (Continued)

- (2) Movements of provision for impairment of financial investments measured at amortised cost is as follows:

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	876,837	420,000	429,783	1,726,620
Transferred:				
– to 12-months ECL	-	-	-	-
– to lifetime ECL not credit-impaired	(38,990)	38,990	-	-
– to lifetime ECL credit-impaired	(13,947)	-	13,947	-
Charge for the year	146,560	295,290	395,472	837,322
As at 31 December 2019	970,460	754,280	839,202	2,563,942

	31 December 2018			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2018	763,134	335,562	61,967	1,160,663
Transferred:				
– to 12-months ECL	213,005	(213,005)	-	-
– to lifetime ECL not credit-impaired	(24,218)	24,218	-	-
– to lifetime ECL credit-impaired	(8,280)	(122,557)	130,837	-
(Reversal)/charge for the year	(66,804)	395,782	236,979	565,957
As at 31 December 2018	876,837	420,000	429,783	1,726,620

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20 FINANCE LEASE RECEIVABLES

	31 December 2019	31 December 2018
Minimum finance lease receivables	14,387,519	15,336,631
Less: Unearned finance lease income	(1,463,317)	(1,382,456)
Present value of finance lease receivables	12,924,202	13,954,175
Interest accrued	96,350	105,345
Less: Provision for impairment losses	(518,855)	(348,854)
Total	12,501,697	13,710,666

(a) Finance lease receivables, unearned finance lease income and minimum finance lease receivables analysed by remaining period are listed as follows:

	31 December 2019			31 December 2018		
	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables	Minimum finance lease receivables	Unearned finance lease income	Present value of finance lease receivables
Less than 1 year	6,768,809	(763,683)	6,005,126	6,165,509	(769,081)	5,396,428
1 year to 2 years	4,106,813	(381,121)	3,725,692	5,262,473	(406,557)	4,855,916
2 years to 3 years	1,693,450	(171,264)	1,522,186	3,004,304	(150,090)	2,854,214
3 years to 5 years	1,107,050	(121,299)	985,751	674,268	(44,829)	629,439
More than 5 years	711,397	(25,950)	685,447	230,077	(11,899)	218,178
	14,387,519	(1,463,317)	12,924,202	15,336,631	(1,382,456)	13,954,175

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20 FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Movements of provision for impairment losses

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	218,694	130,160	-	348,854
Transferred:				
- to lifetime ECL not credit-impaired	(3,408)	3,408	-	-
- to lifetime ECL credit-impaired	(5,265)	-	5,265	-
Charge for the year	19,890	186,787	116,255	322,932
Written back on disposal	-	(152,931)	-	(152,931)
As at 31 December 2019	229,911	167,424	121,520	518,855

	31 December 2018			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 31 December 2017	159,761	-	-	159,761
Change in accounting policy	18,264	-	-	18,264
As at 1 January 2018	178,025	-	-	178,025
Transferred:				
- to lifetime ECL not credit-impaired	(7,274)	7,274	-	-
Charge for the year	42,487	122,886	-	165,373
Transfer from other assets	5,456	-	-	5,456
As at 31 December 2018	218,694	130,160	-	348,854

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21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES

(a) Investment in subsidiaries

The Group's subsidiaries as at the end of the reporting period are as follows:

Name	Percentage of equity interest		Voting rights 2019 %	Paid-in capital 2019	Amount invested by the Bank	Place of incorporation registration	Principal activity
	2019 %	2018 %					
Fugou Zhengyin County Bank Co., Ltd.	50.20	50.20	50.20	30,120.00	30,120.00	China	Banking
Xinmi Zhengyin County Bank Co., Ltd.	51.20	51.20	51.20	74,033.00	74,033.00	China	Banking
Henan Jiuding Financial Leasing Co., Ltd.	51.00	51.00	51.00	1,020,000.00	1,020,000.00	China	Leasing
Xunxian Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	25,500.00	25,500.00	China	Banking
Queshan Zhengyin County Bank Co., Ltd.	51.00	51.00	51.00	25,500.00	25,500.00	China	Banking

Fugou Zhengyin County Bank Co., Ltd. was incorporated on 3 December 2015. Henan Jiuding Financial Leasing Co., Ltd. was incorporated on 23 March 2016. Xunxian Zhengyin County Bank Co., Ltd. was incorporated on 6 November 2017. Queshan Zhengyin County Bank Co., Ltd. was incorporated on 14 November 2017. Xinmi Zhengyin County Bank Co., Ltd. became a subsidiary of the Bank since 1 January 2017. The five subsidiaries have no material non-controlling interest to the Group.

(b) Interest in associates

	31 December 2019	31 December 2018
Interest in associates	376,874	321,081
Total	376,874	321,081

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21 INVESTMENT IN SUBSIDIARIES AND INTEREST IN ASSOCIATES (CONTINUED)

(b) Interest in associates (Continued)

The following list contains the Group's associates, all of which are individually immaterial to the Group and are unlisted corporate entities whose quoted market price are not available:

Name	Note	Percentages of equity/voting rights%		Place of incorporation/ registration	Business sector
		2019	2018		
Zhongmu Zhengyin County Bank Co., Ltd.	(1)	18.53	18.53	China	Banking
Yanling Zhengyin County Bank Co., Ltd.		30.00	30.00	China	Banking
Xinzheng Zhengyin County Bank Co., Ltd.		25.00	25.00	China	Banking

(1) The Group has representation on the board of directors of Zhongmu Zhengyin County Bank Co., Ltd., and has significant influence over it.

The following table illustrates the aggregate information of the Group's associates that are not individually material:

	31 December 2019	31 December 2018
Aggregate carrying amount of the individually immaterial associates in the consolidated statements of financial position of the Group	376,874	321,081
Aggregate amounts of the Group's share of results of the associates		
– Profit from continuing operations	55,793	52,170
– Other comprehensive income	–	–
– Total comprehensive income	55,793	52,170

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22 PROPERTY AND EQUIPMENT

	Premises	Electronic equipment	Vehicles	Office equipment and others	Construction in progress	Total
Cost						
As at 1 January 2018	1,575,025	543,644	13,110	234,732	147,024	2,513,535
Additions	317,856	93,372	2,251	28,876	30,043	472,398
Disposals	-	(7,102)	(1,255)	(797)	-	(9,154)
As at 31 December 2018	1,892,881	629,914	14,106	262,811	177,067	2,976,779
Additions	237,891	82,677	1,157	28,096	139,616	489,437
Disposals	-	(4,994)	(3,555)	(20,707)	-	(29,256)
As at 31 December 2019	2,130,772	707,597	11,708	270,200	316,683	3,436,960
Accumulated depreciation						
As at 1 January 2018	(209,410)	(326,403)	(10,963)	(149,429)	-	(696,205)
Additions	(50,000)	(104,581)	(747)	(48,355)	-	(203,683)
Disposals	-	6,541	1,193	729	-	8,463
As at 31 December 2018	(259,410)	(424,443)	(10,517)	(197,055)	-	(891,425)
Additions	(62,527)	(92,502)	(887)	(40,814)	-	(196,730)
Disposals	-	4,628	3,377	19,548	-	27,553
As at 31 December 2019	(321,937)	(512,317)	(8,027)	(218,321)	-	(1,060,602)
Impairment						
As at 1 January 2018/31 December 2018/ 31 December 2019	(1,355)	(1,893)	-	(756)	-	(4,004)
Net book value						
As at 31 December 2018	1,632,116	203,578	3,589	65,000	177,067	2,081,350
As at 31 December 2019	1,807,480	193,387	3,681	51,123	316,683	2,372,354

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22 PROPERTY AND EQUIPMENT (CONTINUED)

The carrying amount of premises without title deeds as at 31 December 2019 was RMB260 million (31 December 2018: RMB256 million). The Group is still in the progress of applying for the outstanding title deeds for the above premises. The Group expected that there would be no significant cost in obtaining the title deeds.

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	31 December 2019	31 December 2018
Held in mainland China		
– Medium-term leases (10 – 50 years)	1,803,920	1,627,951
– Short-term leases (less than 10 years)	3,560	4,165
Total	1,807,480	1,632,116

23 DEFERRED TAX ASSETS

(a) Analysed by nature

	31 December 2019		31 December 2018	
	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred income tax assets/ (liabilities)
Allowance for impairment losses	11,658,096	2,914,524	8,016,396	2,004,099
Accrued staff costs	199,944	49,986	184,780	46,195
Fair value changes in financial instruments	(873,236)	(218,309)	(565,980)	(141,495)
Provisions	287,623	71,906	236,822	59,205
Others	67,532	16,883	(80,868)	(20,217)
Net deferred income tax assets	11,339,959	2,834,990	7,791,150	1,947,787

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23 DEFERRED TAX ASSETS (CONTINUED)

(b) Analysed by movement

	At 31 December 2018	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2019
Allowance for impairment losses	2,004,099	910,425	-	2,914,524
Accrued staff costs	46,195	3,148	643	49,986
Fair value changes in financial instruments	(141,495)	(73,294)	(3,520)	(218,309)
Provisions	59,205	12,701	-	71,906
Others	(20,217)	37,100	-	16,883
Net deferred income tax assets	1,947,787	890,080	(2,877)	2,834,990

	At 31 December 2017	Changes in accounting policies	At 1 January 2018	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2018
Allowance for impairment losses	1,165,680	190,566	1,356,246	647,853	-	2,004,099
Accrued staff costs	50,306	-	50,306	(1,405)	(2,706)	46,195
Fair value changes in financial instruments	39,426	40,056	79,482	(207,508)	(13,469)	(141,495)
Provisions	14,854	49,309	64,163	(4,958)	-	59,205
Cumulative tax losses of the subsidiary	150	-	150	(150)	-	-
Others	-	-	-	(20,217)	-	(20,217)
Net deferred income tax assets	1,270,416	279,931	1,550,347	413,615	(16,175)	1,947,787

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24 OTHER ASSETS

	Note	31 December 2019	31 December 2018
Interest receivables	(a)	494,896	149,868
Prepayments		495,975	797,967
Intangible assets	(b)	887,770	739,542
Leasehold improvements		134,477	138,261
Right-of-use assets	(c)	425,238	–
Other receivables		453,215	406,232
Sub-total		2,891,571	2,231,870
Less: allowance for impairment losses		(22,323)	(22,323)
Total		2,869,248	2,209,547

(a) Interest receivables

	31 December 2019	31 December 2018
Interest receivables arising from:		
– Investments	415,147	71,170
– Loans and advances to customers	58,656	57,318
– Others	21,093	21,380
Sub-total	494,896	149,868
Less: allowance for impairment losses	(19,397)	(19,397)
Total	475,499	130,471

Interest receivable only includes interest that has been due for the relevant financial instruments but not yet received at the balance sheet date. Interest on financial instruments based on the effective interest method has been reflected in the balance of corresponding financial instruments.

