



盛京銀行  
SHENGJING BANK

Shengjing Bank Co., Ltd.\*

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

Stock Code: 02066

2019

Annual Report



**2019**

**Annual Report**

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



## COMPANY INFORMATION

<b>Legal Name in Chinese</b>	盛京銀行股份有限公司
<b>Abbreviation in Chinese</b>	盛京銀行
<b>Legal Name in English</b>	Shengjing Bank Co., Ltd.
<b>Abbreviation in English</b>	SHENGJING BANK
<b>Legal Representative</b>	QIU Huofa
<b>Authorised Representatives</b>	QIU Huofa and ZHOU Zhi
<b>Secretary to the Board of Directors</b>	ZHOU Zhi
<b>Joint Company Secretaries</b>	ZHOU Zhi and KWONG Yin Ping, Yvonne
<b>Registered and Business Address</b>	No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
<b>Contact Number</b>	86-24-22535633
<b>Website</b>	<a href="http://www.shengjingbank.com.cn">www.shengjingbank.com.cn</a>
<b>Principal Place of Business in Hong Kong</b>	Unit 4105, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
<b>Website of the Hong Kong Stock Exchange on which the H Share Annual Report is Published</b>	<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
<b>Place of Maintenance of the Annual Report</b>	Office of the Board of Directors and Supervisory Board of Shengjing Bank
<b>Stock Name</b>	Shengjing Bank



<b>Stock Code</b>	02066
<b>H Share Registrar and its Business Address</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen’s Road East, Wanchai, Hong Kong
<b>Legal Advisor as to PRC Laws and its Business Address</b>	Tian Yuan Law Firm 10/F, China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing, the PRC
<b>Legal Advisor as to Hong Kong Law and its Business Address</b>	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place Quarry Bay, Hong Kong
<b>Auditor and its Business Address</b>	KPMG 8th Floor, Prince’s Building 10 Chater Road Hong Kong



## FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	2019	2018	Year-on- year change between 2019 and 2018	Rate of change (%)		
				2017	2016	2015
<b>Operating Results</b>						
Interest income	44,944,020	42,805,495	5.0	42,277,528	36,055,533	31,479,529
Interest expense	(28,594,168)	(30,387,931)	(5.9)	(30,201,911)	(22,837,867)	(19,530,998)
Net interest income	16,349,852	12,417,564	31.7	12,075,617	13,217,666	11,948,531
Net fee and commission income	1,155,436	626,699	84.4	1,612,758	1,913,907	1,204,189
Net trading gains/(losses), net gains/(losses) arising from investments, net foreign exchange gains/(losses) and other operating income	3,501,979	2,841,203	23.3	(438,692)	982,303	1,031,436
Operating income	21,007,267	15,885,466	32.2	13,249,683	16,113,876	14,184,156
Operating expenses	(4,631,365)	(3,945,215)	17.4	(3,617,442)	(3,730,598)	(4,102,162)
Impairment losses on assets	(10,233,200)	(6,401,249)	59.9	(1,403,284)	(3,675,411)	(1,955,377)
Operating profit	6,142,702	5,539,002	10.9	8,228,957	8,707,867	8,126,617
Share of profits of associates	–	–	–	–	–	–
Profit before taxation	6,142,702	5,539,002	10.9	8,228,957	8,707,867	8,126,617
Income tax expense	(704,641)	(412,854)	70.7	(654,818)	(1,829,575)	(1,902,790)
Net profit	5,438,061	5,126,148	6.1	7,574,139	6,878,292	6,223,827
Net profit attributable to equity shareholders of the Bank	<u>5,443,224</u>	<u>5,128,717</u>	<u>6.1</u>	<u>7,580,055</u>	<u>6,864,520</u>	<u>6,211,334</u>



(Expressed in thousands of Renminbi, unless otherwise stated)	2019	2018	Year-on-year change between 2019 and 2018	2017	2016	2015
			<b>Change</b>			
<b>Calculated on a per share basis (RMB)</b>						
Basic and diluted earnings per share	0.90	0.88	0.02	1.31	1.18	1.07
			<b>Rate of change (%)</b>			
<b>Major indicators of assets/liabilities</b>						
Total assets	1,021,480,796	985,432,940	3.7	1,030,617,431	905,482,647	701,628,500
Of which: total loans and advances to customer <sup>(1)</sup>	457,202,375	376,597,360	21.4	279,513,418	235,416,650	195,460,365
Total liabilities	942,358,811	928,403,456	1.5	978,361,775	859,108,021	659,913,547
Of which: total deposits from customers <sup>(1)</sup>	641,428,191	514,166,997	24.8	473,580,808	415,246,159	402,379,086
Share capital	8,796,680	5,796,680	51.8	5,796,680	5,796,680	5,796,680
Equity attributable to equity shareholders of the Bank	78,555,532	56,457,868	39.1	51,681,375	45,794,429	41,268,528
Total equity	<u>79,121,985</u>	<u>57,029,484</u>	<u>38.7</u>	<u>52,255,656</u>	<u>46,374,626</u>	<u>41,714,953</u>
			<b>Change</b>			
<b>Profitability Indicators (%)</b>						
Return on average total assets <sup>(2)</sup>	0.54	0.51	0.03	0.78	0.86	1.03
Return on average equity <sup>(3)</sup>	7.99	9.38	(1.39)	15.36	15.62	15.99
Net interest spread <sup>(4)</sup>	1.59	1.33	0.26	1.36	1.65	2.00
Net interest margin <sup>(5)</sup>	1.76	1.43	0.33	1.50	1.75	2.14
Net fee and commission income to operating income	5.50	3.95	1.55	12.17	11.88	8.49
Cost-to-income ratio <sup>(6)</sup>	<u>21.31</u>	<u>24.13</u>	<u>(2.82)</u>	<u>26.22</u>	<u>19.31</u>	<u>19.04</u>
			<b>Change</b>			
<b>Asset quality indicators (%)</b>						
Non-performing loan ratio <sup>(7)</sup>	1.75	1.71	0.04	1.49	1.74	0.42
Allowance to non-performing loans <sup>(8)</sup>	160.90	160.81	0.09	186.02	159.17	482.38
Allowance to total loans <sup>(9)</sup>	<u>2.82</u>	<u>2.75</u>	<u>0.07</u>	<u>2.77</u>	<u>2.78</u>	<u>2.01</u>



## FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)	2019	2018	Year-on-year change between 2019 and 2018	2017	2016	2015
			<b>Change</b>			
<b>Capital adequacy indicators (%)</b>						
Core Tier-one capital adequacy ratio <sup>(10)</sup>	11.48	8.52	2.96	9.04	9.10	9.42
Tier-one capital adequacy ratio <sup>(10)</sup>	11.48	8.52	2.96	9.04	9.10	9.42
Capital adequacy ratio <sup>(10)</sup>	14.54	11.86	2.68	12.85	11.99	13.03
Total equity to total assets ratio	7.75	5.79	1.96	5.07	5.12	5.95
			<b>Change</b>			
<b>Other indicators (%)</b>						
Loan-to-deposit ratio <sup>(11)</sup>	71.28	73.24	(1.96)	59.02	56.69	48.58

Note:

- (1) Total balance of loans and advances to customers excludes interest receivables, total deposits from customers excludes interest payables.
- (2) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (3) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (4) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (5) Calculated by dividing net interest income by the average interest-earning assets.
- (6) Calculated by dividing operating expenses (less tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of non-performing loans by total balance of loans and advances to customers.
- (8) Calculated by dividing the balance of provision for impairment on loans by the balance of non-performing loans.
- (9) Calculated by dividing the balance of the provision for impairment on loans by the total balance of loans and advances to customers.
- (10) Core Tier-one capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio were calculated in accordance with the latest guidance promulgated by the CBIRC (effective from 1 January 2013).
- (11) The loan-to-deposit ratio is calculated by dividing the total balance of loans and advances to customers by total deposits from customers.





## CHAIRMAN'S STATEMENT

2019 was a landmark year in the transformation and development history of Shengjing Bank. In 2019, Shengjing Bank actively responded to external challenges, fully promoted strategic transformation, constantly consolidated its operating foundation, cultivated the development of core competitiveness, achieved significant progress in its transformation and development. As of the end of 2019, the assets of Shengjing Bank once again exceeded RMB1 trillion, the loans and deposits from customers increased with double-digit growth in operating income over the same period last year, the non-performing loan ratio remained low, the capital adequacy ratio increased significantly, and various operating indicators continued to improve. Under the strategic leadership of the Board, Shengjing Bank devoted itself to the synergic development of quality, scale and efficiency, deepened the reform of system and mechanism, continued to optimise business operation mode, and comprehensively strengthened risk management, resulting in the constant enhancement of its endogenous momentum.

**Shengjing Bank creatively completed domestic and overseas capital increase and share expansion, and entered a new era of development.** Since the beginning of 2019, Shengjing Bank has accelerated its capital increase and share expansion, raising RMB18 billion through the simultaneous domestic and international issuance of 3 billion shares, all of which have been used to supplement the core tier 1 capital, and the capital adequacy level was in the forefront of urban commercial banks, which has greatly strengthened the operating strength and development confidence of Shengjing Bank, further released the space and vitality for reform and development, and opened a new era for market-oriented development of Shengjing Bank.

**The Bank deepened the reform of the management system and gradually rationalized the operating mechanism of corporate governance.** In 2019, Shengjing Bank focused on enhancing the top-level design, removing the obstacles to the system and mechanism, and providing the guarantee of healthy development from the source. Shengjing Bank has formed the current shareholding structure of private enterprises and government enterprises as its major shareholders, and has established a corporate governance model that meets modern corporate governance requirements and future business development needs, becoming a booster for the stable growth of Shengjing Bank and a ballast stone for compliance operations.

**The Bank optimized the organizational structure and personnel structure, and constantly improved the performance remuneration system.** In 2019, Shengjing Bank actively promoted the market-oriented reform of the organizational structure, personnel structure and performance-based remuneration system. Based on the concept of marketization and contractualization, Shengjing Bank continuously improved the performance-based remuneration system which linked to operating results and matched with risk responsibility, fully mobilizing the activeness, initiatives and creativity of all employees, further releasing the development strength throughout the industry.

**The Bank cultivated multi-dimensional marketing management system and increased marketing efforts.** In 2019, Shengjing Bank formulated clear marketing goals and effective marketing strategies, improved various marketing supporting measures, increased the inclination of operating resources and the allocation of front-line marketing staff, strengthened key breakthroughs in strategic customers, further promoted precise marketing, and strengthened key breakthroughs of strategic customers to give full play to the role of business management personnel at all levels, the whole bank is gradually forming a big market and big marketing structure, and the deposit business' support for liquidity continues to increase.

**The Bank strengthened the construction of a comprehensive risk management system, and strictly observed a sound business bottom line.** In 2019, Shengjing Bank implemented the operation philosophy of "taking compliance as the key foundation of the Bank" and reshaped the comprehensive risk management system in accordance with a prudent and steady risk control strategy, effectively implementing assignment system for risk director to embed risk control into the entire business process. The Bank improved the level of precision and professionalism of risk management, strengthened liquidity management, and enhanced the settlement of unwanted assets, leading to continuous improvement on risk control capability throughout the industry. The initiative in, and the systematicness and comprehensiveness of risk management of the Bank have been continuously enhanced.

In 2020, Shengjing Bank will closely focus on the strategic vision of "building a sound bank", be determined by "bending over backwards", have tenacity without sparing effort, persist no matter any obstacles, unswervingly keep up, face difficulties, explore with ambition, rise to the top with courage; promote the reform and development of Shengjing Bank to start a new journey, achieve a new leap forward, and reach a new level with morale and firm confidence.



## HONOURS AND AWARDS

Titles of Honour	Awarding Entity
2019 China Financing Grand Prize Best Investment Value Award	Hong Kong Finance Magazine China Financing Market
2019 Financial Debt Innovation Award	China Development Bank
2019 Top 100 China Bond Settlement—Outstanding Proprietary Dealer	China Central Depository & Clearing Co., Ltd.
X-Repo Innovation Award for Trading Mechanism, X—Bond Innovation Award for Trading Mechanism, 2019 Core Dealer in Interbank Local Currency Market, 2019 Top 300 Dealer in Interbank Local Currency Market	National Interbank Funding Center
2019 Top 40 Dealer Interbank RMB Foreign Exchange Markets	China Foreign Exchange Trade System
2019 UnionPay Credit Card Business Outstanding Contribution Award, 2019 UnionPay Credit Card Product Promotion Outstanding Contribution Award	China UnionPay
Advanced Unit for Popularizing Financial Knowledge in 2019	CBIRC Liaoning Bureau
Outstanding Contributors to the Liquidity Mutual Aid Work of Liaoning Corporation City Commercial Bank	Liaoning Banking Association
“Front Runner” of Enterprise Standard	Internet Finance Association of China
Shenyang City Pioneer of Workers	Shenyang Federation of Workers
Best Innovation Partner	CITIC Bank Credit Card Center
2019 Debt Financing Plan Business Breakthrough Award, 2019 Debt Financing Plan Dream Building Peer Award	Beijing Financial Assets Exchange
2019 Fintech and Service Outstanding Innovation Award Selection – Financial Technology Innovation Outstanding Contribution Award – Management Innovation Contribution Award	Financial Computerization Magazine
2019 China’s Best Employer of the Year, Shenyang’s Best Employer	Zhaopin.com, Social Research Center of Peking University
Second Prize of 2019 International Industrial Finance Excellent Cases	The Second Industrial Finance Cooperation Committee of Asian Financial Cooperation Association
Outstanding Urban Commercial Bank for Wealth Management Information Registration in 2019	China Banking Wealth Management Registration & Depository Center



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.1 ANALYSIS OF OVERALL OPERATIONS DURING THE REPORTING PERIOD

#### 5.1.1 Social economy, financial situation and regulatory environment

In 2019, the global economy was still witnessing a deep adjustment as a result of the international financial crisis, the global economic growth continued to slow down with more external uncertainties and instability. As for China's economy, it has turned from high-speed growth to high-quality development. Despite the existing downward pressure, the fundamentals of sustained growth have not changed.

Pursuant to the decisions and arrangements of the CPC Central Committee and the State Council, the financial industry shall continue to persist in serving the real economy, preventing financial risks, and deepening financial reforms, and a favourable financial environment for high-quality economic development was created by the implementation of prudent monetary policy, maintaining reasonable and sufficient liquidity, continuously deepening supply-side structural reform in the financial sector, optimising transmission of monetary policy and reducing corporate financing costs. In 2019, the Central Bank actively played the guiding role of structural monetary instruments and credit policies, which helped maintain a reasonable growth in the scale of monetary credit and social financing. Meanwhile, financial institutions strengthened their efforts in terms of product innovation and focused on solving the financing difficulties and high financing costs encountered by private, small-and micro-sized enterprises, as such, the financial sector steadily improved the quality and efficiency in terms of serving the real economy.

In 2019, under the requirements of "strong supervision", "net-worth transformation", and "eliminating guaranteed repayment", the banking industry has gradually shifted from extensive development to more sophisticated operations and management. Under the background of continuous pressure from strong supervision, commercial banks have stepped up efforts to clear out non-performing assets, and have achieved initial results in the prevention of financial risks.

#### 5.1.2 Overview of operating results of the Bank

In 2019, the entire Bank implemented the operating strategy of "strengthening internal operation and management and building a positive market image externally". As a result of continuing to focus on basic customers, strengthening the foundation, improving quality, focussing on solutions and controlling risks, the asset size of the entire Bank remained above RMB1 trillion. In addition, the profit level continued to rise and comprehensive service capability witnessed continuous improvement. With the staged achievements in terms of business model transformation and the gradually and effectively established brand image and core competitiveness in the market, the Bank realized the coordinated development among quality, scale and efficiency.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **(I) Steady growth of assets and liabilities with a scale of trillion solid foundation**

At the end of 2019, total assets of the Bank amounted to RMB1,021.481 billion, representing an increase of 3.7% as compared with that at the beginning of the year, hence the asset size stands steady at RMB1 trillion. The Bank adhered to the credit supply strategy of “high quality customers in high quality industries and mainstream customers in mainstream industries”, as a result, the proportion of high-quality and high-yield assets increased steadily. The total amount of loans and advances to customers amounted to RMB457.202 billion, representing an increase of 21.4% as compared with that at the beginning of the year. The Bank adhered to the concept of “developing and boosting the Bank through deposits”, and the core debt ratio continued to increase with total liabilities of RMB942.359 billion, representing an increase of 1.5% as compared with that at the beginning of the year, of which total customer deposits amounted to RMB641.428 billion, representing an increase of 24.8% as compared with that at the beginning of the year.