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24 OTHER ASSETS (CONTINUED)

(b) Intangible assets

	2019	2018
Cost		
As at 1 January	897,108	650,340
Additions	215,035	246,768
Decrease	(7,464)	–
As at 31 December	1,104,679	897,108
Accumulated amortisation		
As at 1 January	(157,566)	(113,169)
Additions	(66,432)	(44,397)
Decrease	7,089	–
As at 31 December	(216,909)	(157,566)
Impairment		
As at 1 January and 31 December	(145)	(145)
Net book value		
As at 1 January	739,397	537,026
As at 31 December	887,625	739,397

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24 OTHER ASSETS (CONTINUED)

(c) Right-of-use assets

	Premises	Vehicles	Office equipment and others	Total
Cost				
As at 1 January 2019	521,232	7,397	2,152	530,781
Additions	47,441	850	788	49,079
Disposals	(38,318)	(382)	(183)	(38,883)
As at 31 December 2019	530,355	7,865	2,757	540,977
Accumulated depreciation				
As at 1 January 2019	–	–	–	–
Additions	(149,480)	(4,043)	(1,099)	(154,622)
Disposals	38,318	382	183	38,883
As at 31 December 2019	(111,162)	(3,661)	(916)	(115,739)
Net book value				
As at 1 January 2019	521,232	7,397	2,152	530,781
As at 31 December 2019	419,193	4,204	1,841	425,238

25 DUE TO CENTRAL BANK

	31 December 2019	31 December 2018
Due to central bank	9,852,500	4,133,700
Interest accrued	102,364	62,494
Total	9,954,864	4,196,194

Due to central bank mainly includes Medium-term Lending Facility and Reload for Supporting Small Businesses.

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26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2019	31 December 2018
In mainland China		
– Banks	18,346,082	26,828,158
– Other financial institutions	464,659	290,226
– Interest accrued	95,377	280,281
Total	18,906,118	27,398,665

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2019	31 December 2018
In mainland China		
– Banks	13,769,630	12,878,309
– Other financial institutions	–	200,000
Outside mainland China		
– Banks	168,689	370,481
Interest accrued	174,699	204,098
Total	14,113,018	13,652,888

28 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivative contracts mainly including currency swaps, options, interest rate swaps, and non-deliverable forwards.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

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28 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	31 December 2019		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Non-deliverable forwards	11,022,396	94,602	(4,944)
Total	11,022,396	94,602	(4,944)

	31 December 2018		
	Notional amount	Fair value (assets)	Fair value (liabilities)
– Currency swap contracts	3,019,808	164,337	–
– Currency option contracts	3,431,600	–	(37,976)
– Interest rate swap contracts	200,000	–	(525)
– Non-deliverable forwards	10,294,800	67,214	–
Total	16,946,208	231,551	(38,501)

29 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

	31 December 2019	31 December 2018
In mainland China		
– PBOC	2,192,323	3,080,000
– Banks	14,188,100	15,866,280
– Interest accrued	5,314	9,853
Total	16,385,737	18,956,133

(b) Analysed by type of collateral

	31 December 2019	31 December 2018
Debt securities	16,348,100	18,946,280
Bills	32,323	–
Interest accrued	5,314	9,853
Total	16,385,737	18,956,133

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30 DEPOSITS FROM CUSTOMERS

	31 December 2019	31 December 2018
Demand deposits		
– Corporate deposits	79,289,145	82,621,581
– Personal deposits	23,333,801	19,547,870
Sub-total	102,622,946	102,169,451
Time deposits		
– Corporate deposits	87,157,489	83,458,939
– Personal deposits	72,253,415	60,168,717
Sub-total	159,410,904	143,627,656
Pledged deposits		
– Acceptances	21,064,677	13,733,716
– Letters of guarantees	964,296	1,164,076
– Letters of credit	3,288,577	1,892,027
– Others	1,035,816	1,081,482
Sub-total	26,353,366	17,871,301
Others	829,644	462,526
Sub-total	829,644	462,526
Interest accrued	2,908,926	3,627,272
Total	292,125,786	267,758,206

Deposits from customers are measured at amortised cost.

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31 DEBT SECURITIES ISSUED

	Note	31 December 2019	31 December 2018
Financial bonds	(a)	4,997,009	2,997,817
Tier-two capital bonds	(b)	4,998,020	6,997,739
Interbank deposits		95,082,903	83,527,505
Interest accrued		167,735	125,958
Total		105,245,667	93,649,019

(a) Financial bonds

Fixed rate green financial bonds of RMB2.0 billion with a term of three years was issued in June 2019. The coupon rate is 3.70% per annum.

Fixed rate green financial bonds of RMB3.0 billion with a term of three years was issued in September 2017. The coupon rate is 4.70% per annum.

(b) Tier-two capital bonds

Fixed rate tier-two capital bonds of RMB2.0 billion with a term of ten years were issued in March 2017. The coupon rate is 4.80% per annum.

Fixed rate tier-two capital bonds of RMB3.0 billion with a term of ten years were issued in December 2016. The coupon rate is 4.10% per annum.

32 OTHER LIABILITIES

	Note	31 December 2019	31 December 2018
Accrued staff costs	(a)	734,585	437,413
Finance lease payable		740,535	782,971
Dormant accounts		35,861	61,978
Payment and collection clearance accounts		332,766	182,678
Dividend payable		28,528	24,327
Expected credit losses of credit commitment	(b)	287,623	236,822
Lease liabilities	(c)	383,405	–
Others		561,228	474,372
Total		3,104,531	2,200,561

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32 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs

	Note	31 December 2019	31 December 2018
Salary, bonuses and allowances payable		549,034	250,318
Staff welfare		86	562
Social insurance and annuity payable		592	106
Housing allowances payable		51	19
Labor union fee, staff and workers' education fee		1,591	1,628
Supplementary retirement benefits payable	(1)	183,231	184,780
Total		734,585	437,413

(1) Supplementary retirement benefits ("SRB")

The supplementary retirement benefits of the Group include early retirement plan and supplementary retirement plan. The early retirement benefits payments is provided to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The supplementary retirement plan is provided to the Group's eligible employees.

The amount represents the present value of the total estimated amount of future benefits that the Group is committed to pay for eligible employees at the end of the reporting period. The Group's obligations in respect of the SRB were accessed using projected unit credit method by qualified staff (a member of society of Actuaries in America) of an external independent actuary: Mercer Consulting (China) Ltd.

(i) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2019	31 December 2018
Present value of early retirement plan	24,208	25,152
Present value of supplementary retirement plan	159,023	159,628
Total	183,231	184,780

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32 OTHER LIABILITIES (CONTINUED)

(a) Accrued staff costs (Continued)

(1) Supplementary retirement benefits ("SRB") (Continued)

(ii) The movements of supplementary retirement benefits of the Group are as follows:

	2019	2018
As at 1 January	184,780	201,222
Benefits paid during the year	(19,521)	(19,504)
Defined benefit cost recognised in profit or loss	15,397	13,890
Defined benefit cost recognised in other comprehensive income	2,575	(10,828)
As at 31 December	183,231	184,780

(iii) Key actuarial assumptions of the Group are as follows:

Early retirement plan	31 December 2019	31 December 2018
Discount rate	2.80%	2.70%
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	8.00%	8.00%

Supplementary retirement plan	31 December 2019	31 December 2018
Discount rate	3.40%	3.50%
Retired age		
– Male	60	60
– Female	55	55

Death rate for age 20 – 105	31 December 2019	31 December 2018
– Male	0.0248%–100%	0.0248%–100%
– Female	0.012%–100%	0.012%–100%

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32 OTHER LIABILITIES (CONTINUED)

(b) Expected credit losses of credit commitment

As at 31 December, movements of expected credit losses of credit commitment during the year are as follows:

	31 December 2019			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2019	225,926	253	10,643	236,822
Transferred:				
- to 12-months ECL	186	(59)	(127)	-
- to lifetime ECL not credit-impaired	(2)	2	-	-
- to lifetime ECL credit-impaired	(11)	(87)	98	-
Charge/(reversal) for the year	58,527	474	(8,200)	50,801
As at 31 December 2019	284,626	583	2,414	287,623

	31 December 2018			
	12-months ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
As at 1 January 2018	255,378	123	1,152	256,653
Transferred:				
- to 12-months ECL	153	(49)	(104)	-
- to lifetime ECL not credit-impaired	(14)	14	-	-
- to lifetime ECL credit-impaired	(2)	(54)	56	-
(Reversal)/charge for the year	(29,589)	219	9,539	(19,831)
As at 31 December 2018	225,926	253	10,643	236,822

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32 OTHER LIABILITIES (CONTINUED)

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

	31 December 2019
Within one year (inclusive)	110,161
Between one year and two years (inclusive)	84,058
Between two years and three years (inclusive)	67,205
Between three years and five years (inclusive)	114,959
More than five years	78,134
Total undiscounted lease liabilities	454,517
Total carrying amount	383,405

33 SHARE CAPITAL

Authorised and issued share capital

	31 December 2019	31 December 2018
Ordinary shares listed in Mainland China (A-share)	4,403,932	4,403,932
Ordinary shares listed in Hong Kong (H-share)	1,518,000	1,518,000
Total	5,921,932	5,921,932

In December 2015, the Bank issued 1,200 million H-shares with a par value of RMB1 at an offering price of HKD3.85 per share (the “H-share offering”). The premium arising from the H-share offering amounting to RMB2,562 million was recorded in capital reserve. Immediately following the H-share offering, 120 million ordinary shares in Mainland China shares held by the National Council and Social Security Fund were converted to H-shares pursuant to the relevant PRC regulations relating to the reduction of state-owned shares.

In January 2016, the Bank issued 180 million H-shares (H-shares’ over-allotment option) with a par value of RMB1 at an offering price of HKD3.85 per share. The premium arising from the offering amounting to RMB392 million was recorded in capital reserve.