### **(II) Continuous optimization of income structure and increasing profitability**

In 2019, the Bank deeply implemented the operational concept of “returning to its roots and focusing on principal businesses”. On the asset side, the Bank strengthened loan pricing management, and on the liability side, it proactively optimized the structure of interest-bearing liabilities, as a result, the total operating profit before provision increased significantly. During the Reporting Period, the Bank recorded operating income of RMB21.007 billion, representing a year-on-year increase of RMB5.122 billion, or 32.2%, including net interest income of RMB16.350 billion, representing a year-on-year increase of RMB4.436 billion, or 31.7%; a total operating profit (before provision) of RMB16.376 billion, representing a year-on-year increase of RMB4.436 billion, or 37.1%; the net profit was RMB5.438 billion, representing a year-on-year increase of RMB312 million, or 6.1%. Meanwhile, the Bank further pushed forward the implementation of the “light asset and light capital” strategy and initially established a diversified profit structure. The Bank continued to expand the sources of non-interest income, hence realized the transformation of profit model and continuously improved the capacity and profit contribution, laying a solid foundation for the Bank to build a diversified income statement. During the Reporting Period, the Bank recorded net non-interest income of RMB4.657 billion, representing a year-on-year increase of RMB1.190 billion, or 34.3%,

### **(III) Effective replenishment of core capital resulting in significant increase in capital strength**

In 2019, the Bank successfully achieved the simultaneous private placement of H shares and domestic shares, with proceed of approximately RMB18 billion, all of which were used to supplement core tier-one capital, and the capital adequacy ratio was significantly increased. As of the end of 2019, the core tier-one capital adequacy ratio and tier-one capital adequacy ratio of the Bank were both 11.48%, representing an increase of 2.96 percentage points as compared with that at the beginning of the year, the capital adequacy ratio was 14.54%, representing an increase of 2.68 percentage points as compared with that at the beginning of the year. Such ratio is at the leading level of city commercial banks..



## 5.2 FINANCIAL REVIEW

### 5.2.1 Analysis of the Income Statement

In 2019, the Bank achieved a profit before taxation of RMB6.143 billion, representing a year-on-year increase of RMB0.604 billion or 10.9%, and achieved a net profit of RMB5.438 billion, representing a year-on-year increase of RMB0.312 billion or 6.1%.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
Interest income	44,944,020	42,805,495	2,138,525	5.0
Interest expense	(28,594,168)	(30,387,931)	1,793,763	(5.9)
<b>Net interest income</b>	16,349,852	12,417,564	3,932,288	31.7
Net fee and commission income	1,155,436	626,699	528,737	84.4
Net trading gains	768,010	1,814,010	(1,046,000)	(57.7)
Net gains arising from investments	4,314,076	3,871,285	442,791	11.4
Net losses from foreign exchange	(1,606,816)	(2,883,141)	1,276,325	(44.3)
Other operating income	26,709	39,049	(12,340)	(31.6)
Operating income	21,007,267	15,885,466	5,121,801	32.2
Operating expenses	(4,631,365)	(3,945,215)	(686,150)	17.4
Impairment losses on assets	(10,233,200)	(6,401,249)	(3,831,951)	59.9
<b>Profit before taxation</b>	6,142,702	5,539,002	603,700	10.9
Income tax expense	(704,641)	(412,854)	(291,787)	70.7
<b>Net profit</b>	5,438,061	5,126,148	311,913	6.1



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2.1.1 Operating income

In 2019, the Bank achieved an operating income of RMB21.007 billion, representing a year-on-year increase of RMB5.122 billion or 32.2%, of which, net interest income accounted for 77.8% of the operating income, representing a year-on-year decrease of 0.4 percentage point, and net non-interest income accounted for 22.2% of the operating results, representing a year-on-year increase of 0.4 percentage point.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019	Proportion (%)	2018	Proportion (%)
Net interest income	16,349,852	77.8	12,417,564	78.2
Net non-interest income	4,657,415	22.2	3,467,902	21.8
<b>Operating income</b>	<b>21,007,267</b>	<b>100.0</b>	<b>15,885,466</b>	<b>100.0</b>

### 5.2.1.2 Net interest income

In 2019, the Bank achieved a net interest income of RMB16.350 billion, representing a year-on-year increase of RMB3.932 billion, or 31.7%, mainly due to the year-on-year increase in interest income by RMB2.139 billion and year-on-year-decrease in interest expense of the Bank by RMB1.794 billion. The following table sets forth the interest income, interest expense and net interest income of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
Interest income	44,944,020	42,805,495	2,138,525	5.0
Interest expense	(28,594,168)	(30,387,931)	1,793,763	(5.9)
<b>Net interest income</b>	<b>16,349,852</b>	<b>12,417,564</b>	<b>3,932,288</b>	<b>31.7</b>



The following table sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on interest-earning assets or the related average costs of interest bearing liabilities for the periods indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at the end of 31 December 2019			As at the end of 31 December 2018		
	Average balances	Interest income/ expense	Average yield/cost (%)	Average balances	Interest income/ expense	Average yield/cost (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	424,696,934	25,947,045	6.11	320,372,269	19,610,505	6.12
Financial investments	408,451,587	17,234,015	4.22	417,917,609	19,971,043	4.78
Deposits with Central Bank	72,199,458	1,083,993	1.50	77,088,241	1,139,094	1.48
Deposits with banks and other financial institutions	16,422,256	499,940	3.04	32,858,352	1,545,851	4.70
Financial assets held under resale agreements	5,446,245	125,746	2.31	4,305,389	114,802	2.67
Placements with banks and other financial institutions	1,884,050	53,281	2.83	14,663,728	424,200	2.89
<b>Total interest-earning assets</b>	<b>929,100,530</b>	<b>44,944,020</b>	<b>4.84</b>	<b>867,205,588</b>	<b>42,805,495</b>	<b>4.94</b>
(Expressed in thousands of Renminbi, unless otherwise stated)	Average balances	Interest income/ expense	Average yield/cost (%)	Average balances	Interest income/ expense	Average yield/cost (%)
<b>Interest-bearing liabilities</b>						
Borrowings from Central Bank	12,049,068	399,492	3.32	15,320,000	435,623	2.84
Deposits from customers	543,529,245	16,598,442	3.05	447,387,544	14,513,132	3.24
Deposits from banks and other financial institutions	94,122,258	3,887,005	4.13	98,353,024	4,018,345	4.09
Financial assets sold under repurchase agreements	56,911,217	1,588,126	2.79	69,034,930	2,119,566	3.07
Placements from banks and other financial institutions	28,672,717	767,832	2.68	48,516,230	1,351,205	2.79
Debt securities issued	145,375,004	5,353,271	3.68	164,075,699	7,950,060	4.85
<b>Total interest-bearing liabilities</b>	<b>880,659,509</b>	<b>28,594,168</b>	<b>3.25</b>	<b>842,687,427</b>	<b>30,387,931</b>	<b>3.61</b>
Net interest income		16,349,852			12,417,564	
Net interest spread <sup>(1)</sup>			1.59			1.33
Net interest margin <sup>(2)</sup>			1.76			1.43

Notes:

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



## MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and rates for the periods indicated. Volume and rate variances have been measured based on movements in average balances over these periods, and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to changes in interest rate.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019 compared with 2018		
	Increase/ (decrease) Volume <sup>(1)</sup>	Due to Rate <sup>(2)</sup>	Net increase/ (decrease) <sup>(3)</sup>
<b>Interest-earning assets</b>			
Loans and advances to customers	6,385,882	(49,342)	6,336,540
Financial investments	(452,353)	(2,284,675)	(2,737,028)
Deposits with Central Bank	(72,239)	17,138	(55,101)
Deposits with banks and other financial institutions	(773,251)	(272,660)	(1,045,911)
Financial assets held under resale agreements	30,421	(19,477)	10,944
Placements with banks and other financial institutions	(369,697)	(1,222)	(370,919)
<b>Changes in interest income</b>	<b>4,748,763</b>	<b>(2,610,238)</b>	<b>2,138,525</b>
<b>Interest-bearing liabilities</b>			
Borrowings from Central Bank	(93,009)	56,878	(36,131)
Deposits from customers	3,118,811	(1,033,501)	2,085,310
Deposits from banks and other financial institutions	(172,854)	41,514	(131,340)
Financial assets sold under repurchase agreements	(372,232)	(159,208)	(531,440)
Placements from banks and other financial institutions	(552,653)	(30,720)	(583,373)
Debt securities issued	(906,116)	(1,690,673)	(2,596,789)
<b>Changes in interest income expense</b>	<b>1,021,947</b>	<b>(2,815,710)</b>	<b>(1,793,763)</b>
<b>Changes in net interest income</b>	<b>3,726,816</b>	<b>205,472</b>	<b>3,932,288</b>

Notes:

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





### 5.2.1.3 Net interest spread and net interest margin

The net interest spread refers to the difference between the average yield of the average balance of the total interest-earning assets and the average cost of the average balance of the total interest-bearing liabilities of the Bank. The net interest margin refers to the ratio of the net interest income to the average balance of the total interest-earning assets.

In 2019, the Bank actively promoted structural adjustment and built a scientific and efficient pricing management system, resulting in the continuous optimization of indicators such as net interest spread and net interest margin. In 2019, the Bank has a net interest spread of 1.59%, representing a year-on-year increase of 0.26 percentage point, and a net interest margin of 1.76%, representing a year-on-year increase of 0.33 percentage point.

### 5.2.1.4 Interest income

In 2019, the Bank achieved an interest income of RMB44.944 billion, representing a year-on-year increase of RMB2.139 billion or 5.00%, mainly due to the expansion in the scale of interest-bearing assets and the continuous optimization of business structure.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019 Amount	% of total	2018 Amount	% of total
Loans and advances to customers				
Corporate loans (including discounted bills)	23,363,526	52.0	18,676,927	43.6
Personal loans	2,583,519	5.7	933,578	2.2
Sub-total	25,947,045	57.7	19,610,505	45.8
Financial investments	17,234,015	38.3	19,971,043	46.6
Deposits with Central Bank	1,083,993	2.4	1,139,094	2.7
Deposits with banks and other financial institutions	499,940	1.1	1,545,851	3.6
Financial assets held under resale agreements	125,746	0.3	114,802	0.3
Placements with banks and other financial institutions	53,281	0.2	424,200	1.0
<b>Total</b>	<b>44,944,020</b>	<b>100.0</b>	<b>42,805,495</b>	<b>100.0</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the essential component of the Bank's interest income. In 2019, interest income of the Bank from loans and advances to customers amounted to RMB25.947 billion, representing a year-on-year increase of RMB6.337 billion or 32.3%, and accounted for 57.7 % of the total interest income, representing an increase of 11.9 percentage points, which was mainly due to the Bank effectively built a customer operating system of "first-line system marketing + front-end product follow-up + middle- and back-office safeguard support", focused on the six elements of structure, team, product, mechanism, process, and system to build the core competitiveness of corporate and retail business, empowered the real economy from the two aspects of "quantity" and "quality" and resulted in steady increase in credit scale. In this year, the retail banking of the Bank has achieved remarkable results in transformation, with the scale of retail credit and yields rising simultaneously, and realized personal loan and interest income of RMB2.584 billion, representing a year-on-year increase of RMB1.650 billion, or 176.7%. The following table sets forth the average balances of the loans and advances to customers and the average yields of related interest income and loans and advances to customers for the years indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2019			2018		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans (including discounted bills)	384,107,802	23,363,526	6.08	300,402,281	18,676,927	6.22
Personal loans	40,589,132	2,583,519	6.37	19,969,988	933,578	4.67
<b>Total</b>	<b>424,696,934</b>	<b>25,947,045</b>	<b>6.11</b>	<b>320,372,269</b>	<b>19,610,505</b>	<b>6.12</b>

### 2. Interest Income from Financial Investments

In 2019, interest income of the Bank from financial investments amounted to RMB17.234 billion, representing a year-on-year decrease of RMB2.737 billion or 13.7%, which was mainly due to the decline in the average balance and average yield of financial investments.

### 3. Interest Income from Deposits with Central Bank

In 2019, interest income of the Bank from deposits with central bank amounted to RMB1.084 billion, representing a year-on-year decrease of RMB55 million or 4.8%, which was mainly due to the decline in the average balance of the deposits with central bank.



#### 4. *Interest Income from Deposits with Banks and Other Financial Institutions*

In 2019, interest income of the Bank from deposits with banks and other financial institutions amounted to RMB0.500 billion, representing a year-on-year decrease of RMB1.046 billion or 67.7%, which was mainly due to the decrease in the average balance and balance yield of deposits with bank and other financial institutions due to the Bank's persistence in return to the source and remodeling the asset allocation structure of the industry in line with the policies.

#### 5. *Interest Income from Financial Assets Held under Resale Agreements*

In 2019, interest income of the Bank from financial assets held under resale agreements amounted to RMB126 million, representing a year-on-year increase of RMB11 million or 9.5%, which was mainly due to the increase in the average balance of financial assets sold under repurchase agreements.

#### 6. *Interest Income from placements with banks and other financial institutions*

In 2019, the interest income of the Bank from placements with banks and other financial institutions amounted to RMB53 million, representing a year-on-year decrease of RMB371 million, or 87.4%, which was mainly due to the decrease in the average balance and yield of the placements with banks and other financial institutions.

### 5.2.1.5 Interest expense

In 2019, interest expense of the Bank amounted to RMB28.594 billion, representing a year-on-year decrease of RMB1.794 billion or 5.9%, which was mainly due to the continuous optimization of source of funds of interest-bearing liabilities and decrease in the average cost of interest-bearing liabilities. The following table sets forth the principal components of the interest expense of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019 Amount	% of total	2018 Amount	% of total
Borrowings from Central Bank	399,492	1.4	435,623	1.4
Deposits from customers	16,598,442	58.0	14,513,132	47.8
Deposits from banks and other financial institutions	3,887,005	13.6	4,018,345	13.2
Financial assets sold under repurchase agreements	1,588,126	5.6	2,119,566	7.0
Placements from banks and other financial institutions	767,832	2.7	1,351,205	4.4
Debt securities issued	5,353,271	18.7	7,950,060	26.2
<b>Total</b>	<b>28,594,168</b>	<b>100.0</b>	<b>30,387,931</b>	<b>100.0</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Interest Expense on Deposits from customers

In 2019, interest expense on deposits from customers amounted to RMB16.598 billion, representing a year-on-year increase of RMB2.085 billion, or 14.4%, which was due to the Bank's establishment of "taking deposits as the key foundation of the Bank" as the basic bank policy, the initiative to strengthen the adjustment of liabilities structure, solid promotion of the marketing of deposit and expansion of customer base, steady increase of the size of deposits from customers.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2019			For the year ended 31 December 2018		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Demand	151,041,818	1,504,207	1.00	113,041,660	1,135,410	1.00
Time	216,055,119	8,738,125	4.04	199,229,517	8,250,914	4.14
Sub-total	367,096,937	10,242,332	2.79	312,271,177	9,386,324	3.01
<b>Personal deposits</b>						
Demand	18,211,057	73,249	0.40	14,673,397	59,378	0.40
Time	158,221,251	6,282,861	3.97	120,442,970	5,067,430	4.21
Sub-total	176,432,308	6,356,110	3.60	135,116,367	5,126,808	3.79
<b>Total deposits from customers</b>	<b>543,529,245</b>	<b>16,598,442</b>	<b>3.05</b>	<b>447,387,544</b>	<b>14,513,132</b>	<b>3.24</b>

### 2. Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

In 2019, interest expense of the Bank on deposits from banks and other financial institutions amounted to RMB3.887 billion, representing a year-on-year decrease of RMB0.131 billion or 3.3%, which was due to the Bank optimized its debt structure, actively reduced its interbank liabilities and resulted in decreased average balance of deposits from other banks and other financial institutions.