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33 SHARE CAPITAL (CONTINUED)

In September 2018, the Bank issued 600 million A-shares with a par value of RMB1 at an offering price of RMB4.59 per share (the “A-share offering”). The premium arising from the A-share offering amounting to RMB2,109 million was recorded in capital reserve.

All the above H-shares have been listed on the Stock Exchange of Hong Kong Limited since 20 January 2016. The H-shares rank pari passu in all respects with the existing A-share listed in Mainland China including the right to receive all dividends and distributions declared or made.

34 RESERVES

(a) Capital reserve

	31 December 2019	31 December 2018
Share premium	5,099,040	5,099,040
Others	64,615	64,615
Total	5,163,655	5,163,655

(b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC GAAP after making good prior year’s accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital. The Bank appropriated an amount of RMB319 million to the statutory surplus reserve fund for the year of 2019 (2018: RMB301 million).

The Bank may also appropriate discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(c) General reserve

With effect from 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No. 20)” issued by the Ministry of Finance, the Bank is required to set aside a general reserve through profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets on an annual basis. The Bank and its subsidiaries appropriated an amount of RMB749 million to the general reserve fund for the year of 2019 (2018: RMB350 million).

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34 RESERVES (CONTINUED)

(d) Fair value reserve

	2019	2018
As at 1 January	38,590	(23,933)
Change in fair value recognised in other comprehensive income	365,216	87,000
Transfer to profit or loss upon disposal	(287,253)	(3,636)
Less: deferred income tax	(19,490)	(20,841)
Sub-total	58,473	62,523
As at 31 December	97,063	38,590

(e) Remeasurement of net defined benefit liability

Remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

	2019	2018
As at 1 January	(44,492)	(52,614)
Remeasurement of net defined benefit liability	2,575	10,828
Less: deferred income tax	(643)	(2,706)
Sub-total	(1,932)	8,122
As at 31 December	(46,424)	(44,492)

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34 RESERVES (CONTINUED)

(f) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the year are set out below:

The Bank

Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2019	5,921,932	7,825,508	5,163,713	2,356,214	5,813,200	38,020	(44,492)	9,488,400	36,562,495
Profit for the year	-	-	-	-	-	-	-	3,193,343	3,193,343
Other comprehensive income	-	-	-	-	-	59,056	(1,932)	-	57,124
Total comprehensive income	-	-	-	-	-	59,056	(1,932)	3,193,343	3,250,467
Appropriation of profit:									
- Appropriation to surplus reserve 34(b)	-	-	-	319,334	-	-	-	(319,334)	-
- Appropriation to general reserve 34(c)	-	-	-	-	700,000	-	-	(700,000)	-
- Cash dividend on ordinary shares 35	-	-	-	-	-	-	-	(888,290)	(888,290)
- Cash dividend on preference shares 35	-	-	-	-	-	-	-	(512,790)	(512,790)
Sub-total	-	-	-	319,334	700,000	-	-	772,929	1,849,387
Balance at 31 December 2019	5,921,932	7,825,508	5,163,713	2,675,548	6,513,200	97,076	(46,424)	10,261,329	38,411,882

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34 RESERVES (CONTINUED)

(f) Movements in components of equity (Continued)

The Bank (Continued)

	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2018		5,321,932	7,825,508	3,054,927	2,054,756	5,463,200	(22,667)	(52,614)	8,452,444	32,097,486
Changes in accounting policies		-	-	-	-	-	(1,266)	-	(824,826)	(826,092)
Balance at 1 January 2018 Adjusted		5,321,932	7,825,508	3,054,927	2,054,756	5,463,200	(23,933)	(52,614)	7,627,618	31,271,394
Profit for the year		-	-	-	-	-	-	-	3,014,583	3,014,583
Other comprehensive income		-	-	-	-	-	61,953	8,122	-	70,075
Total comprehensive income		-	-	-	-	-	61,953	8,122	3,014,583	3,084,658
Changes in share capital										
- Share capital invested by A-share holders		600,000	-	2,108,786	-	-	-	-	-	2,708,786
Sub-total		600,000	-	2,108,786	-	-	-	-	-	2,708,786
Appropriation of profit:										
- Appropriation to surplus reserve	34(b)	-	-	-	301,458	-	-	-	(301,458)	-
- Appropriation to general reserve	34(c)	-	-	-	-	350,000	-	-	(350,000)	-
- Cash dividend on preference shares	35	-	-	-	-	-	-	-	(502,343)	(502,343)
Sub-total		-	-	-	301,458	350,000	-	-	(1,153,801)	(502,343)
Balance at 31 December 2018		5,921,932	7,825,508	5,163,713	2,356,214	5,813,200	38,020	(44,492)	9,488,400	36,562,495

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For the year ended 31 December 2019
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35 PROFIT DISTRIBUTION

(a) Dividends for Ordinary Shares

In accordance with the resolution of the Bank's board of directors meeting held on 30 March 2020, cash dividends of RMB1.00 per ten shares before tax and in an aggregation amount of approximately RMB592.19 million to all existing A and H shareholders for the year ended 31 December 2019 has been proposed. And the bank converted capital reserve to share capital on the basis of 1 share for every 10 shares to all shareholders, the total number of shares increased accordingly was 592.19 million shares.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(b) Dividends for Preference Shares

As per the resolution and authorization of the General Meeting, the Bank reviewed and approved the Proposal on Distribution of Dividends for Preference Shares at the meeting of its Board of Directors on 20 August 2019, permitting the Bank to distribute the dividends on the Bank's offshore preference shares on 18 October 2019.

Dividends on the Bank's offshore preference shares are paid annually in cash, and calculated based on the aggregate value of the offshore preference shares. Dividends on the preference shares are non-cumulative. Holders of preference shares are only entitled to dividends at the prescribed dividend rate, but are not entitled to any distribution of residual profits of the Bank together with the holders of ordinary shares. According to the dividend distribution plan in the preference share issuance proposal, the Bank distributed a dividend of USD72.78 million, aggregating to RMB512.79 million at the rate on dividend declared date. In practice, the dividend was distributed in the currency of the preference share. According to relevant laws, when the Bank distributes dividends for preference shares, the enterprise income tax shall be withheld by the Bank at a rate of 10%. According to the requirements of the terms and conditions of the offshore preference shares, the Bank shall pay the relevant taxes, in addition to the dividends for offshore preference shares.

(c) Retained earnings

As at 31 December 2019, retained earnings of the Group included the statutory surplus reserve of RMB28 million appropriated by the subsidiaries and attributable to the Bank (31 December 2018: RMB17 million).

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(Expressed in thousands of Renminbi, unless otherwise stated)

36 OTHER EQUITY INSTRUMENTS

(a) Preference shares outstanding at the end of the year:

Financial instrument outstanding	Time issued	Classifications	Dividend	Issue price	Quantities	In original	In RMB million	Maturity	Conversion conditions
			yield ratio/ Interest rate			currency million			
Offshore preference shares	2017/ 10/18	Equity	5.50%	USD20/ share	59,550,000	1,191	7,860	None	Mandatory conversion trigger events
Less: issuing cost							(34)		
Book value							7,826		

(b) Main clause

(1) Dividend

Fixed rate for a certain period after issuance. Dividend reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate.

The fixed spread will remain unchanged throughout the term of the preference shares. Dividends will be paid annually.

If the Bank has distributable after-tax profit after making up for previous years' losses and contributing to the statutory reserve and general reserve, the Bank may pay dividends to the offshore preference shareholders in accordance with the articles of association of the Bank, provided that the capital adequacy ratio of the Bank meets regulatory requirements. The offshore preference shareholders shall rank in priority to the ordinary shareholders in terms of dividend distribution.

Any declaration and payment of all of the dividends on the offshore preference shares by the Bank will be determined by the board in accordance with the authorisation given by the general meeting. Any cancellation of all or part of the dividends on the offshore preference shares shall be subject to the consideration and approval by the general meeting. If the Bank cancels all or part of the distribution of dividends on the offshore preference shares, the Bank shall not distribute any dividends to the ordinary shareholders from the next day following the resolution being approved at the general meeting until the resumption of payment of dividends in full.

Notes to the Financial Statements

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(Expressed in thousands of Renminbi, unless otherwise stated)

36 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

(2) *Dividend accumulation*

The dividends on the offshore preference shares will be non-cumulative (namely, in the event of any cancellation by the Bank of all or part of the dividends on the offshore preference shares, any amount of dividends not paid to the offshore preference shareholders in full in the current period will not be accumulated to the following dividend periods).

(3) *Distribution of residual profits*

After receiving the dividends at the prescribed dividend rate, the offshore preference shareholders shall not be entitled to any distribution of residual profits of the Bank together with the ordinary shareholders.

(4) *Mandatory conversion trigger events*

Upon the occurrence of an additional tier 1 capital trigger event (namely, the core tier 1 capital adequacy ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert, without the approval of the offshore preference shareholders, all or part of the offshore preference shares then issued and outstanding into H Shares based on the aggregate value of such offshore preference shares in order to restore the core tier 1 capital adequacy ratio of the Bank to above 5.125%. In case of partial conversion, the offshore preference shares shall be converted ratably and on the same conditions. Upon conversion of the offshore preference shares into H Shares, such H Shares will not be converted back to preference shares under any circumstances.

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

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36 OTHER EQUITY INSTRUMENTS (CONTINUED)

(b) Main clause (Continued)

(5) Conditional redemption

From the fifth year following the date of issuance of the offshore preference shares, and subject to obtaining the approval of the CBIRC or its affiliates and the compliance with the relevant requirements, the Bank shall have the right to redeem all or part of the offshore preference shares.

The redemption price of the offshore preference shares will be an amount equal to the issue price plus the amount of dividend declared but unpaid for the current period.

37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	31 December 2019	31 December 2018
Cash on hand	818,502	663,758
Surplus deposit reserves with central bank	12,739,930	16,788,883
Deposits with banks and other financial institutions with original maturity of three months or less	1,510,534	1,684,322
Placements with banks and other financial institutions with original maturity of three months or less	2,697,597	3,384,151
Total	17,766,563	22,521,114

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37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Liabilities				Equity			Total
	Debt securities issued (interest not included)	Interest payable arising from debt securities issued	Lease liabilities	Dividend payable	Share capital and capital reserve	Retained earnings	Non-controlling interests	
Balance at 31 December 2018	93,523,061	125,958	-	24,327	11,085,587	9,518,012	1,213,760	115,490,705
Changes in accounting policies	-	-	474,214	-	-	-	-	474,214
Balance at 1 January 2019	93,523,061	125,958	474,214	24,327	11,085,587	9,518,012	1,213,760	115,964,919
Cash flows from financing activities								
Proceeds received from debt securities issued	124,738,282	-	-	-	-	-	-	124,738,282
Interest paid on debt securities issued	(42,433)	41,777	-	-	-	(3,465,529)	-	(3,466,185)
Repayment of debt securities issued	(113,140,978)	-	-	-	-	-	-	(113,140,978)
Dividends paid on ordinary shares	-	-	-	4,201	-	(888,290)	-	(884,089)
Dividends paid on preference shares	-	-	-	-	-	(512,790)	-	(512,790)
Cash flows arising from other financing activities	-	-	(129,755)	-	-	(17,611)	-	(147,366)
Net cash flows generated from financing activities	11,554,871	41,777	(129,755)	4,201	-	(4,884,220)	-	6,586,874
Total equity-related other change	-	-	-	-	-	5,699,695	87,540	5,787,235
Other changes	-	-	38,946	-	-	-	-	38,946
Balance at 31 December 2019	105,077,932	167,735	383,405	28,528	11,085,587	10,333,487	1,301,300	128,377,974

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37 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Reconciliation of movements of liabilities to cash flows arising from financing activities: (Continued)

	Liabilities				Equity			Total
	Debt securities issued (interest not included)	Interest payable arising from debt securities issued	Lease liabilities	Dividend payable	Share capital and capital reserve	Retained earnings	Non-controlling interests	
Balance as at 1 January 2018	73,170,060	202,918	-	24,327	8,376,801	8,503,783	1,233,478	91,511,367
Cash flows from financing activities								
Proceeds received from issuance of A-share	-	-	-	-	2,708,786	-	-	2,708,786
Proceeds received from debt securities issued	111,834,858	-	-	-	-	-	-	111,834,858
Interest paid on debt securities issued	66,351	(76,960)	-	-	-	(3,469,401)	-	(3,480,010)
Repayment of debt securities issued	(91,548,208)	-	-	-	-	-	-	(91,548,208)
Dividends paid on preference shares	-	-	-	-	-	(502,343)	-	(502,343)
Net cash flows generated from financing activities	20,353,001	(76,960)	-	-	2,708,786	(3,971,744)	-	19,013,083
Total equity-related other change	-	-	-	-	-	4,985,973	(19,718)	4,966,255
Balance at 31 December 2018	93,523,061	125,958	-	24,327	11,085,587	9,518,012	1,213,760	115,490,705

Notes to the Financial Statements

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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above shareholding.

Shareholding in the Bank:

	31 December 2019	31 December 2018
Zhengzhou Finance Bureau	8.29%	8.29%

(ii) Subsidiaries and associates of the Bank

The detailed information of the Bank's subsidiaries and associates is set out in Note 21.

(iii) 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 38 (a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Bank (Note 32(a)).

(b) Related party transactions and balances

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions with major shareholders

	31 December 2019	31 December 2018
Balances at the end of the year:		
Deposits from customers	1,397,414	23,203
Other liabilities	67,078	64,285

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For the year ended 31 December 2019
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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(i) Transactions with major shareholders (Continued)

	2019	2018
Transactions during the year:		
Interest expense	2,927	652

(ii) Transactions with subsidiaries

	31 December 2019	31 December 2018
Balances at the end of the year:		
Deposits from banks and other financial institutions	2,293,573	399,840

	2019	2018
Transactions during the year:		
Interest expense	12,238	14,655

The above balances and transactions with subsidiaries have been eliminated in full in the consolidated financial statements.

(iii) Transactions with associates

	31 December 2019	31 December 2018
Balances at the end of the year:		
Deposits/placements with banks and other financial institutions	254,996	50,992
Deposits/placements from banks and other financial institutions	506,496	1,265,155

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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(iii) Transactions with associates (Continued)

	2019	2018
Transactions during the year:		
Interest income	1,849	3,198
Interest expense	2,505	6,625

(iv) Transactions with other major related parties

	31 December 2019	31 December 2018
Balances at the end of the year:		
Loans and advances to customers	6,104,301	2,554,752
Financial investments measured at amortised cost	4,922,613	4,340,365
Financial investments at fair value through profit or loss	1,473,457	532,226
Deposits from customers	7,317,350	4,122,233
Deposits/placements from banks and other financial institutions	314,032	266,799

	2019	2018
Transactions during the year:		
Interest income	491,434	400,973
Interest expense	70,458	53,504

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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel

(i) Transactions with key management personnel

	31 December 2019	31 December 2018
Balances at the end of the year:		
Loans and advances to customers	21,877	14,032
Deposits from customers	33,671	25,408
	2019	2018
Transactions during the year:		
Interest income	3,769	1,439
Interest expense	154	407

(ii) Key management personnel remuneration

	2019	2018
Salaries and other emoluments	11,963	13,918
Discretionary bonuses	25,156	28,196
Contribution by the employer to social insurance and welfare plans, housing allowance, etc.	1,633	3,312
Total	38,752	45,426

No post-employment benefits, termination benefits or other long-term benefits were provided to key management personnel for the year ended 31 December 2019 and 31 December 2018.

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38 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Loans to key officers

Loans and advances to directors, supervisors and officers of the Bank, which are disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap.622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap.32), are as follows:

	31 December 2019	31 December 2018
Aggregate amount of relevant loans outstanding as at the year end	21,877	14,032
Maximum aggregate amount of relevant loans outstanding during the year	22,677	17,632

There were no amount due but unpaid, nor any impairment provision made against the principal or interest on these loans at 31 December 2019 (2018: Nil).

39 SEGMENT REPORTING

(a) Business Segment

The Group manages its business by business lines. 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, government agencies and financial institutions. These products and services include corporate loans and advances, trade finance and deposit taking activities, financial leasing, agency services, and remittance and settlement 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, remittance and settlement services, and collection and payment agency services.

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39 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Treasury business

This segment covers the Group's treasury business including interbank money market transactions, repurchases transactions and investments. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

Others

These represent equity investment and related income and any other business which cannot form a single reportable segment.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred income tax assets. Segment income, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, intangible assets and other long-term assets.

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39 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	Year ended 31 December 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	4,553,052	905,447	3,525,699	-	8,984,198
Internal net interest income/(expense)	845,460	547,248	(1,392,708)	-	-
Net interest income	5,398,512	1,452,695	2,132,991	-	8,984,198
Net fee and commission income	348,683	287,596	973,410	-	1,609,689
Net trading gains	84,367	-	624,118	-	708,485
Net gains arising from investments	-	-	2,097,656	-	2,097,656
Other operating income	-	-	-	40,186	40,186
Operating income	5,831,562	1,740,291	5,828,175	40,186	13,440,214
Operating expenses	(1,622,379)	(611,799)	(1,430,935)	(28,208)	(3,693,321)
Impairment losses on assets	(3,915,259)	(1,044,597)	(836,804)	-	(5,796,660)
Operating profit	293,924	83,895	3,560,436	11,978	3,950,233
Share of profits of associates	-	-	-	55,793	55,793
Profit before taxation	293,924	83,895	3,560,436	67,771	4,006,026
Other segment information					
- Depreciation and amortisation	215,393	176,769	82,628	-	474,790
- Capital expenditure	325,976	122,916	296,560	4,150	749,602

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For the year ended 31 December 2019
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39 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	31 December 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	181,624,941	73,209,830	241,489,123	1,319,243	497,643,137
Deferred tax assets					2,834,990
Total assets					500,478,127
Segment liabilities/Total liabilities	194,899,035	98,403,392	165,592,284	1,691,794	460,586,505
Credit commitments	114,594,454	2,785,006	–	–	117,379,460

	Year ended 31 December 2018				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income	2,863,458	1,099,075	2,680,150	–	6,642,683
Internal net interest income/(expense)	858,902	407,693	(1,266,595)	–	–
Net interest income	3,722,360	1,506,768	1,413,555	–	6,642,683
Net fee and commission income	400,867	83,587	1,389,865	–	1,874,319
Net trading gains	–	–	365,364	–	365,364
Net gains/(losses) arising from investments	49,037	–	2,148,108	(6,821)	2,190,324
Other operating income	–	–	–	60,965	60,965
Operating income	4,172,264	1,590,355	5,316,892	54,144	11,133,655
Operating expenses	(1,321,178)	(711,207)	(1,182,929)	(436)	(3,215,750)
Impairment losses on assets	(2,851,061)	(744,452)	(564,656)	–	(4,160,169)
Operating profit	25	134,696	3,569,307	53,708	3,757,736
Share of profits of associates	–	–	–	52,170	52,170
Profit before taxation	25	134,696	3,569,307	105,878	3,809,906
Other segment information					
– Depreciation and amortisation	140,711	110,929	50,263	–	301,903
– Capital expenditure	332,712	180,569	292,913	2,407	808,601

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39 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	31 December 2018				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	157,319,884	57,840,402	247,604,846	1,429,499	464,194,631
Deferred tax assets					1,947,787
Total assets					466,142,418
Segment liabilities/Total liabilities	184,959,359	83,126,962	158,512,376	1,680,222	428,278,919
Credit commitments	81,456,788	1,778,943	-	-	83,235,731

(b) Geographical information

Geographically, the Group mainly conducts its business in Henan Province of the PRC and majority of its customers and assets are located in Henan Province of the PRC.

40 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Group in terms of risk management and oversees the Group's risk management functions through the Risk Management Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Management Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

Credit business

The Board is responsible for establishing the Group's risk management strategies and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that credit risk in various businesses are properly identified, assessed, calculated and monitored. The Credit Management Department is responsible for credit risk management. Departments such as the Credit Approval Department, the Corporate Business Department, the Retail Banking Department, the Financial Department of Small Business, Investment Bank Department, and the Financial Markets Department carry out credit businesses and investments portfolios business according to the Group's risk management policies and procedures. The Group adopts a loan risk classification approach to manage its loan portfolio risk.

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and interbank business. The Group manages the credit risk exposures by setting up credit on its treasury business and interbank business. Credit risk exposure is closely monitored on a systematic, real-time basis. Credit risk limits are reviewed and updated regularly.

Measurement of ECL

Based on whether there is a significant increase in credit risk and whether the asset has incurred credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively.