**3. *Interest Expense on Financial Assets Sold under Repurchase Agreements***

In 2019, interest expense of the Bank on financial assets sold under repurchase agreements amounted to RMB1.588 billion, representing a year-on-year decrease of RMB0.531 billion or 25.1%, which was due to the decrease in the average balance and cost of the repurchased financial disposed.

**4. *Interest Expense on placements with banks and other financial institutions***

In 2019, the interest expense of the Bank on placements with banks and other financial institutions amounted to RMB768 million, representing a year-on-year decrease of RMB583 million, or 43.2%, which was mainly due to the decrease in the average balance and interest rate of the placements with banks and other financial institutions.

**5. *Interest Expense on Debt Securities Issued***

In 2019, interest expense of the Bank on debt securities issued amounted to RMB5.353 billion, representing a year-on-year decrease of RMB2.597 billion or 32.7%, which was due to the decrease in the average balance and cost for the issuance of bonds.

**5.2.1.6 *Net Non-interest Income***

In 2019, the Bank achieved the net non-interest income of RMB4.657 billion, representing a year-on-year increase of RMB1.190 billion or 34.3%, mainly due to the Bank's in-depth promotion of the "asset-light, capital-light" strategy, and the continuous expansion of non-interest income source channels, the effective development of financial market, assets management, investment banking, continued to promote the rapid growth of net non-interest income.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Net Fee and Commission Income

In 2019, the Bank achieved a net fee and commission income of RMB1,155 million, representing a year-on-year increase of RMB529 million or 84.4%, mainly due to the Bank's active establishment of new strategic business function such as investment banks, transaction banks, asset custody, asset management, etc., and continuous improvement of the development of traditional intermediary services such as payment and settlement, bank card, and guarantee commitments, and significant increases of agency and custody service fees and settlement and clearing services fees.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
Fee and commission income				
Agency and custody services fees	1,029,332	586,919	442,413	75.4
Settlement and clearing services fees	288,685	194,069	94,616	48.8
Bank card services fees	107,267	48,372	58,895	121.8
Fee and commission expense	(269,848)	(202,661)	(67,187)	33.2
<b>Net fee and commission income</b>	<b>1,155,436</b>	<b>626,699</b>	<b>528,737</b>	<b>84.4</b>



## 2. *Net Trading Gains and Net Losses from Foreign Exchange*

In 2019, net trading gains and net losses from foreign exchange of the Bank amounted to RMB-0.839 billion, representing a year-on-year increase of RMB230 million, mainly due to the increase in profits and losses from the change in fair value arising from derivative financial instruments held by the Bank incurred at the end of the period.

## 3. *Net Gains Arising from Investments*

In 2019, the net gains arising from financial investments of the Bank amounted to RMB4.314 billion, representing a year-on-year increase of RMB0.443 billion or 11.4%, mainly due to the continuous improvement of investment quality and returns, and the year-on-year increase in spread income from bond trading as the Bank strengthened the construction of investment and research ability in financial market, and made efforts to the optimization of investment structure.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
Net gains on financial assets at fair value through profit and loss for the period	2,481,332	2,326,114	155,218	6.7
Net gains on disposal of financial assets at fair value through other comprehensive income	1,103,026	404,028	698,998	173.0
Dividends from financial assets designated at fair value through other comprehensive income	1,200	15,730	(14,530)	(92.4)
Net gains on disposal of financial assets at amortised cost	728,518	1,125,413	(396,895)	(35.3)
<b>Total</b>	<b>4,314,076</b>	<b>3,871,285</b>	<b>442,791</b>	<b>11.4</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2.1.7 Operating expenses

In 2019, the operating expenses of the Bank amounted to RMB4.631 billion, representing a year-on-year increase of RMB686 million or 17.4%, and the cost-to-income ratio was 21.31%, representing a year-on-year decrease of 2.82 percentage points. The increase in operating expense was mainly due to the increase in staff costs, depreciation and amortisation, and other general and administrative expenses as the Bank increased the high quality talent pool through various channels, actively promote the construction of fintech and the transformation and upgrading of standardized outlets.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
Staff costs	2,461,457	2,095,285	366,172	17.5
Tax and surcharges	155,402	111,757	43,645	39.1
Depreciation and amortisation	593,698	403,342	190,356	47.2
Rental and property management expenses	115,723	256,521	(140,798)	(54.9)
Office expenses	329,098	274,804	54,294	19.8
Other general and administrative expenses	975,987	803,506	172,481	21.5
<b>Total operating expenses</b>	<b>4,631,365</b>	<b>3,945,215</b>	<b>686,150</b>	<b>17.4</b>

#### 1. Staff Costs

In 2019, staff costs of the Bank amounted to RMB2.461 billion, representing a year-on-year increase of RMB366 million or 17.5%, mainly due to the increase in the expenses on salaries, bonuses and allowances, social insurance and annuity as the Bank adhered to “developing the Bank through talents”, increased the pool of high-quality specialized talents to build a diversified remuneration system





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

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	1,806,094	1,516,815	289,279	19.1
Pension and annuity	230,456	240,705	(10,249)	(4.3)
Other social insurance	179,759	142,860	36,899	25.8
Housing allowances	103,194	92,235	10,959	11.9
Supplementary retirement benefits	13,440	4,743	8,697	183.4
Other staff benefits	128,514	97,927	30,587	31.2
<b>Total staff costs</b>	<b>2,461,457</b>	<b>2,095,285</b>	<b>366,172</b>	<b>17.5</b>

## 2. Office Expenses, Rental and Property Management Expenses

Office expenses, rental and property management expenses mainly include office supplies, property rents, maintenance fees for electronic devices, security fees, conference fees and postal, telecom and printing fees. In 2019, office expenses, rental and property management expenses of the Bank amounted to RMB445 million, representing a year-on-year decrease of RMB87 million or 16.3%.

## 3. Depreciation and Amortisation

In 2019, depreciation and amortisation expenses of the Bank amounted to RMB594 million, representing a year-on-year increase of RMB190 million or 47.2%. The increase in depreciation and amortisation expenses were primarily due to (i) increase of investment and science and technology and reconstruction of standardized outlets of the Bank; (ii) implementation of New Leasing Standard since 1 January 2019 and the depreciation accruals for right-of-use assets.

## 4. Other General and Administrative Expenses

In 2019, other general and administrative expenses of the Bank amounted to RMB976 million, representing a year-on-year increase of RMB172 million or 21.5%. The increase in other general and administrative expenses was primarily due to the business promotion efforts and the brand image increased by the Bank.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2.1.8 Impairment losses on assets

In 2019, impairment losses on assets of the Bank amounted to RMB10.233 billion, representing a year-on-year increase of RMB3.832 billion or 59.9%, mainly due to the Bank stepped up its effort in provisions and increased its risks offset ability. The following table sets forth the principal components of impairment losses on assets of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2019	2018	Change in amount	Rate of change (%)
Deposits and placements with bank and other financial institutions	118,615	(15,650)	134,265	N/A
Financial assets held under resale agreements	3,439	(4,901)	8,340	N/A
Loans and advances to customers	10,388,934	5,121,577	5,267,357	102.8
Financial investments	(376,485)	1,040,801	(1,417,286)	(136.2)
Credit commitment	73,386	(210,458)	283,844	N/A
Others	25,311	469,880	(444,569)	(94.6)
<b>Total</b>	<b>10,233,200</b>	<b>6,401,249</b>	<b>3,831,951</b>	<b>59.9</b>

### 5.2.1.9 Income tax expense

In 2019, income tax expense of the Bank amounted to RMB705 million, representing a year-on-year increase of RMB292 million or 70.7%, which was mainly due to the increase in the profit of the Bank during the Reporting Period.



## 5.2.2 Analysis of the Statement of Financial Position

### 5.2.2.1 Assets

As at 31 December 2019, total assets of the Bank were RMB1,021.481 billion, representing an increase of RMB36.048 billion or 3.7% as compared with that at the end of the previous year, mainly due to the increase in loans and advances to customers and financial assets held under resale agreements. The principal components of our assets are (i) net loans and advances to customers, (ii) financial investments, (iii) cash and deposits with Central Bank and (iv) deposits with banks and other financial institutions, which accounted for 43.7%, 40.9%, 8.9% and 2.1%, respectively, of total assets of the Bank as at 31 December 2019. The following table sets forth the balances of principal components of total assets of the Bank as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	of total (%)	Amount	of total (%)
<b>Assets</b>				
Total loans and advances to customers	457,202,375	44.8	376,597,360	38.2
Interest receivable	2,052,316	0.2	1,839,265	0.2
Provision for impairment	(12,879,170)	(1.3)	(10,358,586)	(1.0)
Net loans and advances to customers	446,375,521	43.7	368,078,039	37.4
Financial investments <sup>(1)</sup>	417,492,192	40.9	474,765,776	48.1
Deposits with banks and other financial institutions	21,104,213	2.1	29,098,503	3.0
Cash and deposits with Central Bank	90,533,151	8.9	97,573,501	9.9
Financial assets held under resale agreements	18,713,438	1.8	2,146,696	0.2
Placements with banks and other financial institutions	8,198,954	0.8	2,400,914	0.2
Derivative financial assets	3,379,675	0.3	2,171,078	0.2
Other assets <sup>(2)</sup>	15,683,652	1.5	9,198,433	1.0
<b>Total assets</b>	<b>1,021,480,796</b>	<b>100.0</b>	<b>985,432,940</b>	<b>100.0</b>

Notes:

- (1) Financial investments include financial assets at fair value through other comprehensive income, financial assets at amortised cost and other financial investments at fair value through profit or loss.
- (2) Includes property and equipment, other receivables, deferred income tax assets and other assets.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Loans and Advances to Customers

The total loans and advances to customers made by the Bank as at 31 December 2019 amounted to RMB457.202 billion with an increase of RMB80.605 billion or 21.4% as compared with that at the end of last year, and accounted for 44.8% of the total assets, representing an increase of 6.6 percentage points as compared to the end of last year. The loans and advances to customers made by the Bank consisted mainly of corporate loans (including discounted bills) and personal loans.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	of total (%)	Amount	of total (%)
Corporate loans				
– Corporate loans	374,201,172	81.8	347,547,631	92.3
– Discounted bills	25,488,939	5.6	3,597,503	1.0
Personal loans				
– Residential mortgage	36,041,189	7.9	20,822,817	5.5
– Personal consumption loans	17,297,007	3.8	3,075,729	0.8
– Credit cards	3,568,235	0.8	799,698	0.2
– Personal business loans	587,963	0.1	732,873	0.2
– Others	17,870	0.0	21,109	0.0
<b>Total loans and advances to customers</b>	<b>457,202,375</b>	<b>100.0</b>	<b>376,597,360</b>	<b>100.0</b>

Corporate loans constituted the largest component of the Bank's loan portfolio. As at 31 December 2019, the corporate loans (including discounted bills) of the Bank amounted to RMB399.69 billion, representing an increase of RMB48.545 billion or 13.8% as compared to the end of last year and accounting for 87.4% of the total loans and advances to customers, mainly due to the fact that the Bank conformed to the direction of national strategy and economic structure adjustment, focus on strategic customers and quality customers in key areas and industries, establish diversified product solutions, build a layered classification, professional and dedicated customer service system, and actively support the development of the real economy.



Personal loans offered by the Bank mainly include residential mortgage, personal consumption loans, credit cards and personal business loans. As at 31 December 2019, personal loans of the Bank amounted to RMB57.512 billion with an increase of RMB32.060 billion or 126% as compared with the end of last year, and accounted for 12.6% of total loans and advances to customers, representing an increase of 5.9 percentage points, mainly due to the Bank fully launched the transformation of retail banking, achieving rapid growth in housing loans and personal consumption loans through the construction of a specialized retail credit management system, and establishment of an online + offline channel platform.

#### 1) Loans by collateral

The structure of collaterals of the Bank's loans and advances to customers was stable and the Bank's capability of mitigating risks was relatively solid. As at 31 December 2019, the balance of loans mortgaged or secured by guarantees and was RMB436.275 billion, representing an increase of RMB73.920 billion or 20.4% as compared with that at the end of the previous year, and accounted for 95.4% of the total loans and advances to customers; and the balance of unsecured loans was RMB20.928 billion, representing an increase of RMB6.685 billion or 46.9% as compared with that at the end of the previous year, and accounted for 4.6% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such a loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by collateral type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	of total (%)	Amount	of total (%)
Loans secured by mortgages	182,487,244	39.8	129,346,181	34.3
Loans secured by pledges	73,889,168	16.2	62,532,085	16.6
Guaranteed loans	179,898,160	39.4	170,476,030	45.3
Unsecured loans	20,927,803	4.6	14,243,064	3.8
<b>Total loans and advances to customers</b>	<b>457,202,375</b>	<b>100.0</b>	<b>376,597,360</b>	<b>100.0</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2) Changes in provision for impairment on loans and advances to customers

As at 31 December 2019, the balance of provision for impairment on loans and advances to customers was RMB12.879 billion, representing an increase of RMB2.521 billion or 24.3% as compared with that at the end of the previous year, mainly due to mainly due to the fact that the Bank adhering to the principle of prudent and prudent risk management, and increased the level of impairment provision.

The following table sets forth the changes in the provision for impairment on loans and advances to customers for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019				As at 31 December 2018			
	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit-impaired loans	Lifetime expected credit loss- credit-impaired loans	Total	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit-impaired loans	Lifetime expected credit loss- credit-impaired loans	Total
Balance as at the beginning of the year	3,640,867	1,200,134	5,517,585	10,358,586	3,347,500	1,382,476	2,929,100	7,659,076
Transferred to:								
- to expected credit loss over the next 12 months	7,289	(449)	(6,840)	-	8,328	(8,328)	-	-
- to lifetime expected credit losses - not credit-impaired loans	(27,845)	27,986	(141)	-	(7,833)	7,833	-	-
- to lifetime expected credit losses - credit-impaired loans	(70,228)	(158,886)	229,114	-	(140,717)	(398,536)	539,253	-
Net charge for the year	1,930,750	361,025	8,090,170	10,381,945	433,589	216,689	4,470,653	5,120,931
Transfer out	-	-	(8,203,540)	(8,203,540)	-	-	(2,076,660)	(2,076,660)
Unwinding of discount	-	-	-	-	-	-	(137,928)	(137,928)
Write-offs	-	-	(15,046)	(15,046)	-	-	(206,976)	(206,976)
Recoveries	-	-	357,225	357,225	-	-	143	143
Balance as at the end of the year	<u>5,480,833</u>	<u>1,429,810</u>	<u>5,968,527</u>	<u>12,879,170</u>	<u>3,640,867</u>	<u>1,200,134</u>	<u>5,517,585</u>	<u>10,358,586</u>



## 2. Financial Investments

As of 31 December 2019, the financial investments (including financial assets at fair value through other comprehensive income, financial assets at amortised cost, other financial assets at fair value through profit or loss) of the Bank amounted to RMB417.492 billion, representing a decrease of RMB57.274 billion or 12.1% as compared with those of the end of the previous year, and accounted for 40.9% of the total assets, representing an decrease of 7.2 percentage points as compared with that at the end of the previous year. The following table set forth the main components of the Bank's financial investments (exclusive of interest receivable) as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	of total (%)	Amount	of total (%)
<b>Financial assets at fair value through profit or loss</b>	156,691,876	37.8	151,690,685	32.3
– Bonds issued by other banks and financial institutions	39,179,506	9.4	35,581,570	7.6
– Corporate entity bonds	1,030,961	0.2	1,030,961	0.2
– Bonds issued by policy banks	383,136	0.1	1,434,344	0.3
– Investment management products managed by securities companies	116,098,273	28.1	103,158,400	22.0
– Financial products issued by financial institutions	–	–	10,485,410	2.2
<b>Financial assets at fair value through other comprehensive income</b>	32,964,176	8.0	58,741,147	12.4
– Government bonds	9,889,376	2.4	17,882,657	3.8
– Bonds issued by policy banks	15,548,565	3.8	26,904,821	5.7
– Bonds issued by other banks and financial institutions	1,415,436	0.3	1,018,740	0.2
– Corporate entity bonds	685,278	0.2	4,532,188	1.0
– Investment management products managed by securities companies	1,107,105	0.3	6,330,566	1.3
– Equity investments	4,318,416	1.0	2,072,175	0.4