The Group measures loss provision of the financial instruments that meet the following conditions according to the amount of expected credit losses within the next 12 months, and measures loss provision for other financial instruments in accordance with the amount of lifetime expected credit losses.

- The financial instruments that are determined to have low credit risk at the reporting date; or
- The financial instruments for which credit risk has not increased significantly since initial recognition.

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(i) *Significant increase in credit risk*

When one or more quantitative, qualitative standards or upper limits are triggered, the Group assumes that credit risk on financial instruments has increased significantly.

If the borrower is listed in the watch list and one or more of the following criteria are met:

- The credit spread increases significantly
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status
- Application of a grace period or debt-restructuring
- Significant changes with an adverse effect in the borrower's business conditions
- Less value of the collaterals (for the collateral loans and pledged loans only)
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans
- The borrower is more than 30 days past due.

The Group uses watch lists to monitor credit risk of financial instruments related to loans and treasury operations, and conducts regular assessments at the counterparty level. The standards used in determining whether credit risk increases significantly are regularly monitored and reviewed by the management for the appropriateness.

As at 31 December 2019, the Group has not considered that any of its financial instruments has lower credit risk and no longer compared the credit risk at the balance sheet date with that at the initial recognition to identify whether there was a significant increase in credit risk.

(ii) *Definition of "default" and "credit-impaired assets"*

When a financial instrument meets one or more of the following conditions, the Group considers the financial asset to be in default, and the criteria are consistent with the definition of credit-impaired assets.

(1) Quantitative criterion

The financial asset is more than 90 days past due.

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(ii) *Definition of “default” and “credit-impaired assets” (Continued)*

(2) Qualitative criterion

The borrower meets the criterion of “having difficulty in repayment”, which indicates that the borrower has significant financial difficulty, including:

- the borrower has been in the grace period for a long time
- the death of the borrower
- the borrower enters bankruptcy
- the borrower breaches (one or more) terms of the contract that the debtor shall be subject to
- the disappearance of an active market for the related financial asset because of financial difficulties faced by the borrower
- the creditor make concessions due to the financial difficulties faced by the borrower
- it becoming probable that the borrower will enter bankruptcy
- a higher discount was obtained during the acquisition of assets, and the assets has incurred credit loss when they are acquired

The above criteria apply to all financial instruments of the Group and they are consistent with the definition of “default” adopted by the internal management of credit risk.

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For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques

The ECL is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future months. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future months. The results of calculation for each month are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime PD is deduced from using the maturity model or 12-month probability of default. The maturity model describes the development rule of the defaults of the asset portfolio over its lifetime. The model is developed based on historical observational data and applicable to all assets in the same portfolio with the same credit rating. The above method is supported by empirical analysis.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different according to different types of products.

- In respect of the loans with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.

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For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Measurement of ECL (Continued)

(iii) Notes to the parameters, assumptions and valuation techniques (Continued)

- In respect of the products of revolving credit agreement, the Group estimates the remaining withdrawal within the limits by using the balance of the loan after previous withdrawals and the “credit conversion factor”, so as to predict the exposure at default. Based on the Group’s analysis on recent default data, these assumptions vary based on differences in product type and utilization rate of the limits.
- The Group determines the 12-month LGD and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to loans classified as guarantees, the Group determines the LGD according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to fiduciary loans, the Group usually determines LGD in the product level due to the limited differences in recoverable amounts from different borrowers. The LGD is affected by the recovery strategies, which include the transfer plan and pricing of loans.
- Forward-looking economic information should be considered when determining the 12-month and lifetime PD, EAD and LGD. Forward-looking information that need to be considered is different due to different product types.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Both the assessment of the significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including GDP, industrial added value, CPI, etc.

There has been no significant changes in the valuation techniques and key assumptions during the reporting period.

(1) Maximum credit risk exposure

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of each of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of each of the reporting period is disclosed in Note 42(a).

Notes to the Financial Statements

For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers

(i) Loans and advances to customers were analysed as follows:

	31 December 2019	31 December 2018
Gross balance of loans and advances that are assessed for 12-month ECL		
– Overdue but not credit-impaired	561,687	639,733
– Neither overdue nor credit-impaired	184,704,745	149,978,957
Sub-total	185,266,432	150,618,690
Gross balance of loans and advances that are not credit-impaired and assessed for lifetime ECL		
– Overdue but not credit-impaired	1,814,480	2,396,820
– Neither overdue nor credit-impaired	3,198,353	2,431,602
Sub-total	5,012,833	4,828,422
Gross balance of credit-impaired loans and advances that are assessed for lifetime ECL		
– Overdue and credit-impaired	4,767,360	4,012,791
– Not overdue but credit-impaired	865,040	112,889
Sub-total	5,632,400	4,125,680
Interest accrued	682,722	489,560
Less: Provision for impairment losses on loans and advances to customers measured at amortised cost	(7,327,846)	(6,062,971)
Net loans and advances to customers	189,266,541	153,999,381

Notes to the Financial Statements

For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(ii) Neither overdue nor credit-impaired

Credit risk of loans and advances to customers neither overdue nor credit-impaired was analysed as follows:

	31 December 2019	31 December 2018
Corporate loans and advances	129,771,878	109,829,919
Personal loans and advances	58,131,220	42,580,640
Total gross balance	187,903,098	152,410,559

Notes to the Financial Statements

For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired

The following tables present the overdue analysis of each type of loans and advances to customers of the Group which were overdue but not credit-impaired.

	31 December 2019		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	1,497,890	512,794	2,010,684
Personal loans and advances	242,301	123,182	365,483
Total gross balance	1,740,191	635,976	2,376,167

	31 December 2018		
	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	1,132,393	1,422,545	2,554,938
Personal loans and advances	225,265	256,350	481,615
Total gross balance	1,357,658	1,678,895	3,036,553

Fair value of collateral held against loans and advances overdue but not credit-impaired was analysed as follows:

	31 December 2019	31 December 2018
Fair value of collateral held against loans and advances overdue but not credit-impaired	1,073,325	2,250,645

Notes to the Financial Statements

For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(iii) Overdue but not credit-impaired (Continued)

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(iv) Credit-impaired loans

Credit-impaired loans were analysed as follows:

	31 December 2019	31 December 2018
Gross balance		
Corporate loans and advances	4,535,280	3,268,726
Personal loans and advances	1,097,120	856,954
Sub-total	5,632,400	4,125,680
Interest accrued		
Corporate loans and advances	43,519	1,809
Personal loans and advances	414	8
Sub-total	43,933	1,817
Provision for impairment losses		
Corporate loans and advances	(2,846,615)	(2,279,394)
Personal loans and advances	(620,462)	(567,625)
Sub-total	(3,467,077)	(2,847,019)
Net balance		
Corporate loans and advances	1,732,184	991,141
Personal loans and advances	477,072	289,337
Total	2,209,256	1,280,478
Fair value of collateral held against credit-impaired loans and advances	3,809,261	1,967,877

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(2) Loans and advances to customers (Continued)

(iv) Credit-impaired loans (Continued)

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(3) Amounts due from banks and other financial institutions

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

	31 December 2019	31 December 2018
Carrying amount		
– grade A to AAA	5,837,647	7,708,768
– grade B to BBB	–	1,524,561
– unrated	1,876,172	144,486
Total	7,713,819	9,377,815

As at 31 December 2019 and 31 December 2018, amounts due from banks and other financial institutions of the Group were neither overdue nor credit-impaired.

Notes to the Financial Statements

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(4) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers as at 31 December 2019:

	31 December 2019	31 December 2018
Carrying amount		
<i>Neither overdue nor credit-impaired</i>		
– Government	31,951,650	29,171,462
– Policy banks	34,788,348	37,538,364
– Banks and other financial institutions	3,003,307	2,876,893
– Corporate	8,646,124	8,178,902
Sub-total	78,389,429	77,765,621
<i>Overdue but not credit-impaired</i>		
– Corporate	–	256,411
Sub-total	–	256,411
Less: Provision for impairment losses	(4,781)	(5,373)
Total	78,384,648	78,016,659

Notes to the Financial Statements

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40 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

(5) Financial investments measured at amortised cost

The Group

	31 December 2019	31 December 2018
Balance of financial investments measured at amortised cost that are assessed for 12-months ECL		
– Overdue but not credit-impaired	1,120,000	708,400
– Neither overdue nor credit-impaired	161,699,780	163,391,994
Less: Provision for impairment losses	(970,460)	(876,837)
Sub-total	161,849,320	163,223,557
Balance of not credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue but not credit-impaired	1,518,009	–
– Neither overdue nor credit-impaired	2,619,174	1,400,000
Less: Provision for impairment losses	(754,280)	(420,000)
Sub-total	3,382,903	980,000
Balance of credit-impaired financial investments measured at amortised cost that are assessed for lifetime ECL		
– Overdue and credit-impaired	7,343,541	2,629,147
Less: Provision for impairment losses	(839,202)	(429,783)
Sub-total	6,504,339	2,199,364
Interest accrued	1,431,860	1,427,133
Total	173,168,422	167,830,054
Fair value of collaterals held against credit-impaired financial investments that are measured at amortised cost	9,356,790	5,027,204

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Management Committee to supervise the market risk management conducted by the senior management. The Finance and Accounting Department, Financial Markets Department and Risk Management Department are responsible for identifying, measuring, monitoring and reporting the market risk.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(i) Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Finance and Accounting Department is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.