## MANAGEMENT DISCUSSION AND ANALYSIS

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	of total (%)	Amount	of total (%)
<b>Financial assets at amortised cost</b>	224,222,731	54.2	259,896,591	55.3
– Government bonds	58,487,011	14.1	51,379,771	10.9
– Bonds issued by policy banks	72,871,086	17.6	64,533,451	13.7
– Bonds issued by other banks and financial institutions	–	–	5,888,675	1.3
– Corporate entity bonds	3,342,022	0.8	30,809,362	6.6
– Investment management products managed by securities companies	14,771,585	3.6	21,722,671	4.6
– Investment management products under the trust scheme	76,775,572	18.6	87,960,574	18.7
Less: provisions for financial assets at amortised cost	(2,024,545)	(0.5)	(2,397,913)	(0.5)
<b>Total</b>	<b>413,878,783</b>	<b>100.0</b>	<b>470,328,423</b>	<b>100.0</b>





1) Changes in the provision for financial assets at fair value through other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019				As at 31 December 2018			
	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit-impaired	Lifetime expected credit loss- credit-impaired	Total	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit-impaired	Lifetime expected credit loss- credit-impaired	Total
Balance at the beginning of the year	5,453	-	-	5,453	8,801	-	-	8,801
Net release for the year	(3,117)	-	-	(3,117)	(3,348)	-	-	(3,348)
Balance as at the end of the year	<u>2,336</u>	<u>-</u>	<u>-</u>	<u>2,336</u>	<u>5,453</u>	<u>-</u>	<u>-</u>	<u>5,453</u>

2) Changes in the provision for financial assets at amortised cost

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019				As at 31 December 2018			
	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit-impaired	Lifetime expected credit loss- credit-impaired	Total	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit-impaired	Lifetime expected credit loss- credit-impaired	Total
Balance at the beginning of the year	1,322,900	785,637	289,376	2,397,913	1,243,608	52,321	57,835	1,353,764
Transferred to:								
- to expected credit losses over the next 12 months	-	-	-	-	37,169	(37,169)	-	-
- to lifetime expected credit losses - credit-impaired investments	(59,881)	(6,717)	66,598	-	-	(5,494)	5,494	-
Net (release)/charge for the year	<u>(434,881)</u>	<u>(613,466)</u>	<u>674,979</u>	<u>(373,368)</u>	<u>42,123</u>	<u>775,979</u>	<u>226,047</u>	<u>1,044,149</u>
Balance as at the end of the year	<u>828,138</u>	<u>165,454</u>	<u>1,030,953</u>	<u>2,024,545</u>	<u>1,322,900</u>	<u>785,637</u>	<u>289,376</u>	<u>2,397,913</u>



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2.2.2 Liabilities

As of 31 December 2019, total liabilities of the Bank amounted to RMB942.359 billion, representing an increase of RMB13.955 billion or 1.5% as compared with that at the end of the previous year. The Bank's liabilities mainly consisted of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) debt securities issued, accounting for 69.5%, 10.3% and 8.6%, respectively, with respect to the total liabilities.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	of total (%)	Amount	of total (%)
Borrowings from Central Bank	6,793,977	0.7	41,718,868	4.5
Deposits from customers	655,070,994	69.5	524,940,548	56.5
Deposits from banks and other financial institutions	96,837,332	10.3	80,993,681	8.7
Placements from banks and other financial institutions	6,589,301	0.7	42,821,263	4.6
Financial liabilities at fair value through profit or loss	26,520,878	2.8	14,601,560	1.6
Derivative financial liabilities	694,473	0.1	758,626	0.1
Financial assets sold under repurchase agreements	60,117,133	6.4	32,309,138	3.5
Debt securities issued	80,993,054	8.6	186,567,225	20.1
Other liabilities <sup>(1)</sup>	8,741,669	0.9	3,692,547	0.4
<b>Total</b>	<b>942,358,811</b>	<b>100.0</b>	<b>928,403,456</b>	<b>100.0</b>

Note:

- (1) Including amounts in settlement accounts, staff remuneration payable, deferred income, tax payable, amounts in dormant accounts and other liabilities.



### 1. Deposits from Customers

As of 31 December 2019, the Bank's total deposits from customers (exclusive of interest payable) amounted to RMB641.428 billion, with an increase of RMB127.261 billion or 24.8% as compared with the number recorded at the end of the previous year, of which corporate deposits increased by RMB71.076 billion as compared with that at the end of the previous year, and individual deposits increased by RMB53.087 billion as compared with that at the end of the previous year. The total deposits from customers accounted for 69.5% of the total liabilities, representing an increase of 13 percentage points as compared with that at the end of the previous year. The following table sets forth the Bank's deposits from customers (exclusive of interest payable) and product types as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	of total (%)	Amount	of total (%)
<b>Corporate deposits</b>				
Demand deposits	190,952,618	29.8	157,657,454	30.7
Time deposits	197,106,655	30.7	159,325,536	31.0
Sub-total	388,059,273	60.5	316,982,990	61.7
<b>Personal deposits</b>				
Demand deposits	37,732,968	5.9	16,571,753	3.2
Time deposits	174,367,690	27.2	142,442,046	27.7
Sub-total	212,100,658	33.1	159,013,799	30.9
Other deposits <sup>(1)</sup>	41,268,260	6.4	38,170,208	7.4
<b>Total</b>	<b>641,428,191</b>	<b>100.0</b>	<b>514,166,997</b>	<b>100.0</b>

Note: (1) Mainly including pledged deposits.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 2. Debt Securities Issued

The following table sets forth the components of the Bank's debt securities issued (exclusive of interest payable) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019 Amount	As at 31 December 2018 Amount
Tier-two capital bond with fixed rate maturing in May 2024	–	2,200,000
Tier-two capital bond with fixed rate maturing in December 2025	10,000,000	10,000,000
Tier-two capital bond with fixed rate maturing in December 2027	6,000,000	6,000,000
Financial fixed rate bonds maturing in August 2019	–	5,000,000
Financial fixed rate bonds maturing in August 2021	2,000,000	2,000,000
Financial fixed rate bonds maturing in August 2021	12,000,000	12,000,000
Financial fixed rate bonds maturing in October 2021	8,000,000	8,000,000
Financial fixed rate bonds maturing in November 2021	6,900,000	6,900,000
Interbank certificates of deposits issued	35,728,767	133,950,363
<b>Total</b>	<b>80,628,767</b>	<b>186,050,363</b>

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB2.2 billion in the national inter-bank bond market on 28 May 2014. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 6.18%. Interest on such bonds shall be paid once per year. The issuer has an redemption option for such bonds, and the Bank exercised the issuer redemption option on 30 May 2019 to redeem all current bonds in a lump sum per face value.

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB10 billion in the national inter-bank bond market on 4 December 2015. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 4.57%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.



The Bank issued Tier-two Capital bonds of commercial banks in the aggregate of RMB6 billion on the national inter-bank bond market on 18 December 2017. The term of maturity of such bonds is 10 years. The interest is calculated per annum based on fixed interest rate. The coupon rate is interest-bearing fixed rate of 4.90%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem all or part of the current bonds in a lump sum at the face value on the last day of the fifth interest calculating year for such bonds.

The Bank issued 2016 financial fixed rate bonds in the aggregate of RMB5 billion on 26 August 2016 with a term of maturity of 3 years and an annual coupon rate of 3.0%, such bonds has expired on 29 August 2019.

The Bank issued 2016 financial fixed rate bonds in the aggregate of RMB2 billion on 26 August 2016 with a term of maturity of 5 years and an annual coupon rate of 3.10%.

The Bank issued the first tranche of 2018 fixed-rate financial bonds in the aggregate of RMB12 billion on 15 August 2018 with a term of maturity of 3 years and an annual coupon rate of 4.35%.

The Bank issued the second tranche of 2018 fixed-rate financial bonds in the aggregate of RMB8 billion on 25 October 2018 with a term of maturity of 3 years and an annual coupon rate of 4.10%.

The Bank issued the third tranche of 2018 fixed-rate financial bonds in the aggregate of RMB6.9 billion on 26 November 2018 with a term of maturity of 3 years and an annual coupon rate of 3.98%.

As at 31 December 2019, the balance of certificates of interbank deposit issued by the Bank was RMB35.729 billion.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2.2.3. Equity

As of 31 December 2019, the equity balance of the Bank amounted to RMB79.122 billion, representing an increase of RMB22.093 billion or 38.7% as compared with that at the end of the previous year, which was mainly due to the successful completion of capital increase and share expansion of the Bank, which further strengthened its capital strength. The following table sets forth the components of the equity of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	of total (%)	Amount	of total (%)
Share capital	8,796,680	11.1	5,796,680	10.2
Capital reserve	26,931,360	34.0	11,855,505	20.8
Surplus reserve	7,166,927	9.1	6,110,162	10.7
General reserve	13,398,535	16.9	12,571,882	22.0
Investment revaluation reserve	399,979	0.5	1,122,587	2.0
Provision reserve	8,215	0.0	5,311	0.0
Reserve on remeasurement of defined benefit liability	(19,986)	0.0	(13,877)	0.0
Retained earnings	21,873,822	27.7	19,009,618	33.3
Non-controlling interests	566,453	0.7	571,616	1.0
<b>Total equity</b>	<b>79,121,985</b>	<b>100.0</b>	<b>57,029,484</b>	<b>100.0</b>

### 5.2.3 Loan quality analysis

During the reporting period, the Bank continued to strengthen the prevention and control of credit risk, on one hand, strengthened settlement and collection and dissolving stocks, differentiated policy making, took multiple measures and increased efforts in settlement and collection and dispose of problem assets; on the other hand, the bank strengthened management and strictly controlled the increase of loans. The Bank centralized collection and approval of the right to approve corporate loans, fully implemented the risk director assignment mechanism, consolidated bottom line for risk prevention and control, and generally maintained sound asset quality.



### 5.2.3.1 Breakdown of loans by the five-category classification system

The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated. The non-performing loans of the Bank are classified into loans and advances to customers that are substandard, doubtful and loss. As of 31 December 2019, the non-performing loans of the Bank amounted to RMB8.005 billion, impairment provision on loans and advances to customers amounted to RMB12.879 billion, and the non-performing ratio was 1.75%, representing an increase of 0.04 percentage point as compared with that at the end of the previous year. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019		As at 31 December 2018	
	Amount	of total (%)	Amount	of total (%)
Normal	438,471,766	95.9	352,718,824	93.7
Special mention	10,725,971	2.3	17,437,018	4.6
Substandard	7,604,069	1.7	6,181,817	1.6
Doubtful	339,883	0.1	219,069	0.1
Loss	60,686	0.0	40,632	0.0
<b>Total loans and advances to customers</b>	<b>457,202,375</b>	<b>100.0</b>	<b>376,597,360</b>	<b>100.0</b>
<b>Non-performing loan</b>	<b>8,004,638</b>	<b>1.75</b>	<b>6,441,518</b>	<b>1.71</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2.3.2 Concentration of loans

#### 1. Concentration in terms of Industry and Distribution of Non-performing Loans

During the reporting period, the Bank combined the characteristics of regional economic development and its own endowment of resources, proactively matched local economic development strategies, rationally allocated credit resources, increased support for key industries, and continuously optimized the loan industry structure.

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019				As at 31 December 2018			
	Loan amount	Non- performing loan of total (%)	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan of total (%)	Non- performing loan amount	Non- performing loan ratio (%)
Wholesale and retail	174,938,570	38.3	4,383,799	2.51	173,690,903	46.0	2,950,915	1.70
Renting and business activities	68,381,038	15.0	19,441	0.03	43,515,629	11.6	10,490	0.02
Real estate	35,280,158	7.7	675,309	1.91	28,954,810	7.7	82,922	0.29
Construction	27,611,545	6.0	124,284	0.45	19,190,327	5.1	411,499	2.14
Manufacturing	26,512,208	5.8	1,637,419	6.18	40,591,373	10.8	2,181,386	5.37
Culture, sports and entertainment	6,175,911	1.4	10,000	0.16	1,893,934	0.5	48,000	2.53
Transportation, storage and postal services	4,114,725	0.9	68,560	1.67	3,895,292	1.0	63,560	1.63
Production and supply of electric power, heat, gas and water	3,548,293	0.8	9,478	0.27	5,245,370	1.4	11,891	0.23
Accommodation and catering	3,422,891	0.7	48,710	1.42	6,053,565	1.6	8,740	0.14
Mining	2,488,580	0.5	19,597	0.79	2,864,996	0.8	19,597	0.68
Household and other services	2,142,419	0.5	-	-	1,352,600	0.4	-	-
Agriculture, forestry, animal husbandry and fishery	1,161,819	0.3	15,450	1.33	2,568,981	0.7	14,950	0.58
Others	18,423,015	4.0	490,839	2.66	17,729,851	4.7	486,978	2.75
Discounted bills	25,488,939	5.6	-	-	3,597,503	1.0	-	-
Personal loans and advances	57,512,264	12.5	501,752	0.87	25,452,226	6.7	150,590	0.59
<b>Total</b>	<b>457,202,375</b>	<b>100.0</b>	<b>8,004,638</b>	<b>1.75</b>	<b>376,597,360</b>	<b>100.0</b>	<b>6,441,518</b>	<b>1.71</b>

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





As of 31 December 2019, loans provided to customers of (i) wholesale and retail, (ii) renting and business activities sectors (iii) real estate and (iv) construction represented the largest components of the Bank's corporate loans. As at 31 December 2019 and 31 December 2018, the balance of loans provided to the corporate customers in the four industries mentioned above were RMB306.211 billion and RMB265.352 billion, respectively, accounting for 67.0% and 70.4%, respectively, with respect to the Bank's total loans and advances to customers. The non-performing loans of the Bank were mainly extended to wholesale, and retail and manufacturing industries, which was primarily affected by downward pressure on the economy and industry restructuring.

## 2. Concentration in terms of Borrowers

Loans to the ten largest single borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers as at 31 December 2019. As of the same date, all such loans were classified as normal loans:

(Expressed in thousands of Renminbi, unless otherwise stated) Customer	As at 31 December 2019		
	Industry involved	Amount	of total (%)
Customer A	Renting and business activities	9,500,000	2.08
Customer B	Renting and business activities	7,601,000	1.66
Customer C	Real estate	6,139,979	1.34
Customer D	Real estate	5,860,000	1.28
Customer E	Renting and business activities	5,543,730	1.21
Customer F	Manufacturing	5,541,900	1.21
Customer G	Real estate	5,130,000	1.12
Customer H	Wholesale and retail	5,000,000	1.09
Customer I	Wholesale and retail	5,000,000	1.09
Customer J	Culture, sports and entertainment	5,000,000	1.09



## MANAGEMENT DISCUSSION AND ANALYSIS

### 3. Distribution of Non-performing Loans by Product Type

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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019			As at 31 December 2018		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	399,690,111	7,502,886	1.88	351,145,134	6,290,928	1.79
Short-term loans	161,443,571	5,326,026	3.30	155,539,564	5,441,449	3.50
Medium and long term loans	212,757,601	2,176,860	1.02	192,008,067	849,479	0.44
Discounted bills	25,488,939	-	-	3,597,503	-	-
Retail loans	57,512,264	501,752	0.87	25,452,226	150,590	0.59
Residential mortgage	36,041,189	211,835	0.59	20,822,817	83,294	0.40
Personal business loans	587,963	122,410	20.82	732,873	6,969	0.95
Personal consumption loans	17,297,007	92,677	0.54	3,075,729	29,990	0.98
Credit card overdrawn	3,568,235	74,830	2.10	799,698	29,137	3.64
Other	17,870	-	-	21,109	1,200	5.68
<b>Total</b>	<b>457,202,375</b>	<b>8,004,638</b>	<b>1.75</b>	<b>376,597,360</b>	<b>6,441,518</b>	<b>1.71</b>

As at 31 December 2019 and 31 December 2018, the non-performing loan ratio of the Bank, defined as non-performing loans divided by the Bank's total loans and advances to customers, was 1.75% and 1.71%, respectively.

As at 31 December 2019 and 31 December 2018, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 1.88% and 1.79%, respectively.

As at 31 December 2019 and 31 December 2018, the non-performing loan ratio of the Bank's retail loans was 0.87% and 0.59%, respectively.