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For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

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

	31 December 2019					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	38,465,676	1,127,954	37,337,722	-	-	-
Deposits/placements with banks and other financial institutions	4,715,075	353,589	3,858,094	427,494	75,898	-
Financial assets held under resale agreements	2,998,744	494	2,998,250	-	-	-
Loans and advances to customers (1)	189,266,541	682,722	108,592,398	64,078,713	13,977,993	1,934,715
Investments (2)	244,359,200	45,028,665	29,026,705	30,062,811	105,917,153	34,323,866
Finance lease receivables (1)	12,501,697	96,350	10,535,968	1,722,312	147,067	-
Others	8,171,194	8,076,592	87,775	6,827	-	-
Total assets	500,478,127	55,366,366	192,436,912	96,298,157	120,118,111	36,258,581
Liabilities						
Due to central bank	9,954,864	102,364	-	9,852,500	-	-
Deposits/placements from banks and other financial institutions	33,019,136	270,076	11,049,644	21,699,416	-	-
Financial assets sold under repurchase agreements	16,385,737	5,314	16,353,958	26,465	-	-
Deposits from customers	292,125,786	3,706,560	142,364,966	46,724,099	99,327,567	2,594
Debt securities issued	105,245,667	167,735	4,253,044	93,829,860	6,995,028	-
Others	3,855,315	3,850,371	3,004	1,940	-	-
Total liabilities	460,586,505	8,102,420	174,024,616	172,134,280	106,322,595	2,594
Asset-liability gap	39,891,622	47,263,946	18,412,296	(75,836,123)	13,795,516	36,255,987

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

	31 December 2018					
	Total	Non-interest bearing	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with central bank	46,224,453	1,377,590	44,846,863	-	-	-
Deposits/placements with banks and other financial institutions	5,925,690	408,126	5,084,150	350,000	83,414	-
Financial assets held under resale agreements	3,452,125	4,739	3,447,386	-	-	-
Loans and advances to customers (1)	153,999,381	489,560	101,086,197	47,170,340	3,077,839	2,175,445
Investments (2)	236,359,868	46,426,383	26,063,860	23,792,639	103,650,064	36,426,922
Finance lease receivables (1)	13,710,666	105,345	11,651,404	1,953,917	-	-
Others	6,470,235	6,238,684	180,265	51,286	-	-
Total assets	466,142,418	55,050,427	192,360,125	73,318,182	106,811,317	38,602,367
Liabilities						
Due to central bank	4,196,194	62,494	-	4,133,700	-	-
Deposits/placements from banks and other financial institutions	41,051,553	484,380	19,111,780	21,455,393	-	-
Financial assets sold under repurchase agreements	18,956,133	9,853	18,946,280	-	-	-
Deposits from customers	267,758,206	4,041,732	136,777,389	62,212,591	61,726,494	3,000,000
Debt securities issued	93,649,019	125,958	21,943,150	61,584,355	9,995,556	-
Others	2,667,814	2,629,313	37,976	525	-	-
Total liabilities	428,278,919	7,353,730	196,816,575	149,386,564	71,722,050	3,000,000
Asset-liability gap	37,863,499	47,696,697	(4,456,450)	(76,068,382)	35,089,267	35,602,367

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(i) Repricing risk (Continued)

- (1) For the Group's loans and advances to customers, the category "Within three months (inclusive)" as at 31 December 2019 includes overdue amounts (net of allowance for impairment losses) of RMB3,842 million (31 December 2018: RMB3,555 million). For the Group's finance lease receivables, the category "Within three months (inclusive)" as at 31 December 2019 includes overdue amounts (net of allowance for impairment losses) of RMB248 million (31 December 2018: RMB176 million).
- (2) As at 31 December 2019, investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates, the category "Within three months (inclusive)" as at 31 December 2019 includes overdue amounts (net of allowance for impairment losses) of RMB9,124 million (31 December 2018: RMB2,819 million).

(ii) Interest rate sensitivity analysis

	31 December 2019 (Decrease)/increase	31 December 2018 (Decrease)/increase
Changes in net interest income		
Up 100 bps parallel shift in yield curves	(288,486)	(461,308)
Down 100 bps parallel shift in yield curves	288,486	461,308
Changes in equity		
Up 100 bps parallel shift in yield curves	(738,473)	(671,154)
Down 100 bps parallel shift in yield curves	776,869	679,002

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(1) Interest rate risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on a static interest risk exposure profile of assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net interest income and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The effect of equity is the effect of the assumed changes in interest rates on the Group's net interest income and other comprehensive income, calculated by revaluing financial investments at fair value through other comprehensive income and loans and advances to customers measured at fair value through other comprehensive income held at year end. The sensitivity analysis is based on the following assumptions:

- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the beginning of the respective periods;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio, all the position will be held and keep unchanged after matured; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	31 December 2019			
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Assets				
Cash and deposits with central bank	38,349,178	112,485	4,013	38,465,676
Deposits/placements with banks and other financial institutions	3,374,752	1,326,483	13,840	4,715,075
Financial assets held under resale agreements	2,998,744	-	-	2,998,744
Loans and advances to customers	187,960,887	1,305,654	-	189,266,541
Investments (i)	234,023,395	10,353,085	-	244,376,480
Finance lease receivables	12,501,697	-	-	12,501,697
Others	7,966,099	187,815	-	8,153,914
Total assets	487,174,752	13,285,522	17,853	500,478,127
Liabilities				
Due to central bank	9,954,864	-	-	9,954,864
Deposits/placements from banks and other financial institutions	32,850,447	168,689	-	33,019,136
Financial assets sold under repurchase agreements	16,385,737	-	-	16,385,737
Deposits from customers	289,958,660	2,167,002	124	292,125,786
Debt securities issued	105,245,667	-	-	105,245,667
Others	3,645,165	209,446	704	3,855,315
Total liabilities	458,040,540	2,545,137	828	460,586,505
Net position	29,134,212	10,740,385	17,025	39,891,622
Off-balance sheet credit commitments	113,976,135	3,323,311	80,014	117,379,460

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	31 December 2018			Total (RMB Equivalent)
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	
Assets				
Cash and deposits with central bank	45,973,787	247,943	2,723	46,224,453
Deposits/placements with banks and other financial institutions	3,532,393	2,324,726	68,571	5,925,690
Financial assets held under resale agreements	3,452,125	–	–	3,452,125
Loans and advances to customers	153,029,933	969,448	–	153,999,381
Investments (i)	226,454,202	9,727,272	178,394	236,359,868
Finance lease receivables	13,710,666	–	–	13,710,666
Others	5,102,832	1,367,403	–	6,470,235
Total assets	451,255,938	14,636,792	249,688	466,142,418
Liabilities				
Due to central bank	4,196,194	–	–	4,196,194
Deposits/placements from banks and other financial institutions	40,331,556	719,997	–	41,051,553
Financial assets sold under repurchase agreements	18,956,133	–	–	18,956,133
Deposits from customers	262,405,650	5,351,699	857	267,758,206
Debt securities issued	93,649,019	–	–	93,649,019
Others	1,954,107	654,427	59,280	2,667,814
Total liabilities	421,492,659	6,726,123	60,137	428,278,919
Net position	29,763,279	7,910,669	189,551	37,863,499
Off-balance sheet credit commitments	80,231,567	2,953,262	50,902	83,235,731

(i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates.

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40 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(2) Currency risk (Continued)

	31 December 2019	31 December 2018
Change in profit after taxation and equity	Increase/(decrease)	Increase/(decrease)
Up 100 bps change of foreign exchange rate	11,565	8,852
Down 100 bps change of foreign exchange rate	(11,565)	(8,852)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB based on the closing rate of reporting date;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously;
- The foreign currency exposures calculated includes spot and forward foreign exchange exposures and swaps, and all the position will be held and keep unchanged after mature; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

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

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.

The Group has implemented the centralised management of the Group-wide liquidity risk by the head office, and established the Risk Management Committee which mainly comprises the Liquidity Risk Management Committee, the Asset and Liability Management Committee and the Finance and Accounting Department at the head office. The responsibilities of them are as following:

- the Risk Management Committee and the Asset and Liability Management Committee are the decision-making bodies for liquidity risk management and are responsible for formulating the guidelines and policies for liquidity risk management;
- the Finance and Accounting Department is the liquidity risk management department and is responsible for implementing relevant liquidity risk management policies, monitoring various liquidity risk indicators; formulating, implementing and evaluating relevant systems, setting the Group-wide risk warning limits and guiding various business departments to manage liquidity risk on a daily basis; regularly carrying out risk analysis and reporting to the Risk Management Committee and the Asset and Liability Management Committee.

The Group manages liquidity risk by monitoring the maturities of the assets and liabilities, while actively monitoring multiple liquidity indicators, including loan to deposit ratio, liquidity ratio, reserve ratio, liquidity gap ratio, and etc.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	31 December 2019						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	24,893,970	13,558,432	13,274	-	-	-	38,465,676
Deposits/placements with banks and other financial institutions	-	1,429,949	2,781,540	427,511	76,075	-	4,715,075
Financial assets held under resale agreements	-	-	2,998,744	-	-	-	2,998,744
Loans and advances to customers	2,305,222	4,284,258	23,207,561	58,752,108	57,277,463	43,439,929	189,266,541
Investments (i)	6,901,805	2,420,221	20,356,352	57,886,052	122,276,710	34,518,060	244,359,200
Finance lease receivables	248,205	-	2,067,803	3,813,474	6,098,528	273,687	12,501,697
Others	6,508,027	62,476	565,047	954,336	79,391	1,917	8,171,194
Total assets	40,857,229	21,755,336	51,990,321	121,833,481	185,808,167	78,233,593	500,478,127
Liabilities							
Due to central bank	-	-	842	9,954,022	-	-	9,954,864
Deposits/placements from banks and other financial institutions	-	2,186,743	9,046,003	21,786,390	-	-	33,019,136
Financial assets sold under repurchase agreements	-	-	16,359,157	26,580	-	-	16,385,737
Deposits from customers	-	109,850,500	36,221,025	46,724,100	99,327,567	2,594	292,125,786
Debt securities issued	-	-	4,253,044	93,997,595	6,995,028	-	105,245,667
Others	-	1,549,946	641,932	552,753	997,908	112,776	3,855,315
Total liabilities	-	113,587,189	66,522,003	173,041,440	107,320,503	115,370	460,586,505
Long/(short) position	40,857,229	(91,831,853)	(14,531,682)	(51,207,959)	78,487,664	78,118,223	39,891,622

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

	31 December 2018						Total
	Indefinite	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
Assets							
Cash and deposits with central bank	28,771,795	17,452,641	17	-	-	-	46,224,453
Deposits/placements with banks and other financial institutions	-	1,340,322	4,151,954	350,000	83,414	-	5,925,690
Financial assets held under resale agreements	-	-	3,452,125	-	-	-	3,452,125
Loans and advances to customers	2,447,480	3,017,666	19,443,318	68,239,848	34,409,919	26,441,150	153,999,381
Investments (i)	3,337,111	-	30,676,743	53,918,052	111,887,468	36,540,494	236,359,868
Finance lease receivables	175,639	-	1,713,373	3,677,864	8,131,081	12,709	13,710,666
Others	4,868,013	29,009	637,605	776,808	157,570	1,230	6,470,235
Total assets	39,600,038	21,839,638	60,075,135	126,962,572	154,669,452	62,995,583	466,142,418
Liabilities							
Due to central bank	-	-	62,494	4,133,700	-	-	4,196,194
Deposits/placements from banks and other financial institutions	-	1,470,384	18,060,377	21,520,792	-	-	41,051,553
Financial assets sold under repurchase agreements	-	-	18,956,133	-	-	-	18,956,133
Deposits from customers	-	105,878,265	34,940,856	62,212,591	61,726,494	3,000,000	267,758,206
Debt securities issued	-	-	21,943,150	61,710,313	9,995,556	-	93,649,019
Others	-	622,732	779,357	195,703	962,774	107,248	2,667,814
Total liabilities	-	107,971,381	94,742,367	149,773,099	72,684,824	3,107,248	428,278,919
Long/(short) position	39,600,038	(86,131,743)	(34,667,232)	(22,810,527)	81,984,628	59,888,335	37,863,499

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(1) Maturity analysis (Continued)

- (i) Investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income, financial investments measured at amortised cost and interest in associates. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with central bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period.
- (iii) For loans and advances to customers, the “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (iv) For finance lease receivables, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not impaired is included in “repayable on demand”.

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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities

- (i) The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	31 December 2019						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank Deposits/placements from banks and other financial institutions	9,954,864	10,265,894	-	7,832	10,258,062	-	-
Financial assets sold under repurchase agreements	16,385,737	16,395,265	-	16,368,231	27,034	-	-
Deposits from customers	292,125,786	309,912,350	109,983,197	34,686,235	49,245,692	115,994,149	3,077
Debt securities issued	105,245,667	107,342,029	-	4,349,044	95,534,957	7,458,028	-
Total	456,731,190	477,527,439	112,171,114	67,569,988	174,331,083	123,452,177	3,077

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For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities (Continued)

	31 December 2018						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Non-derivative cash flows:							
Due to central bank	4,196,194	4,269,685	-	674	4,269,011	-	-
Deposits/placements from banks and other financial institutions	41,051,553	41,917,620	1,470,800	18,128,333	22,318,487	-	-
Financial assets sold under repurchase agreements	18,956,133	18,961,045	-	18,961,045	-	-	-
Deposits from customers	267,758,206	276,804,929	105,943,418	32,023,206	64,856,254	70,737,843	3,244,208
Debt securities issued	93,649,019	96,157,155	-	22,156,000	63,324,600	10,676,555	-
Total	425,611,105	438,110,434	107,414,218	91,269,258	154,768,352	81,414,398	3,244,208

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For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(2) Analysis on contractual counted cash flows of financial liabilities (Continued)

(ii) The following tables provide an analysis of the contractual undiscounted cash flow of the derivative financial instruments at the end of the reporting period:

	31 December 2019						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows: Derivative financial instruments settled on net basis	89,658	90,809	-	85,794	5,015	-	-

	31 December 2018						
	Carrying amount at 31 December	Total	Repayable on demand	Within three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Derivative cash flows: Derivative financial instruments settled on net basis	28,713	28,713	-	29,238	(525)	-	-
Derivative financial instruments settled on gross basis:							
- Cash inflow	3,118,539	3,135,618	-	2,418,107	717,511	-	-
- Cash outflow	(2,954,202)	(2,965,309)	-	(2,301,962)	(663,347)	-	-
Total derivative financial instruments settled on gross basis	164,337	170,309	-	116,145	54,164	-	-

This analysis of financial liabilities by contractual undiscounted cash flow might vary from actual results.

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40 RISK MANAGEMENT (CONTINUED)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.

The Group's measures to manage the operational risk mainly include:

- making use of risk alert system and paying attention to risk product and early risk alert on each aspect of business; making business risk assessment in time; carrying out centralised risk management on major business controlling unit so as to reduce business operational risk;
- establishing a supervision system combining “on-site and off-site”, “regular and special”, “self and external” examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralized operational risk management tools, supervising, analysing and reporting the sufficiency and effectiveness of operational risk management;
- the Compliance Department, the Risk Management Department and the Internal Audit Office constitute “three lines of defense” for operational risk management base on the separating responsibilities of the front, middle and the back offices. The Business and functional departments act as the first line of defense, the Compliance Department and the Risk Management Department act as the second line of defense and the Internal Audit Office acts as the third line of defense;
- establishing a compulsory leave and rotation policies to staff in key position or important process;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

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For the year ended 31 December 2019
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40 RISK MANAGEMENT (CONTINUED)

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. The return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development needs.

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40 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

The Group calculates the capital adequacy ratios as at 31 December 2019 and 31 December 2018 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法) issued by the former CBRC in 2012 and relevant requirements promulgated by the CBIRC. The calculations based on statutory financial statements of the Group prepared under Accounting Standards for Business Enterprises are as follows:

	Note	31 December 2019	31 December 2018
Total core tier-one capital			
– Share capital		5,921,932	5,921,932
– Valid portion of capital reserve		5,214,294	5,157,753
– Surplus reserve		2,675,548	2,356,214
– General reserve		6,619,553	5,870,320
– Retained earnings		10,333,487	9,518,012
– Valid portion of minority interests		601,657	602,538
Core tier-one capital		31,366,471	29,426,769
Core tier-one capital deductions		(918,036)	(714,478)
Net core tier-one capital		30,448,435	28,712,291
Additional tier-one capital			
– Additional tier-one capital instruments and related premium		7,825,508	7,825,508
– Valid portion of minority interests		79,185	80,339
Net tier-one capital		38,353,128	36,618,138
Tier two capital			
– Qualifying portions of tier-two capital instruments issued		5,000,000	7,000,000
– Surplus provision for loan impairment		2,701,779	2,179,647
– Valid portion of minority interests		160,589	160,677
Net tier-two capital		7,862,368	9,340,324
Net capital base		46,215,496	45,958,462
Total risk weighted assets	(1)	381,759,225	349,504,822
Core tier-one capital adequacy ratio		7.98%	8.22%
Tier-one capital adequacy ratio		10.05%	10.48%
Capital adequacy ratio		12.11%	13.15%

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40 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

- (1) Both the on-balance and off-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 as well as any eligible collateral or guarantees.
- (2) Pursuant to the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), the CBIRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 31 December 2019 and 31 December 2018.

41 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- | | |
|----------|--|
| Level 1: | Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date; |
| Level 2: | Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and |
| Level 3: | Fair value measured using significant unobservable inputs |

The Group has established policies and internal controls with respect to the measurement of fair values, specify the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.

The Group adopts the following methods and assumptions when evaluating fair values:

(1) *Debt securities investments*

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 pricing models or discounted cash flows.

Notes to the Financial Statements

For the year ended 31 December 2019
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41 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

(2) 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 each of the reporting period.

(3) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of each of the reporting period, or the present value of estimated future cash flows. 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 each of the reporting period.

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	8,276,336	4,078,569	–	12,354,905
– Investment funds	–	6,242,542	–	6,242,542
– Other financial investments at fair value through profit or loss	–	–	36,464,847	36,464,847
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	7,504,187	7,911,926	–	15,416,113
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	14,820,967	14,820,967
Derivative financial assets	–	94,602	–	94,602
Total	15,780,523	18,327,639	51,294,214	85,402,376
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	(4,944)	–	(4,944)
Total	–	(4,944)	–	(4,944)

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41 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value (Continued)

	31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Financial investments at fair value through profit or loss				
– Debt securities	7,389,146	8,377,366	–	15,766,512
– Investment funds	–	8,421,637	–	8,421,637
– Other financial investments at fair value through profit or loss	–	–	35,844,826	35,844,826
Financial investments at fair value through other comprehensive income (excluding accrued interest)				
– Debt instruments	3,474,207	4,520,117	–	7,994,324
– Equity investments	–	–	8,400	8,400
Loans and advances to customers measured at fair value through other comprehensive income				
– Corporate loans and advances	–	–	12,396,145	12,396,145
Derivative financial assets	–	231,551	–	231,551
Total	10,863,353	21,550,671	48,249,371	80,663,395
Liabilities measured at fair value on a recurring basis				
Derivative financial liabilities	–	38,501	–	38,501
Total	–	38,501	–	38,501

During the year, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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41 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing balance of level 3 financial assets and liabilities which are recorded at fair value and the movement during the year:

	1 January 2019	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ Settlement	Transferred from Level 2 to Level 3	31 December 2019	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:								
Financial investments at fair value through profit or loss								
– Other financial investments at fair value through profit or loss	35,844,826	2,000,660	-	21,596,442	(22,977,081)	-	36,464,847	806,913
Financial investments at fair value through other comprehensive income								
– Equity investments	8,400	-	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	12,396,145	84,367	(69,387)	14,235,467	(11,825,625)	-	14,820,967	-
Total	48,249,371	2,085,027	(69,387)	35,831,909	(34,802,706)	-	51,294,214	806,913

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41 FAIR VALUE (CONTINUED)

(c) Movement in level 3 financial instruments measured at fair value (Continued)

	1 January 2018	Changes in accounting policies	Total effects of profit and loss during the year	Total effects of other comprehensive income during the year	Acquisition	Sales/ Settlement	Transferred from Level 2 to Level 3	31 December 2018	Profit attributable to the change in unrealised gains and losses relating to assets held at the end of the year
Financial assets:									
Available-for-sale financial assets									
- Debt instruments	32,278,067	(32,278,067)	-	-	-	-	-	-	-
Financial investments measured at fair value through profit or loss									
- Other financial investments at fair value through profit or loss	-	41,477,107	2,319,007	-	21,926,075	(29,877,363)	-	35,844,826	184,151
Financial investments at fair value through other comprehensive income									
- Equity investments	-	8,400	-	-	-	-	-	8,400	-
Loans and advances to customers measured at fair value through other comprehensive income	-	2,473,540	49,037	10,804	12,392,571	(2,529,807)	-	12,396,145	-
Total	32,278,067	11,680,980	2,368,044	10,804	34,318,646	(32,407,170)	-	48,249,371	184,151

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

During the reporting period, total gains recorded in profit or loss is recognised in the line item "net gains arising from investments" on the face of the consolidated statement of profit or loss and other comprehensive income.

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41 FAIR VALUE (CONTINUED)

(d) Fair value of financial assets and liabilities not carried at fair value (Continued)

Subject to the existence of an active market, such as an authorised securities exchange, the market value is the best reflection of the fair value of financial instruments. As there is no available market value for certain of the financial assets and liabilities held and issued by the Group, the discounted cash flow method or other valuation methods are adopted to determine the fair values of these assets and liabilities.