#### 5.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) (effective since 1 January 2013) promulgated by the CBIRC. As at 31 December 2019, the Bank's capital adequacy ratios at all tiers met the regulatory requirements. The Bank's core Tier-one Capital adequacy ratio and Tier-one Capital adequacy ratio were both 11.48%, increased by 2.96 percentage points from the end of the previous year; the capital adequacy ratio was 14.54%, increased by 2.68 percentage points from the end of the previous year, which was mainly due to the active replenishment of capital by the Bank during the reporting period, and resulted in significant improved of level of capital adequacy and risk mitigation capabilities.



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

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019	As at 31 December 2018
<b>Core capital</b>		
– Share capital	8,796,680	5,796,680
– Qualifying portion of capital reserve	26,931,360	11,855,505
– Surplus reserve	7,166,927	6,110,162
– General reserve	13,398,535	12,571,882
– Investment revaluation reserve	399,979	1,122,587
– Provision reserve	8,215	5,311
– Retained earnings	21,873,822	19,009,618
– Qualifying portions of non-controlling interests	83,341	33,468
– Others	(19,986)	(13,877)
<b>Core Tier-one Capital</b>	78,638,873	56,491,336
Core Tier-one capital deductions	(192,308)	(118,219)
<b>Net Core Tier-one Capital</b>	78,446,565	56,373,117
<b>Net Tier-one Capital</b>	78,446,565	56,373,117
<b>Tier-two Capital</b>		
– Qualifying portions of tier-two capital instruments issued	16,000,000	18,200,000
– Surplus provision for loan impairment	4,874,532	3,917,068
<b>Net tier-two Capital</b>	20,874,532	22,117,068
<b>Total net Capital</b>	99,321,097	78,490,185
Total risk weighted assets	683,238,647	661,889,166
<b>Core tier-one Capital adequacy ratio</b>	11.48%	8.52%
<b>Tier-one Capital adequacy ratio</b>	11.48%	8.52%
<b>Capital adequacy ratio</b>	14.54%	11.86%



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.2.5 Segment information

#### 5.2.5.1 Summary of regional branches

The Bank is mainly operating within China. Its head office and 18 branches are located in five provinces and municipalities directly under the Central Government. It also established seven subsidiaries in Liaoning Province, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating revenue				Non-current assets			
	For the year ended 31 December				As at 31 December 2019		As at 31 December 2018	
	2019		2018					
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Northeast China Region	18,853,579	89.8	13,818,965	87.0	5,265,244	94.3	5,082,828	93.5
North China Region	1,351,132	6.4	1,682,020	10.6	281,612	5.0	307,646	5.6
Others	802,556	3.8	384,481	2.4	36,737	0.7	46,304	0.9
<b>Total</b>	<b>21,007,267</b>	<b>100.0</b>	<b>15,885,466</b>	<b>100.0</b>	<b>5,583,593</b>	<b>100.0</b>	<b>5,436,778</b>	<b>100.0</b>

#### 5.2.5.2 Summary of business segments

Since this year, the Bank has systematically, comprehensively and continuously implemented strategic transformation around the goal of “value banking” to promote the balanced development of the three business segments of the business, retail business and treasury business of the Bank. In 2019, the operating revenue of corporate banking amounted to RMB12.292 billion, accounting for 58.5% of the total operating revenue. The operating revenue of retail banking business amounted to RMB2.246 billion, accounting for 10.7% of the total operating revenue. The operating revenue of treasury business amounted to RMB6.453 billion, accounting for 30.7% of the total operating revenue.



(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December			
	2019		2018	
	Amount	of total (%)	Amount	of total (%)
<b>Operating revenue</b>				
Corporate banking	12,291,954	58.5	9,526,507	60.0
Retail banking	2,246,090	10.7	1,238,046	7.8
Treasury business	6,452,560	30.7	5,085,250	32.0
Others	16,663	0.1	35,663	0.2
<b>Total</b>	<b>21,007,267</b>	<b>100.0</b>	<b>15,885,466</b>	<b>100.0</b>

### 5.2.6 Analysis of Off-balance Sheet Items

Credit commitments and other off-balance sheet items of the Bank mainly include bank acceptances, issued letters of credit, issued letters of guarantee, unused credit card commitments, operating lease commitments and capital commitments. Credit commitments constitute the major component of off-balance sheet items, and consist of bank acceptances, issued letters of credit, issued letters of guarantees, and unused credit card commitments. Bank acceptances are commitments made by the Bank to encash a bank draft issued by the Bank's customers. The letters of guarantees and the letters of credit are issued by the Bank to guarantee the customer's contractual performance for a third party. As at 31 December 2019, the balance of off-balance sheet items of the Bank totaled RMB297.376 billion. The following table sets forth the Bank's credit commitments and other off-balance sheet items as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2019	As at 31 December 2018
Unused credit card commitments	10,617,675	3,450,469
Guarantees, bank acceptances and letters of credit	164,304,183	168,013,533
Operating lease commitments	–	684,937
Capital commitments	454,441	478,644
Pledged assets	121,999,342	146,554,408
<b>Total</b>	<b>297,375,641</b>	<b>319,181,991</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.3 BUSINESS OVERVIEW

#### 5.3.1 Corporate Banking Business

During the Reporting Period, by increasing marketing efforts, strengthening basic management, adjusting business strategies and pushing forward mechanism construction, the Bank promoted the high-quality and healthy development of corporate banking business.

##### 5.3.1.1 Corporate Deposits

The Bank further implemented its customer-centric marketing strategy and actively developed more strategic customers, group customers and institutional customers and provided them with whole-chain and integrated financial services, so that its comprehensive service capabilities and market influence were effectively improved. At the same time, the Bank further expanded the scale of fund collection from customers and agency settlement, and the basic customers and corporate deposits maintained steady growth. As at 31 December 2019, the balance of corporate deposits of the Bank amounted to RMB388.059 billion, which accounted for 60.50% of the balance of all kinds of deposits, representing an increase of RMB71.076 billion or 22.42% compared to last year.

According to the information provided by the Business Management Department of the PBOC Shenyang Branch, as at 31 December 2019, the Renminbi corporate deposits with the Bank in Shenyang area amounted to RMB311.756 billion, ranking first among the banks in Shenyang area for consecutive years. The Renminbi corporate deposits with the Bank in Shenyang area market share of was 30.11%, representing an increase of 5.09 percentage points as compared with that at the end of last year.

##### 5.3.1.2 Corporate Loans

In line with the development of the real economy, the Bank insisted on returning to its roots. The Bank proactively responded to key regional development strategies, strengthened the optimal allocation of credit resources, provided credit in a real sense to national consumption upgrading, industrial upgrading and structural upgrading, and focused on strengthening credit support for key projects. The Bank effectively seized the opportunities brought by the transformation in the regional economic structure, continued to expand support for key areas by vigorously supporting the development of strategic emerging industries such as private business, green and environmental protection industry, and high-end equipment manufacturing industry. The Bank expanded support for micro, small, medium-sized enterprises and by taking effective measures to improve the efficiency of approval, enriching guarantee methods, reducing corporate financing costs, the Bank helped to relieve the financing difficulties encountered by small-and micro-sized enterprises. As of 31 December 2019, the balance of our corporate loans (excluding discounted bills) amounted to RMB374.201 billion, representing an increase of RMB26.654 billion or 7.67% as compared to last year.



### **5.3.1.3 Trade Finance**

By taking into account the market environment and policy orientation, the Bank actively promoted the development of trade finance business. Based on the diversified demands of the customers, the Bank strived to develop the comprehensive financial service integrating clearance, financing, cash management and value-added services. The Bank continued to improve the trade finance product system and platform construction for the purpose of effectively preventing and controlling risks, operating in compliance with regulations and enhancing trade finance service capabilities. During the Reporting Period, the clearance volume of the trade finance business reached USD29.898 billion, representing a year-on-year increase of 112%. Revenue from the trade finance intermediary business amounted to RMB278 million, representing a year-on-year increase of 134%.

## **5.3.2 Retail Banking Business**

During the Reporting Period, the Bank actively promoted the implementation of the “big retail” strategy and continued to create better and more convenient financial services for individual customers by forging a full range of product systems for deposits, loans, wealth management and credit cards of retail customers, improving the “online + offline” multi-scenario, omni-channel and collaborative marketing capabilities and promoting the construction of a service system centered on customer payment settlement, scenario application, consumer investment and asset management.

### **5.3.2.1 Personal Deposits**

The Bank adhered to an approach centered on customer operation and strived to create a high quality retail banking system with rapid development, it took various measures to meet diversified financial demands of customers and promoted the steady growth of personal savings deposits. On one hand, the Bank strived to promote the transformation and upgrading of outlets and focused on five major tasks, namely technology replacement, process reengineering, organizational transformation, outlet environment reformation, and service quality management, thereby realizing the transformation of outlets from operation-oriented to a trinity of marketing, service and operation and improving customer satisfaction with our services. On the other hand, the Bank vigorously promoted the construction of two systems, one system concerns the operation of differentiated and professional wealth management client and the other involves the operation of mass financial client. By creating a professional marketing team, enriching the product system, strengthening financial technology innovation, promoting scenario construction and other measures, the Bank carried out refined management and precise marketing for high-quality customer groups at all levels, which helped to drive the continued growth in deposits. As at 31 December 2019, the balance of our personal deposits amounted to RMB212.101 billion, representing an increase of RMB53.087 billion or 33.39% compared to the end of the previous year, of which the balance in Shenyang area amounted to RMB159.491 billion, representing 18.9% of the balance of all banking institutions in Shenyang city. The increase in our deposits amounted to RMB27.952 billion, representing a share of 26.77% of the total increase of all banking institutions in Shenyang city. Both the balance of and increase in our personal deposits ranked the first in Shenyang city.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **5.3.2.2 Personal Loans**

The Bank accelerated the transformation of retail strategy and improved the construction of personal loan organization structure, process channels, and risk control systems around the product mix featuring consumption and business types. It continued to improve the personal loan operation capability for the purpose of constantly meeting the product needs of individual customers and ensuring the healthy and sustainable business development. Personal loans (including mortgage loans, personal consumption loans, credit cards, personal business loans and other personal loans) increased by RMB32.060 billion or 125.96% to RMB57.512 billion as compared to that of the end of the previous year, of which personal housing mortgage loans increased by RMB15.218 billion to RMB36.041 billion compared to that of the end of the previous year; the overdraft balance of credit cards increased by RMB276.9 million to RMB356.8 million as compared to the end of the previous year.

### **5.3.2.3 Bank Cards**

The Bank continued to optimize the service functions of bank cards and steadily promoted the construction of payment scenarios. By providing mobile convenience payments around multiple scenarios such as day-to-day life, campuses, and public transportation, the Bank greatly improved its capabilities in terms of customer acquisition. As at 31 December 2019, the Bank issued 14.8785 million debit cards in total, representing an increase of 2.0191 million compared to that at the beginning of the year, with a total consumption value of RMB45.522 billion.

### **5.3.2.4 Assets Management**

For the asset management business, the Bank established the strategic development goal of “building a leading domestic boutique asset management institution” of, by taking advantage of net-worth transformation of products, focusing on customer needs and actively innovating product series, the Bank further enhanced customer experience. The Bank continued to carry out major asset allocations which further optimized its asset structure. The Bank further enhanced the share of active management and the level of research and development, which effectively strengthened its income generation capacities. The Bank was awarded the “Outstanding Urban Commercial Bank (優秀城商行) for wealth management information registration in 2019” issued by China Banking Wealth Management Registration & Depository Center, thereby enhancing the influence of wealth management brand of Shengjing Bank. As of the end of December 2019, an accumulation of 740 tranches of wealth management products with a total amount of RMB114.763 billion was issued by the Bank, with an existing balance of RMB65.094 billion, representing a year-on-year increase of RMB8.042 billion; an income of RMB589 million was realized from wealth management, representing a year-on-year increase of RMB244 million.





### 5.3.3 Capital and investment banking business

#### 5.3.3.1 Capital business

The Bank has made forward-looking predictions on the market trend and continuously optimized product structure in the financial market. By making full use of the advantage of traditional fix-income business and transforming from held to maturity income to capital gains, the capital income level was materially improved. As at 31 December 2019, the capital business had a scale of RMB498.125 billion, representing a year-on-year decrease of RMB44.866 billion, and achieved a profit before taxation of RMB6.301 billion, representing a year-on-year increase of RMB2.800 billion, showing a significant transformation effect.

##### 1. *Money market transactions*

Money market business as one of the sources of bank liabilities represents to a greater extent the focus of capital operation, i.e., liquidity adjustment and the transfer of liquidity to the inter-bank market. As the management bank of liquidity mutual assistance reserves in Liaoning Province, the Bank was committed to the stable, smooth, and efficient operation of the liquidity mutual assistance mechanism. In 2019, it accepted 415 applications from member banks, with a cumulative capital operation of RMB290.378 billion. As of 31 December 2019, the balance of the Bank's interbank and other financial institutions' deposits and loans and the financial assets sold under repurchase agreements amounted to RMB163.544 billion, accounting for 17.35% of the Bank's total liabilities. The balance of the Bank's interbank deposits and lending and financial assets held under repo agreements was RMB48.017 billion, accounting for 4.70% of the Bank's total assets.

##### 2. *Investment in securities and other financial assets*

The Bank continued to adjust and optimize its business structure, continuously increased the proportion of non-interest income, and promoted the overall and sustainable development of the business. First, the Bank made forward-looking forecast as to the market situation and its ability to engage in active trading was continuously improved, by wave operations, the premium income was greatly enhanced. Secondly, to optimize product structure, the Bank deployed investment in bond-based public-placement fund. As of December 31, 2019, the Bank's investment fund balance was RMB37.493 billion Thirdly, the Bank actively developed the inter-bank market business to increase its vitality and influence. The Bank was awarded the Core Dealer in Interbank Local Currency Market, the X-Bond and X-Repo Innovation Award for Trading Mechanism in 2019. Fourthly, the Bank strengthened the underwriting and distribution of policy-oriented financial bonds in the primary market, and strengthened the business cooperation while expanding the source of income from intermediate business. In 2019, the total amount of underwritten bonds was RMB56.43 billion, representing a year-on-year increase of RMB14.81 billion.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **5.3.3.2 Investment banking business**

During the Reporting Period, the Bank steadily promoted the restructuring of our investment banking business, continued to strengthen the construction of our business platform system, actively expand our revenue sources, and succeed in carrying out underwriting business through the Beijing Financial Assets Exchange, which filled the gap in our asset-backed products underwriting business. As the leading bank and correspondent bank for the first time, the Bank completed the lending of syndicated loans to strategic customers, thereby realizing the transformation to a diversified profit model and steadily increasing its operating performance.

### **5.3.4 Specialised institutions and subsidiaries**

#### **5.3.4.1 Financial service center for Small Businesses**

The financial service center for small businesses of the Bank actively responds to the call of the State and the regulators by attaching great importance to the financial services for small and micro enterprises and implementing various inclusive financial policies. The Bank strengthened responsibilities and implemented the concept of inclusive financial services. It faithfully positioned itself as a bank in the market which “serves the local economy, small and micro businesses, as well as urban and rural residents” and gave full play to the role of the main force to support development of small and micro enterprises.

The financial service center for small businesses of the Bank continued to innovate ideas and develop markets in its operations, and took various measures to provide financial services to small and micro enterprises, achieving good results. Firstly, it continuously optimized the exclusive credit products for small and micro enterprises, enriched the product sequence to meet the diversified and individualized needs of small and micro enterprises. Secondly, it vigorously carried out “supply chain finance” and enriched the types of collateral, thereby providing professional and accurate services for more high-quality small and micro enterprises on the “chain”. Thirdly, by adhering to compliant operations, strengthening risk management and control, continuously improving the institutional system, it enhanced its abilities to provide financial services for small and micro enterprises. Fourthly, by increasing investment in science and technology and continuously improving the construction of credit management systems for small and micro enterprises, the center, with the comprehensive use of technology, improved the quality and efficiency of the financial services provided for small and micro enterprises.

#### **5.3.4.2 Credit card center**

The credit card center of the Bank made “building a regional high-quality credit card center” as its development goal, by cultivating consumption scenarios and promoting customer segmentation, the center created five major credit card product systems (namely young white-collar, online lifestyle, women fashion, business elite and high-end premium) as well as four major instalment products (namely consumption instalments, scenario instalments, special instalments and cash instalments), thereby providing cardholders with all-round card services that were “convenient, quick and affordable”. In 2019, the credit card center of the Bank actively improved the deployment of card issuance and marketing channel by setting up 12 branch credit card departments in Beijing, Shanghai, Tianjin, Changchun, Shenyang, Dalian and other cities.



During the Reporting Period, the credit card center of the Bank achieved “million card issuance, tens of billions of transactions, and billion-level revenue” by carrying out all-round customer-acquisition operations, realizing a “leapfrog” development. As of 31 December 2019, there were in aggregate 1,103,500 credit cards issued by the Bank, representing an increase of 831,200 cards or 305.25% from the number at the beginning of the year; the aggregated transaction amount reached RMB14.485 billion, which was 3.02 times than that of 2018, and single-month trading volume exceeded RMB2.4 billion; the balance of existing credit card loans amounted to RMB3.568 billion, representing an increase of RMB2.769 billion or 346.20% from that at the beginning of the year.

#### **5.3.4.3 Shengjing Bank Consumer Finance Co., Ltd.**

Shengjing Bank Consumer Finance Co., Ltd. was the first consumer financial company established by the Bank as major contributor and was approved to start business on February 2016. Shengjing Consumer Finance actively implemented the development strategy of boutique consumer finance, adhered to the basic principles of “compliant operation, inclusive finance, and corporate governance”, and properly managed the coordinated development among efficiency, quality and scale. Shengjing Consumer Finance pursued the management objectives of “first-class return on assets, first-class customer experience, first-class corporate culture” and built core competitiveness characterized by “high-quality talents, high-tech guidance, and high-level risk control”, thereby gradually building itself into a boutique consumer finance company with sector influence.

As of 31 December 2019, Shengjing Bank Consumer Finance Co., Ltd.’s total assets amounted to RMB3.353 billion, outstanding loan balance amounted to RMB2.939 billion, and accumulate customers served amounted to 1.6551 million. During the Reporting Period, Shengjing Bank Consumer Finance Co., Ltd.’s operating income amounted to RMB338 million, profit before provision amounted to RMB68.3723 million, and non-performing loan ratio was 0.24%.

#### **5.3.4.4 Village and town banks**

As of the end of Reporting Period, the Bank as the principal contributor jointly establish six Fumin Village Banks, four of which are located in Shenyang City in Liaoning Province, being Shenyang Shenbei Fumin Rural Bank, Shenyang Xinmin Fumin Village Bank, Shenyang Faku Fumin Rural Bank, Shenyang Liaozhong Fumin Village Bank; the other two being Ningbo Jiangbei Fumin Rural Bank in Ningbo, Zhejiang Province and Shanghai Baoshan Fumin Rural Bank in Shanghai. All six Fumin Village Banks are independent legal entities.

The Fumin Village Banks established by the Bank actively implemented the Bank’s overall development strategy, faithfully fulfilled their social responsibilities, and adhered to the business philosophy of “supporting agriculture, rural areas and farmers”. With a market positioning of “serving agriculture, rural areas and farmers and supporting small and micro enterprises by keeping a foothold in villages and towns”, such village and town banks provided services to small and micro enterprises in counties and market-oriented rural households. Financial services were provided to customers by using small-sum credit products, thereby actively promoting the operation and development of Fumin Village Bank.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.3.5 Distribution Channels

#### 5.3.5.1 Physical Outlets

The Bank continued to accelerate the transformation and upgrading of outlets, promoted the reasonable layout of outlets throughout the Bank, as a result, the coverage of institutional outlet services continued to expand, and regional influence continued to increase. As at 31 December 2019, the Bank had established 206 outlet networks, including one head office, three branch-level specialised institutions, 18 branches, 177 traditional sub-branches, and 7 small sub-branches. Most of the operating institutions are located in developed regions such as Northeast China, the Bohai Rim and the Yangtze River Delta Economic Zone, thereby forming a development landscape of “One Headquarters and Two Centers” with huge room for market development.

#### 5.3.5.2 Self-service Banking

The Bank established a relatively complete intelligent financial service system by accelerating the development of smart outlets. Focus was put on enhancing the popularization and application of smart counter, remote video banking and high-speed cash recycling system, besides, the Bank accelerated the replacement of system functions and realized upgrading of various financial and non-financial personal business functions, thereby continuously improving the service capabilities of self-service equipment as well as customer experience. As of 31 December 2019, the Bank owned 1,692 self-service facilities, including cash recycling systems, inquiry and payment machines, mobile card activating machines, VTMs, smart counters, high-speed cash recycling systems, interactive desktops and other advanced self-service facilities.

#### 5.3.5.3 Electronic Banking

##### 1. Online banking

The Bank adhered to the principle of customer first and meeting customers' preference and pushed forward function upgrading of mobile banking and online banking, which resulted in enhanced customer experience and steady increment in customer access and trading volume. In response to the demands of corporate customers, the Bank continued enhancing its online corporate capital services and actively improved the settlement efficiency and the comprehensive services. As of 31 December 2019, the Bank had a total of 32,100 online banking corporate customers, representing an increase of 38% compared to that at the end of the previous year; the number of transactions reached to 1,447,100, and the Bank's accumulated transaction amount reached to RMB2,164.946 billion. The Bank continued to improve the function, service and experience of its online banking by focusing on differentiated needs in terms of, amongst others, payment limit and security verification methods among different customer groups and provided convenient and secure online services to its customers. As of 31 December 2019, there were a total of 583,600 personal online banking customers, representing an increase of 24% from that at the end of the year. There were 982,400 transactions and an accumulated transaction value of RMB34.710 billion.



## 2. *Mobile Banking*

To meet customers' needs for using financial services anytime and anywhere, the Bank, by adhering to the principle of being convenient, intelligent and secure, focused on upgrading the mobile end application services represented by the new-version mobile banking, with a focus on mobile internet. The Bank continued to improve the functions of mobile banking services and facilitated the online mobile integration between the financial and non-financial eco-line by continuing to expand financial and day-to-day life scenarios for its customers in terms of wealth management, payment clearance and settlement and convenience payment. As of 31 December 2019, there were a total of 1.8784 million mobile banking customers, with an accumulated transaction amount of RMB47.160 billion in 2019, representing an increase of 130% over the same period of the previous year; the number of transactions reached to 5.1353 million, representing an increase of 92% over the same period of the previous year.

### **5.3.6 Information Technology and R&D**

During the Reporting Period, the Bank, guided by the business philosophy of “developing the Bank through deposits, compliance, talents, and technology”, unswervingly implemented fintech development strategy by focusing on mature technologies such as big data, artificial intelligence and cloud computing. To respond to new market challenges and new technological risks, the Bank also accelerated innovation of network financial business and sped up integration of platform scenarios.

Firstly, the Bank implemented the organizational reform for the information technology department and further improved the management structure. It also introduced technical personnel in key areas such as big data and information security. Secondly, the Bank completed the upgrade planning for information system structure and work plan for the implementation route for the purpose of handling technical bottlenecks with technology structure transformation. Thirdly, the Bank introduced “cloud platform” technology, thereby forming a hybrid service structure comprised of “cloud platform + traditional platform”, which provide flexible support for the rapid iteration of information systems. Fourthly, the Bank completed the framework optimization and equipment upgrades for core business system and increased the efficiency of EOD by 100%. Fifthly, the Bank strengthened the management of information security. It completed system construction, including, amongst others, biometrics and security center, which further enhanced the prevention and control efforts in terms of information security. Sixthly, the Bank rapidly responded to business needs by putting into service 14 information systems (such as Enterprise Service Bus (ESB), integrated counter service platform, and new mobile banking) and 423 business needs, with a year-on-year increase of 183.11% in terms of number.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.4 RISK MANAGEMENT

In 2019, the international economic environment was complicated and the Sino-US trade friction continued to disrupt the international financial market. The domestic economy operated with “three-phase superposition”, and downward pressure continued to increase. “Black Swan” events broke the defaults in the industry and promoted separation of credit in the financial market, increasing risk aversion. With further strengthening of financial macro and micro prudential supervision, commercial banks, especially small and medium-sized commercial banks, were subject to multiple internal and external pressures and challenges, and risk management became more important to the security attributes of the operating development of commercial banks. Facing the complicated and ever-changing market environment under the new normal, the Bank intended to continue our strategic transformation by taking “being a sound bank” as our strategic vision, placing our risk prevention and control at the forefront, establishing the value creation concept of risk management, and attaching great importance to risk. The Bank prevented and controlled the risk management system, reinvented the risk management system, improved the risk management system, strengthened the management and control of credit risk, improved the risk management technology tools, promoted the construction of risk management personnel, cultivated risk management culture, and promoted the transformation and upgrade of the entire risk management of Shengjing Bank, on the basis of effective control of risks, providing robust support and protection for business operation and development.

#### 5.4.1 Credit Risk Management

Credit risk occurs when customers or counterparties are unable or unwilling to perform their obligations to the Bank. The credit risk exposure of the Bank mainly exists in the credit business and treasury business.

During the Reporting Period, in the face of a complex situation where external risks and challenges escalated significantly, the Bank unswervingly pushed forward structural adjustment, adhered to the business strategy of “strengthening internal operation and management and building a positive market image externally”, and established a credit risk management system with independent functions and mutual checks and balances with the business philosophy of “taking compliance as the key foundation of the Bank”.

Firstly, we set up a risk management committee under senior management to comprehensively manage credit review and credit risk management. Based on the principle of hierarchical and classified management, the Bank implemented unified credit management, and formulated the annual credit management policy to guide the standardized operation of credit business of the Bank, achieving coordinated development in terms of quality, scale and efficiency. Secondly, we continued to improve the credit management mechanism and system. Guided by regulatory policy, we focused on refined management and as guided by forward-looking policy analysis, and under the comprehensive risk management framework, we comprehensively reviewed and re-examined the relevant systems and arrangements on credit management, introduced risk management systems and processes covering key areas and important sections, and continuously improved the quality of credit management. Thirdly, we deepened the customer development of “high quality customers in high quality industries and mainstream customers in mainstream industries”, with outstanding results in optimization of asset structure. The Bank deeply cultivated quality industries and customers, resolutely returned to its roots, based ourselves upon local area, and dig into regional superior resources. We continued to deepen the full-chain financial cooperation with strategic and quality customers, enriched cooperation models and products, and continued to improve financial service levels and added value. Fourthly, the stock assets were effectively consolidated. The Bank took the maximum protection of rights and interests as the starting point, and focused on reduction and consolidation. The head office and branches took joint action to prudently find out the real situation, focused on tackling problems, implemented policies



based on situation, adapted measures to local conditions, and implemented measures step by step. We took multiple measures to promote risk resolution and disposal, and effectively consolidated the quality of stock assets.

### **5.4.2 Operational Risk Management**

Operational risk refers to the risk of loss caused by inadequate or problematic internal procedures, personnel and information technology systems as well as external events.

The Bank constructed the operational risk governance structure by following the principle of “Three Lines of Defense”, relevant departments were responsible for the “Three Lines of Defense” of operational risk management in accordance with their management functions, forming an operational risk management system that is closely linked and balanced.

During the Reporting Period, the Bank continued to improve operational risk management and control in terms of system, processes, systems, and personnel management, strengthened operational risk investigation, and controlled operational risks to a reasonable level. Firstly, we continued to improve the system construction and strengthen the process combing to form a working system with mutual supervision and balances which enhance the implementation of the system. Secondly, the Bank improved the system construction and business management capabilities. The Bank continued to shift to online and automated processes in terms of business processing systems, business monitoring systems, and system maintenance and management, reducing manual processing processes to reduce operational risks. Thirdly, the Bank continued to conduct operational risk assessments. The Bank conducted operational risk identification, assessment, control, mitigation, and reporting in accordance with the operational risk management process of the Bank, incorporated operational risk management into performance reviews to effectively prevent potential operational risk. Fourthly, the Bank continued to strengthen awareness of operational risks. The Bank strengthened working skills training, and focused on training to prevent risk points and violations that are prone to trigger during the operation process, and enhance working skills, professional ethics and professional conduct of staff. Fifthly, the Bank stepped up its investigation of operational risks. The Bank paid attention to the weak links where case risks were prone to occur, conducted various special risk investigations to prevent business operation risks and moral risks, and further prevent cases from occurring.

### **5.4.3 Market Risk Management**

Market risks refer to the risk of losses that may be suffered by the Bank’s on/off-balance sheet business as a result of unfavourable changes in market price, including interest rate, exchange rate, stock price and commodity price. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. Market risks referred to in this section refer to market risk other than the banking book interest rate risk (for the banking book interest rate risk, please refer to “5.4.10 Banking Book Interest Rate Risk Management” below).

The market risk management of the Bank aimed to control market risks within a reasonable and affordable range to maximize the overall benefits of the Bank after risk adjustment. The Bank adopted market risk measurement methods such as mark-to-market analysis, basis point value method, value-at-risk method, sensitivity analysis method, gap analysis method and foreign exchange exposure analysis, and adopted limit management, hedging risk exposure and other measures to control market risk.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Bank continued to enrich the methods of market risk identification, measurement, monitoring and control to improve the level of market risk management. Firstly, the Bank strengthened the use of risk measurement tools, carried out quantitative management on market risks through management tools of risk measurement such as sensitivity analysis, duration, and Value at Risk (VaR). Secondly, we have improved the limit management and early warning to promptly alert market risks, monitor the implementation of market risk limit of trading accounts on a daily basis and carry out market revaluation, strictly implement the risk warning alerts and stop-loss limit to ensure the market risk is stable and controllable. Thirdly, we conducted regular stress tests to assess the damage caused to the Bank by extremely adverse scenarios, conduct post-event tests against stress tests, and evaluate and improve the measurement models based on the test results to improve the timeliness and effectiveness of market risk monitoring.

### 5.4.4 Liquidity Risk Management

Liquidity risk refers to the risk of failure to timely obtain adequate funds at a reasonable cost to repay debts when due, perform other payment obligations, or satisfy other capital needs in the ordinary course of business.

The liquidity risk management of the Bank aimed to identify, measure, monitor and control liquidity risks by establishing a scientific and complete liquidity risk management system based on economic and financial conditions, regulatory requirements and market changes to ensure the liquidity needs can be met in a timely manner and at a reasonable cost, and to ensure overall liquidity safety and compliance with various liquidity supervision indicators.

During the Reporting Period, the Bank thoroughly implemented the national macro-control policies and implemented a prudent and sound liquidity risk management strategy. The Bank strictly implemented the supervision policy of “focusing on the main business and returning to its roots”, insisting on business transformation, innovation-driven growth and technology empowerment, adhering to the principle of “taking deposits as the key foundation and driver of the Bank”, continuously increased the absorption of core liabilities such as general deposits, reasonably allocated the reserve scale of high-quality liquidity assets, optimized the term structure of assets and liabilities, and gradually built a “fortress-style” balance sheet to improve liquidity risk prevention and control capabilities. Meanwhile, the Bank continued to enrich the measures and methods of liquidity risk management to improve the refining level of liquidity risk management. Firstly, the Bank improved its liquidity risk management system and mechanism and implemented an independent treasury system to separate liquidity risk management from business operations. Secondly, the Bank strengthened the monitoring of liquidity indicators and limit management, implemented real-time monitoring of large capital transactions and changes in positions, and scientifically placed liquidity gaps in various periods to ensure that liquidity supervision indicators continued to meet standards. Thirdly, the Bank optimized the construction of the liquidity risk management information system and improved the level of liquidity risk identification, measurement and monitoring through the support of automation, informatization and digital systems. Fourthly, the Bank conducted stress tests on a regular basis, analyzed liquidity conditions under stress conditions through multi-dimensional scenario settings, and formulated liquidity risk prevention measures to guide actual liquidity risk management. Fifthly, the Bank improved the forward-looking and predictive nature of liquidity risk management, established a liquidity mutual assistance mechanisms with state-owned banks and intra-region corporate banks, and established a liquidity reserve mechanism in cooperation with excellent joint-stock banks to ensure that liquidity needs can be met in a timely manner and reasonable cost.