The fair values of debt securities in financial investments measured at amortised cost and debt securities issued 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 pricing models or discounted cash flows.

Financial investments measured at amortized cost with the exception of debt securities are stated at amortised cost using the effective interest method. The fair value of financial investments measured at amortized cost are estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of financial investments measured at amortized cost are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

The above-mentioned assumptions and methods provide a consistent basis for the calculation of the fair values of the Group's assets and liabilities. However, other institutions may use different assumptions and methods. Therefore, the fair values disclosed by different financial institutions may not be entirely comparable.

Those financial instruments for which their carrying amounts are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently, are as follows:

Assets	Liabilities
Cash and deposits with central bank	Due to central bank
Deposits with banks and other financial institutions	Deposits from banks and other financial institutions
Placements with banks and other financial institutions	Placements from banks and other financial institutions
Financial assets held under resale agreements	Financial assets sold under repurchase agreements
Loans and advances to customers (measured at amortized cost)	Deposits from customers
Finance lease receivables	Other financial liabilities
Other financial assets	

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(Expressed in thousands of Renminbi, unless otherwise stated)

42 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, unused credit card limits, letters of credit and letters of guarantees.

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 its customers. The contractual amounts of unused credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	31 December 2019	31 December 2018
Bank acceptances	103,738,951	68,168,889
Letters of credit	8,162,623	9,294,124
Guarantees	2,692,880	3,993,775
Unused credit card commitments	2,785,006	1,778,943
Total	117,379,460	83,235,731

The Group may be exposed to credit risk in all the above credit businesses. 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.

(b) Credit risk-weighted amount

	31 December 2019	31 December 2018
Credit risk-weighted amount of contingent liabilities and commitments	15,365,937	16,547,584

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the CBIRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

42 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Operating lease commitments

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

	31 December 2018
Within one year (inclusive)	148,229
After one year but within five years (inclusive)	300,321
After five years	116,454
Total	565,004

The Group has initially applied IFRS 16 using the modified retrospective approach as at 1 January 2019, and recognised the present value of outstanding lease payments as lease liabilities (Refer to note 2(3)). From 1 January 2019 onwards, the present value of outstanding lease payments are recognised as lease liabilities in accordance with the requirement of IFRS 16 (Refer to note 2(3) and note 2(13)).

(d) Capital commitments

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

	31 December 2019	31 December 2018
Contracted but not paid for	140,385	156,097
Approved but not contracted for	50,380	58,250
Total	190,765	214,347

(e) Outstanding litigations and disputes

As at 31 December 2019, there are no outstanding legal proceedings that have a significant impact on the financial statements against the Group (31 December 2018: Nil).

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

42 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(f) Pledged assets

	31 December 2019	31 December 2018
Debt securities	16,582,386	18,886,750
Total	16,582,386	18,886,750

Some of the Group's assets are pledged as collateral under repurchase agreements.

43 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds an interest

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2019	
	Carrying amount	Maximum exposure
Financial investments		
– Financial investments at fair value through profit or loss	35,923,797	35,923,797
– Financial investments measured at amortised cost	102,610,427	102,610,427
Interest receivables	415,147	415,147
Total	138,949,371	138,949,371

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

43 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

(a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	31 December 2018	
	<i>Carrying amount</i>	<i>Maximum exposure</i>
Financial investments		
– Financial investments at fair value through profit or loss	38,373,901	38,373,901
– Financial investments measured at amortised cost	95,121,768	95,121,768
Interest receivables	68,540	68,540
Total	133,564,209	133,564,209

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amount of the assets held by the Group and the related interest receivable at the end of each of the reporting period.

The interest income, changes in fair value and investment gains arising from the above unconsolidated structured entities for the year ended 31 December 2019 amounted to RMB8,234 million (2018: RMB8,685 million).

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

The types of unstructured 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 notes to investors. Interest held by the Group includes fees charged by providing management services.

As at 31 December 2019, the amount of assets held by the unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB42,397 million (31 December 2018: RMB36,372 million).

During the year ended 31 December 2019, the amount of fee and commission income received from the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding year is RMB72 million (2018: RMB44 million).

During the year ended 31 December 2019, the aggregated amount of the non-principal-guaranteed wealth management products sponsored and issued by the Group and matured within the corresponding year is RMB29,776 million (2018: RMB30,534 million).

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

44 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2019, the entrusted loans balance of the Group is RMB5,576 million (31 December 2018: RMB6,430 million).

45 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	31 December 2019	31 December 2018
Assets		
Cash and deposits with central bank	38,091,386	46,041,259
Deposits with banks and other financial institutions	1,260,948	1,390,883
Placements with banks and other financial institutions	1,081,384	1,869,155
Derivative financial assets	94,602	231,551
Financial assets held under resale agreements	2,998,744	3,452,125
Loans and advances to customers	187,849,684	153,011,647
Financial investments:		
Financial investments at fair value through profit or loss	54,752,294	59,914,898
Financial investments at fair value through other comprehensive income	15,524,689	7,959,305
Financial investments measured at amortised cost	173,168,422	167,830,054
Interest in associates and subsidiaries	1,552,027	1,496,234
Property and equipment	2,345,006	2,054,701
Deferred tax assets	2,732,547	1,892,439
Other assets	2,761,585	2,128,746
Total assets	484,213,318	449,272,997
Liabilities		
Due to the central bank	9,802,364	4,062,438
Deposits from banks and other financial institutions	21,198,350	27,799,827
Placements from banks and other financial institutions	552,370	426,601
Derivative financial liabilities	4,944	38,501
Financial assets sold under repurchase agreements	16,385,737	18,956,133
Deposits from customers	289,702,203	266,127,673
Tax payable	682,274	390,778
Debt securities issued	105,245,667	93,649,019
Other liabilities	2,227,527	1,259,532
Total liabilities	445,801,436	412,710,502

Notes to the Financial Statements

For the year ended 31 December 2019
(Expressed in thousands of Renminbi, unless otherwise stated)

45 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	31 December 2019	31 December 2018
Equity		
Share capital	5,921,932	5,921,932
Other financial instruments		
Include: preference shares	7,825,508	7,825,508
Capital reserve	5,163,713	5,163,713
Surplus reserve	2,675,548	2,356,214
General reserve	6,513,200	5,813,200
Fair value reserve	97,076	38,020
Remeasurement of net defined benefit liability	(46,424)	(44,492)
Retained earnings	10,261,329	9,488,400
Total equity	38,411,882	36,562,495
Total liabilities and equity	484,213,318	449,272,997

Approved and authorised for issue by the board of directors on 30 March 2020.

Wang Tianyu

*Chairman of the Board of Directors
Executive Director*

Shen Xueqing

*President
Executive Director*

Fu Chunqiao

Chief accountant

Gao Chenxin

*General Manager of the Planning and
Finance Department*

(Company chop)

46 SUBSEQUENT EVENTS

(a) Non-public issuance of A shares

On 30 March 2020, the Board passed the resolution of adjustment to the non-public offering of A shares. The non-public offering will issue not more than 1,000 million A shares, with gross proceeds not more than RMB6,000 million. Pursuant to the relevant PRC laws and regulations as well as the Hong Kong Listing Rules, the implementation of the non-public offering is subject to the approval of shareholders' general meeting and China Securities Regulatory Commission.

(b) The impacts of the novel coronavirus

Since the novel coronavirus outbreak occurred, the Group has actively implemented relevant national decisions and arrangements, fully taken the role as a stabilizer in supporting the real economy, and completely ensured various financial services for the epidemic prevention and control. Meanwhile, the Group has been closely following and continuously assessing the impacts of the outbreak on its business, and actively taking countermeasures to ensure the stability of the Group's financial position and financial performance.

Notes to the Financial Statements

For the year ended 31 December 2019

(Expressed in thousands of Renminbi, unless otherwise stated)

47 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

	Effective for accounting period beginning on or after
Amendments to IFRS 3, <i>Definition of a business</i>	1 January 2020
Amendments to IAS 1 and IAS 8, <i>Definition of material</i>	1 January 2020
IFRS 17 <i>Insurance Contracts</i>	1 January 2020

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

The information set out below does not form part of the consolidated financial report, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIOS AND LEVERAGE RATIO

	Average for the year ended	
	31 December 2019	31 December 2019
Liquidity coverage ratio (RMB and foreign currency)	229.46%	185.02%
		Average for the year ended
	31 December 2018	31 December 2018
Liquidity coverage ratio (RMB and foreign currency)	241.44%	188.80%

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks (Provisional), the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018. During the transitional period, such ratio shall reach 70%, 80% and 90% by the end of 2015, 2016 and 2017, respectively.

	31 December 2019	31 December 2018
Leverage ratio	6.14%	6.64%

Pursuant to the Leverage Ratio Management of Commercial Banks issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio are calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	31 December 2019			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	13,285,522	6,388	11,465	13,303,375
Spot liabilities	(2,545,137)	(760)	(68)	(2,545,965)
Net position	10,740,385	5,628	11,397	10,757,410

	31 December 2018			
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	Total (RMB equivalent)
Spot assets	14,636,792	184,703	64,985	14,886,480
Spot liabilities	(6,726,123)	(744)	(59,393)	(6,786,260)
Net position	7,910,669	183,959	5,592	8,100,220

The Group has no structural position at the reporting periods.

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, amounts due from banks and other financial institutions and debt investments.

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.

Unaudited Supplementary Financial Information

(Expressed in thousands of Renminbi, unless otherwise stated)

3 INTERNATIONAL CLAIMS (CONTINUED)

	31 December 2019			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	4,564,475	–	1,886,099	6,450,574
	31 December 2018			
	Banks and other financial institutions	Public sector entities	Others	Total
Asia Pacific excluding mainland China	232,760	–	549,849	782,609
North and South America	188,230	–	–	188,230
Europe	145,883	–	–	145,883
	566,873	–	549,849	1,116,722

4 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES

	31 December 2019	31 December 2018
Gross loans and advances which have been overdue with respect to either principal or interest for year of		
– between 3 and 6 months (inclusive)	799,150	1,345,544
– between 6 months and 1 year (inclusive)	1,100,635	742,150
– over 1 year	2,218,518	1,667,331
Total	4,118,303	3,755,025
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.41%	0.84%
– between 6 months and 1 year (inclusive)	0.56%	0.47%
– over 1 year	1.13%	1.04%
Total	2.10%	2.35%