### 5.4.5 Information Technology Risk Management

Information technology risk refers to the risk that may occur to the Bank's operation, reputation or legal compliance in the process of applying information technology due to factors such as natural factors, human factors, technological limitations and management inadequacy.

During the Reporting Period, the Bank fully implemented the requirements of national competent and regulatory authorities on information technology risk management, and continuously strengthened its ability to prevent and control information technology risks. Firstly, the Bank actively made use of advanced and mature security technologies and products to complete the system construction of biometrics, security management centers, virtualized anti-virus platforms, and automated data desensitization to comprehensively improve protection efforts for customer safety, operation and maintenance security, and development security. Secondly, the Bank engaged third-party evaluation companies to carry out security evaluation, penetration testing, risk evaluation, level protection evaluation, phishing website detection, and website monitoring on the information system. Thirdly, the Bank regularly organized comprehensive or special risk inspections. During the Reporting Period, more than 80 early warning investigations of system vulnerabilities were carried out, 14 special inspections such as electronic banking system, data security, and Internet service verification were conducted, and comprehensive risk investigations were conducted 6 times, which effectively promoted the continuous improvement of information technology risk management capabilities.

### 5.4.6 Reputational Risk Management

Reputational risk refers to the risk that may cause negative comments on the Bank from the stakeholders due to the acts relating to the Bank's operation, management and other aspects or other external incidents.

The Bank incorporated reputational risk management into its comprehensive risk management system. During the Reporting Period, the Bank continued to strengthen reputational risk management and proactively and effectively prevent reputational risk. Firstly, the Bank strengthened internal management and further optimized management processes to effectively realize the identification, monitoring, control and resolution of reputational risks. Secondly, the Bank comprehensively improved the quality and effectiveness of public opinion monitoring, and established a special public opinion monitoring mechanism for important public opinion information to properly respond to various types of public opinion information. Thirdly, the Bank cultivated a reputational risk management culture, conducted management training on the public opinion environment, media response, etc. to improve the awareness on prevention and control of reputational risk and response capabilities of employees. Fourthly, the Bank earnestly carried out corporate brand image construction, adopted flexible and diverse publicity strategies, innovated publicity forms, effectively integrated diversified media resources to comprehensively enhance brand image and market influence.

### 5.4.7 Compliance Risk Management

Compliance risk refers to the risk of suffering from legal sanction, regulatory punishment, significant financial loss or reputation loss due to failure to comply with relevant laws, rules and codes of conduct.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Bank's compliance management objective is to achieve effective identification and management of compliance risks by establishing and improving a compliance management system which is compatible with the Bank's development strategy and organizational structure, and to apply effective control measures to provide guarantee for compliance operations. During the Reporting Period, the Bank adhered to a "high standard and zero tolerance" attitude towards compliance risks, conducted various business management activities in compliance, prevented potential compliance risks, effectively implemented the compliance management policy of "regulated behaviour, strong inspection, effective mechanism, and proper monitoring". Firstly, the Bank continuously improved the compliance risk management system. The Bank strictly implemented the compliance risk management policy of the Bank, deepened the philosophy of "taking compliance as the key foundation of the Bank", adhered to compliance operation and bottom line thinking, implemented construction of whole process compliance mechanism, and effectively improved the quality and effectiveness of compliance management. Secondly, the Bank strengthened its compliance risk prevention capabilities. The Bank effectively carried out system evaluation work, strengthened pre-argument of research and development of new business and new product, and improved compliance management functions such as compliance audit, compliance inspection, assessment and evaluation to achieve effective identification, monitoring, evaluation, management and reporting of compliance risks. Thirdly, the Bank deepened the construction of compliance culture. The Bank conducted compliance culture education and publicity through various forms such as "Compliance Lecture by President", "Compliance Lecture", compliance sub-portal website, and compliance management competition to enhance the awareness of active compliance of all employees and form a compliance cultural atmosphere of "prohibited from breaching the rules, not daring to breach the rules and unwilling to breach the rules".

### 5.4.8 Money Laundering Risk

The Bank actively built a money laundering risk management culture, promoted all employees to establish awareness of money laundering risk management, and created an anti-money laundering work environment with active management and compliance management.

During the Reporting Period, the Bank continued to deepen the management of money laundering risk, and the overall level of anti-money laundering work of the Bank improved steadily. Firstly, the Bank strengthened the construction of the anti-money laundering system, continued the "internalization of external regulations" to the system. The Bank thoroughly implemented various anti-money laundering laws and regulations to effectively improve the money laundering risk management and control capabilities of the Bank. Secondly, the Bank enhanced the effectiveness of supervision and inspection. The Bank stepped up the effort in inspections, supervised and inspected various anti-money laundering businesses, discovered problems in a timely manner, and supervised the timely rectification of the same to improve the performance of the entire bank. Thirdly, the Bank continuously improved its technological support. The Bank has continuously optimized the construction of anti-money laundering systems and core business system, improved technical means, and enhanced the efficiency of anti-money laundering work. Fourthly, the Bank further promoted the maintenance of customer information. The Bank adopted targeted control measures to improve the integrity and authenticity of customer information. Fifthly, the Bank actively organized anti-money laundering training. The Bank innovated training methods, broadened the scope of training to effectively improve the performance of all its personnel. Sixthly, the Bank actively carried out anti-money laundering publicity activities. The Bank further promoted the effectiveness of illegal fundraising and crime crackdown by carrying out extensive anti-money laundering publicity activities of various forms to further improve the people's understanding of anti-money laundering work, and jointly create a good anti-money laundering social atmosphere.



### 5.4.9 Country-specific Risk Management

Country-specific risks represent the risks of economic, political and social changes and developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfil their obligations to banking financial institutions, or incur loss to commercial presences of banking financial institutions in that country or region, or other loss to banking financial institutions.

During the Reporting Period, in accordance with the requirements of CBIRC, the Bank integrated country-specific risks management into the comprehensive risk management system, and established a country-specific risks management system that was compatible with the strategic objectives of the Bank, scale of exposure and complexity of country-specific risks and conducted a series of effective work in identifying, measuring, monitoring and controlling country-specific risks. The Bank conducted real-time monitoring of the country-specific risks involved in its own business and implemented full process control, and established a quarterly accrual system for country-specific risk reserves. For overseas debt-based businesses, after fully considering the risk transfer and risk mitigation factors, the Bank accrued the corresponding country-specific risk reserve according to classification of countries and regions and accounted the same as part of the Bank's asset impairment provision.

### 5.4.10 Bank Booking Interest Rate Risk Management Management

Banking book interest rate risk refers to the adverse changes in the level of interest rate, term structure and other factors which lead to loss on the economic value and overall revenue of banking books, include gap risk, benchmark risk and optional risk. Among which, gap risk is the main interest rate risk faced by the Bank.

The banking book interest rate risk management of the Bank aimed to establish a sound interest rate risk management system. Based on the risk management capabilities, risk appetite and risk tolerance of the Bank, the Bank effectively identified, measured, monitored and controlled interest rate risk in banking books, controlled interest rate risk at a reasonable level, and maximized the comprehensive income after risk adjustment. The Bank mainly adopted various methods such as gap analysis, scenario simulation and stress testing to measure, monitor and analyze interest rate risk in bank accounts.

During the Reporting Period, the monetary policy continued to remain stable. The PBOC used a variety of monetary policy instruments to maintain a reasonable and adequate liquidity and to guide the overall decline in market interest rates. At the same time, the Bank has accelerated the marketization process of interest rates, optimized and improved the LPR pricing mechanism, and unblocked the monetary policy transmission mechanism, aiming to reduce the financing cost of the real economy, especially small and micro enterprises. In order to effectively reduce the impact of the downward interest rate on the Bank's current profit and loss and economic value, the Bank paid close attention to changes in the external market environment of interest rate, continued to strengthen management and monitoring and analysis of interest rate risk limits on bank accounts, and regularly monitored changes in the repricing gap in bank accounts and benchmark risk levels, issued early warnings on interest rate risk issues in a timely manner to improve the timeliness and effectiveness of interest rate risk monitoring of bank accounts. The Bank also improved the bank account interest rate risk management system and enriched the scenario setting and measurement methods for the stress test of bank account interest rate risk. Based on changes in the market environment and the business development strategy of the Bank, the Bank adjusted the asset-liability business repricing cycle and fixed-floating interest rate types according to the target gap, and proactively prolonged the repricing cycle of asset business. The Bank adjusted internal fund transfer pricing (FTP) to optimize the repricing term structure of its liability business, continued to implement proactive forward-looking management to the bank account interest rate risk, and effectively managed the interest rate risk of the Bank during the decline period of market interest rate.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 5.5 ENVIRONMENTAL OUTLOOK AND DEVELOPMENT STRATEGY

In 2019, facing the impact of protectionism and unilateralism, developed and emerging market economies generally maintained loose monetary policies. At the beginning of 2020, with the spread of the COVID-19 epidemic to the major economies around the world, monetary easing policies in various countries will further accelerate. Although domestic economic development faces multiple uncertainties, with the effective control of the epidemic in the PRC, the process of resuming production and restarting work of large, medium and small enterprises has been accelerated, and countercyclical economic adjustment policies have been gradually implemented, and the long-term positive trend of economic development in the PRC remained unchanged.

As the domestic economy shifted from a high-speed growth stage to a high-quality development stage, the structural reform of the financial supply side has gradually deepened, and it was imperative to promote high-quality development of financial industry. The financial industry will gradually form a financial product system that serves the needs of the real economy and the people's lives. With the opening up of the banking industry, intensifying inter-bank competition and the implementation of LPR, the profitability, management capacity and innovation capacity of banks were facing tests. The domestic banking industry shall insist on returning to its roots, taking the service of real economy as the starting point and end point, consolidate the customer base, innovate financial products, optimize business structure, focus on technological empowerment, effectively eliminate risks, strengthen asset management, improve the level of refined management, and achieve positive interaction with real economy.

In 2020, the Bank will continue to adhere to its four business orientations of "developing the Bank through deposits, compliance, talents, and technology", to comprehensively establish the development concept, consolidating the foundation and strengthening capacity, optimize the structure to lay a solid foundation for building a "sound bank" in the new era. Firstly, the Bank will further promote structural adjustment and business transformation. The Bank actively builds a market-driven business model of product pull, public-private linkage, online-offline, internal and external drive, and strives to promote the optimization of customer structure and quality, as well as the continued growth of core liabilities. We create a professional and distinctive competitive advantage for the business of the Company, strengthen comprehensive customer marketing and flexible use of products, and build an industry-based, distinctive and valuable integrated corporate bank. We promote the implementation of the "big retail" transformation strategy, accelerate the construction of wealth management systems and retail credit systems to expand new business development and growth point. The Bank comprehensively promote the development of financial market business, further increased the added value of business and expand diversified profit channels. Secondly, the Bank will strengthen the overall management of assets and liabilities. The Bank will focus on exploring the connotative development path of low capital consumption and high use efficiency, and strengthen the rationally matching of endogenous capital and risk-weighted assets. The Bank scientifically plan the structure of its liability to ensure that the Bank's liquidity is reasonable and sufficient. We will strengthen capital pricing management, further establish a pricing method that can adapt to market changes, reflect risk appetite, and balance cost-benefit to improve the level of refined management. Thirdly, we further enhance risk prevention and resilience. We promote the construction of a comprehensive risk management system, improve the risks control system, improve the reporting mechanism of the risk director, strengthen unified credit management, and effectively improve risk prevention and resistance capabilities. The Bank will take various measures to accelerate the collection of troubled assets and effectively reduce risk exposure. The Bank firmly established the concept of "taking compliance as the key foundation of the Bank" to improve the management system and organizational structure of the compliance system, and ensure compliance with laws and regulations. Fourthly, the Bank will further promote the reform of the institutional mechanism. The Bank will actively promote the reform of the remuneration system, establish an incentive and restraint mechanism that better meets the Bank's strategic transformation and business



development needs, recognize and motivate employees to create performance to the greatest extent, and fully releases the productivity of the Bank. We adhere to the market-oriented human resources allocation mechanism, focus on external introduction and internal nurturing of talents, and form a talent team with reasonable allocation, outstanding professionalism, and orderly competition. Fifthly, the Bank will strengthen its technological support capabilities. We will reshape the information system structure, strengthen information technology management, and build a scientific and modern operating system. Sixthly, the Bank will intensify the supply-side structural reform of financial support, improve the accuracy and effectiveness of financial services, and practice social responsibility for financial inclusion.

In line with the overall direction of high-quality development of the banking industry, the Bank will revolve around the development vision of “being a sound bank”, unswervingly strengthen the construction of market-oriented systems and mechanisms, innovate to drive the leapfrog development of each business, and taking people-orientation as the first factor to activate productivity, and becoming a sound bank in new era with efficient operating mechanism, strong profitability and excellent reputation.



## SIGNIFICANT EVENTS

### RELATED PARTY TRANSACTIONS

No material related party transaction that has adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

### MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

### PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the China Securities Regulatory Commission (the "CSRC") or the CBIRC, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

### ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank did not conduct any acquisition and disposal of assets or any business merger.

### REPAYMENT OF THE RELEVANT RECEIVABLES BY SHENYANG HENGXIN

Reference is made to pages 164 to 165 of the prospectus of the Bank dated 15 December 2014 (the "Prospectus") in connection with the global offering of H Shares. As disclosed in the Prospectus, on 8 October 2014, Shenyang Hengxin undertook to the Bank that, among others, it will use the proceeds from disposing of the Shares it held to repay the outstanding balance of a loan in the amount of RMB1,723 million (such loan is classified as "Other Receivables" as the loan is interest-free) (the "Relevant Receivables") owed by Shenyang City Infrastructure Construction Investment Development Co., Ltd. (瀋陽市城市基礎設施建設投資發展有限公司) ("Shenyang City Construction") in full within two years from the date on which the H Shares first commenced trading on the Hong Kong Stock Exchange.

Reference is also made to (i) the circular of the Bank dated 5 August 2015 in relation to the proposed plan for the A Share Offering; and (ii) the announcements of the Bank dated 5 July 2015, 27 August 2015, 27 November 2015 and 30 November 2015 in relation to, among other things, the A Share Offering. As confirmed by the Bank's PRC legal advisers, pursuant to the relevant PRC laws and regulations as well as the regulatory requirements of the CSRC and the relevant stock exchange, Shenyang Hengxin, as a major holder of Domestic Shares, is not allowed to dispose of any Domestic Shares held by it before completion of the A Share Offering. In addition, the Domestic Shares held by Shenyang Hengxin will be subject to lock-up for 36 months from completion of the A Share Offering (the "Lock-up Period"). After negotiation among the Bank, Shenyang City Construction and Shenyang Hengxin regarding repayment of the outstanding balance of the Relevant Receivables, on 11 November 2016, Shenyang Hengxin provided a supplemental undertaking to the Bank that: (i) Shenyang Hengxin will continue to perform its obligations (including using the proceeds from disposal of a portion of the Shares it held to repay the outstanding balance of the Relevant Receivables) to repay the outstanding balance of the Relevant Receivables in full within 24 months from the expiry of the Lock-up Period; and (ii) without the Bank's written consent, Shenyang Hengxin will not dispose of any Shares it held, nor will it pledge or transfer any or all of such Shares or create any encumbrances on such Shares prior to the full repayment of the outstanding balance of the Relevant Receivables.

Reference is further made to (i) the announcement of the Bank dated 31 March 2017 in relation to the withdrawal of its A-share listing application; and (ii) the announcement of the Bank dated 13 April 2017 in relation to the repayment of the Relevant Receivables by Shenyang Hengxin. The Bank and Shenyang Hengxin have been proactively pushing forward the relevant work related to the repayment of the Relevant Receivables, including but not limited to, going through the relevant approval procedures in accordance with the applicable PRC laws and regulations, with a view to implement the repayment of the Relevant Receivables.

As at the end of the Reporting Period, the outstanding balance of the Relevant Receivables was approximately RMB654 million, and the balance of the impairment provision was RMB286 million.

## **CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Reference is made to announcement of the Bank dated 25 October 2019. The principal place of business of the Bank in Hong Kong has been changed to Unit 4105, 41/F, Office Tower Convention Plaza, No.1 Harbour Road, Wanchai, Hong Kong, effective on 25 October 2019.

## **AMENDMENTS TO ARTICLES OF ASSOCIATION**

Reference is made to the announcement of the Bank dated 22 February 2019 in relation to, among other things, the resolution on the approval of the amendments to the Articles of Association by Shareholders at the 2019 first extraordinary general meeting of the Bank. The said amendments to the Articles of Association are subject to approval of the CBIRC Liaoning Bureau.



## SIGNIFICANT EVENTS

### ISSUANCE AND LISTING OF SECURITIES AND FUND RAISING PLAN

Reference is made to the announcement of the Bank dated 22 April 2019. The Bank convened a Board meeting on 19 April 2019 at which the Board resolved to conduct a proposed capital increase by way of issuing new shares in order to replenish its core capital base and has preliminarily decided to conduct a rights issue on a pro rata basis to its existing Shareholders.

Reference is made to the announcement of the Bank dated 17 May 2019. The Bank has decided not to proceed with the rights issue Plan and was in discussion with potential investors on issue of Domestic Shares and H Shares to them, in order to strengthen its capital base and support its future development.

Reference is made to the announcement of the Bank dated 20 June 2019. On 20 June 2019, Evergrande Group (Nan Chang) Co., Ltd. ("Evergrande Nan Chang"), a wholly-owned subsidiary of China Evergrande Group, and the Bank entered into a Domestic Share subscription agreement, pursuant to which, Evergrande Nan Chang has conditionally agreed to subscribe for, and the Bank has conditionally agreed to issue and allot, 2,200,000,000 Domestic Shares with a par value of RMB1.00 each and an aggregate nominal value of RMB2,200,000,000 at RMB6.00 per Domestic Share. Before the completion of the proposed subscription and issuance of Domestic Shares, Evergrande Nan Chang held a total of 1,001,680,000 Domestic Shares, representing approximately 17.28% total issued share capital of the Bank and therefore was a connected person of the Bank under Chapter 14A of the Listing Rules. Accordingly, the Proposed Subscription and Issuance of Domestic Shares constitutes a connected transaction of the Bank and is subject to the reporting, announcement and Independent Shareholders' approval requirements. Under Rule 26.1 of the Takeovers Code, Evergrande Nan Chang would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Bank not already owned or agreed to be acquired by Evergrande Nan Chang or parties acting in concert with it unless the Whitewash Waiver is granted by the Executive and approved by the independent Shareholders with at least 75% of the independent vote at the EGM and Class Meetings pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code. On the same day, the Bank entered into an H share subscription agreement with Zhengbo Holdings Limited ("Zhengbo") and Future Capital Group Limited ("Future Capital"), respectively, pursuant to which, each of Zhengbo and Future Capital has conditionally agreed to subscribe for, and the Bank has conditionally agreed to issue and allot, 400,000,000 H Shares with a par value of RMB1.00 each and an aggregate nominal value of RMB400,000,000 at HK\$6.818182 per H Share (equivalent to approximately RMB6.00 per H Share, based on the median exchange rate announced by the People's Bank of China on the date of the Share Subscription Agreements). The subscription price per Domestic Share and the subscription price per H Share represent a premium of approximately 37.19% to the closing price of HK\$4.97 per H Share as quoted on the Hong Kong Stock Exchange on the last trading date before the entering of the subscription agreement.

Reference is made to the announcement of the Bank dated 16 August 2019, in relation to, among other things, the resolution on the approval of the Proposed Subscription and Issuance of Domestic Shares, the Proposed Subscriptions and Issuance of H Shares and the whitewash waiver to be granted by the Executive by Shareholders at the 2019 second extraordinary general meeting, the 2019 first Domestic Share class meeting and the 2019 H share class meeting. All resolutions proposed at the EGM and the Class Meetings were duly passed by way of poll on 16 August 2019, and part of the condition of the Whitewash Waiver was also fulfilled on the same day.



Reference is made to the announcement of the Bank dated 18 November 2019, CSRC has approved the proposed issuance of no more than 400,000,000 H Shares to Zhengbo and 400,000,000 H Shares to Future Capital by the Bank pursuant to the H Shares Subscription Agreements.

Reference is made to the announcement of the Bank dated 28 November 2019. All conditions in respect of the Share Subscription Agreements as set out in the Circular have been fulfilled (including the approval of the Proposed Subscriptions and Issuance and the shareholder qualification of Evergrande Nan Chang by CBIRC Liaoning Office), and the completion of the Proposed Subscriptions and Issuance took place on 28 November 2019. Pursuant to the Proposed Subscriptions and Issuance, 2,200,000,000 Domestic Shares have been issued to Evergrande Nan Chang on 28 November 2019, 400,000,000 H Shares have been issued to Zhengbo on 28 November 2019 and 400,000,000 H Shares have been issued to Future Capital on 28 November 2019. On the same day, new H Shares allotted and issued by the Bank to the Zhengbo and Future Capital pursuant to the H Shares Subscription Agreements were dealt in and trade on the Main Board of the Hong Kong Stock Exchange.

The net proceeds from the Proposed Subscriptions and Issuance (after deducting all applicable costs and expenses, including legal fees) amounted to approximately RMB18 billion. The net proceeds from the Proposed Subscriptions and Issuance has been utilized entirely in strengthening the Bank's capital foundation to support the ongoing growth of the Bank's business according to the use of proceeds disclosed in the circular issued by the Bank dated 30 July 2019 in relation to, among others, the Proposed Subscriptions and Issuance and the application for the Whitewash Waiver.



## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

At the end of the Reporting Period, the Bank had a total of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares. During the Reporting Period, the Company completed the Proposed Subscription and Issuance of Domestic Shares and H Shares. The changes in total shares and shareholding structure are as follows.

	31 December 2018		Changes during the Reporting Period			31 December 2019	
	Number	Percentage (%)	Issue of new shares	Others	Sub-total	Number	Percentage (%)
1. Shareholding of Domestic Shares legal persons	4,134,189,139	71.32	2,200,000,000	Nil	2,200,000,000	6,334,189,139	72.01
Of which:							
1.1 Shareholding of state-owned legal persons	715,743,100	12.35	Nil	Nil	Nil	715,743,100	8.14
1.2 Shareholding of private legal persons	3,418,446,039	58.97	2,200,000,000	Nil	2,200,000,000	5,618,446,039	63.87
2. Shareholding of Domestic Shares natural persons	121,748,561	2.10	Nil	Nil	Nil	121,748,561	1.38
3. H Shares	1,540,742,500	26.58	800,000,000	Nil	800,000,000	2,340,742,500	26.61
<b>Total</b>	<b>5,796,680,200</b>	<b>100.00</b>	<b>3,000,000,000</b>	<b>Nil</b>	<b>3,000,000,000</b>	<b>8,796,680,200</b>	<b>100.00</b>



## ISSUANCE OF DEBT SECURITIES

### 1. Debt Securities Issued

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB2.2 billion in the national inter-bank bond market on 28 May 2014. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 6.18%. Interest on such bonds shall be paid once per year. The issuer has an redemption option for such bonds, and the Bank exercised the issuer redemption option on 30 May 2019 to redeem all current bonds in a lump sum per face value.

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB10 billion in the national inter-bank bond market on 4 December 2015. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 4.57%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

The Bank issued Tier-two Capital bonds of commercial banks in the aggregate of RMB6 billion on the national inter-bank bond market on 18 December 2017. The term of maturity of such bonds is 10 years. The interest rate is calculated per annum based on fixed interest rate. The coupon rate is interest-bearing fixed rate of 4.90%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem all or part of the current bonds in a lump sum at the face value on the last day of the fifth interest calculating year for such bonds.

The Bank issued 2016 financial fixed rate bonds in the aggregate of RMB5 billion on 26 August 2016 with a term of maturity of 3 years and an annual coupon rate of 3.0%, such bonds has expired on 29 August 2019.

The Bank issued 2016 financial fixed rate bonds in the aggregate of RMB2 billion on 26 August 2016 with a term of maturity of 5 years and an annual coupon rate of 3.10%.

The Bank issued the first tranche of 2018 fixed-rate financial bonds in the aggregate of RMB12 billion on 15 August 2018 with a term of maturity of 3 years and an annual coupon rate of 4.35%.

The Bank issued the second tranche of 2018 fixed-rate financial bonds in the aggregate of RMB8 billion on 25 October 2018 with a term of maturity of 3 years and an annual coupon rate of 4.10%.

The Bank issued the third tranche of 2018 fixed-rate financial bonds in the aggregate of RMB6.9 billion on 26 November 2018 with a term of maturity of 3 years and an annual coupon rate of 3.98%.



## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

### 2. Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2018 second extraordinary general meeting of the Bank held on 17 August 2018 that, subject to necessary approval by the governmental and regulatory authorities, the Bank will issue capital bonds with no fixed term in the aggregate principal amount of up to RMB9 billion to members of the interbank bond market in China. The bonds will have no fixed term, with the date of triggering event being the date of maturity; and the interest rate of the bonds will be determined with reference to the market interest rate. The investors will not be entitled to repurchase the bonds, and the Bank is entitled to redeem all or part of the bonds from the fifth year following the date of issuance. The proceeds from the issuance of the bonds, after deducting issuance expenses, will be used to replenish other Tier-one Capital.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.



## PARTICULARS OF SHAREHOLDINGS

### Particulars of Shareholdings of the top ten Shareholders of Domestic Shares on as at 31 December 2019

At the end of the Reporting Period, the Bank had a total of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares.

No.	Name of Shareholder	Nature of Shareholder	Total number of Shares held	Shareholding percentage (%)	Number of Shares pledged
1	Evergrande Nan Chang	Private	3,201,680,000	36.40	0
2	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. ("Shenyang Hengxin")	State-owned	479,836,334	5.45	0
3	Liaoning Huibao International Investment Group Co., Ltd. ("Huibao International")	Private	400,000,000	4.55	400,000,000
4	Xinhu Zhongbao Co., Ltd. ("Xinhu Zhongbao")	Private	300,000,000	3.41	80,000,000
5	Founder Securities Co., Ltd. ("Founder Securities")	Private	300,000,000	3.41	0
6	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	2.27	0
7	Luenmei Group Co., Ltd (聯美集團有限公司)	Private	200,000,000	2.27	0
8	Shenyang Zhongyou Tianbao (Group) Materials and Equipment Co., Ltd. ("Zhongyou Tianbao")	Private	190,000,000	2.16	0
9	Shenyang Dayang Decoration Engineering Co., Ltd. (瀋陽大洋裝飾工程有限公司)	Private	120,000,000	1.36	59,760,000
10	Shenyang Wuai Industrial Co., Ltd. (瀋陽五愛實業有限公司)	State-owned	118,159,093	1.34	0
<b>Total</b>			<b>5,509,675,427</b>	<b>62.63</b>	<b>539,760,000</b>

Note: Percentage figures in the table have been subject to rounding adjustments. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.



## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

#### 1. Interests of Substantial Domestic Shareholders

As at 31 December 2019, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the Domestic Shares and underlying Shares of the Bank under Divisions 2 and 3 Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Domestic Shares held	Percentage of the total number of Domestic Shares (%)	Percentage of the total share capital of the Bank (%)
China Evergrande Group <sup>(1)</sup>	Interest of a controlled corporation	3,201,680,000 (Long position)	49.49	36.40
Shenyang Hengxin <sup>(2)</sup>	Beneficial owner	479,836,334 (Long position)	7.43	5.45
Shenyang Industrial Investment Development Group Co., Ltd. <sup>(2)</sup>	Interest of a controlled corporation	479,836,334 (Long position)	7.43	5.45
Huibao International <sup>(3)</sup>	Beneficial owner	400,000,000 (Long position)	6.20	4.55
Chenjingyi (Beijing) Cultural Development Co., Ltd. <sup>(3)</sup>	Interest of a controlled corporation	400,000,000 (Long position)	6.20	4.55
Li Yuguo <sup>(3)</sup>	Interest of a controlled corporation	400,000,000 (Long position)	6.20	4.55

*Notes:*

- (1) China Evergrande Group (a Hong Kong listed company registered in the Cayman Islands; Stock Code: 3333) was interested in 3,201,680,000 Domestic Shares, which were held by its indirect wholly-owned subsidiary, Evergrande Nan Chang.
- (2) According to the register of shareholders of the Bank as of 31 December 2019, Shenyang Hengxin held 479,836,334 Domestic Shares. Shenyang Hengxin was wholly owned by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司) is deemed to be interested in the Shares held by Shenyang Hengxin.
- (3) According to the register of shareholders of the Bank as of 31 December 2019, Huibao International held 400,000,000 Domestic Shares. Huibao International was wholly owned by Chenjingyi (Beijing) Cultural Development Co., Ltd., which was in turn controlled by Mr. Li Yuguo (李玉國) as Chenjingyi (Beijing) Cultural Development Co., Ltd. is accustomed to act in accordance with Mr. Li Yuguo's (李玉國) direction pursuant to a shareholding entrustment agreement entered into between Mr. Li Yuguo (李玉國) and Chenjingyi (Beijing) Cultural Development Co., Ltd. By virtue of the SFO, Chenjingyi (Beijing) Cultural Development Co., Ltd. and Li Yuguo (李玉國) are deemed to be interested in the Shares held by Huibao International.



## 2. Interests of Substantial H Shareholders

As at 31 December 2019, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the H Shares and underlying Shares of the Bank under Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H Shares (%)	Percentage of the total share capital of the Bank (%)
Suen Cho Hung, Paul. <sup>(1)</sup>	Interest of a controlled Corporation Beneficial owner	400,000,000 (Long position) 20,898,500 (Long position)	17.98	4.78
Lo Ki Yan, Karen <sup>(2)</sup>	Interest of a controlled corporation Beneficial owner	410,000,000 (Long position) 610,000 (Long position)	17.54	4.67
Cheung Chung Kiu <sup>(3)</sup>	Interest of a controlled corporation Beneficial owner	25,000,000 (Long position) 209,651,500 (Long position)	10.02	2.67
Satinu Resources Group Ltd. <sup>(4)</sup>	Interest of a controlled corporation	204,284,000 (Long position)	8.73	2.32
Luck Extreme Limited <sup>(5)</sup>	Interest of a controlled corporation	197,180,500 (Long position)	8.42	2.24
Chan Hoi Wan <sup>(5)</sup>	Interest of a controlled corporation	197,180,500 (Long position)	8.42	2.24
Lau Luen Hung <sup>(5)</sup>	Interest of a child under 18 or spouse	197,180,500 (Long position)	8.42	2.24
Oshidori International Holdings Limited <sup>(6)</sup>	Interest of a controlled corporation corporation	193,034,000 (Long position)	8.25	2.19
Cheng Yu Tung Family (Holdings II) Limited <sup>(7)</sup>	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Cheng Yu Tung Family (Holdings) Limited <sup>(7)</sup>	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook (Holding) Limited <sup>(7)</sup>	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Capital Limited <sup>(7)</sup>	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Nominee Limited <sup>(7)</sup>	Interest of controlled corporation Beneficial owner	126,941,560 (Long position) 52,576,500 (Long position)	7.67	2.04



## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

*Notes:*

- (1) Zhengbo Holdings Limited held 400,000,000 H Shares of the Bank. Zhengbo Holdings Limited was wholly owned by Suen Cho Hung, Paul. By virtue of the SFO, Suen Cho Hung, Paul is deemed to be interested in the Shares held by Zhengbo Holdings Limited.
- (2) Future Capital Group Limited held 400,000,000 H Shares of the Bank. Future Capital Group Limited was wholly owned by Lo Ki Yan, Karen; Ferrex Holdings Limited held 10,000,000 H Shares of the Bank; Forrex Holdings Limited was owned as to 68.08% by Lo Ki Yan, Karen. By virtue of the SFO, Lo Ki Yan, Karen is deemed to be interested in the Shares held by Future Capital Group Limited and Ferrex Holdings Limited.
- (3) Worthwell Investments held 25,000,000 H Shares of the Bank. Worthwell Investments Limited was wholly owned by Mighty Gain Enterprise Limited; Might Gain Enterprises Limited was wholly owned by C C Land Holdings Limited; C C Land Holdings Limited was held as to 51.97% by Fame Seeker Holdings Limited; Fame Seeker Holdings Limited was wholly owned by Windsor Dynasty Limited; Windsor Dynasty Limited was wholly owned by Cheung Chung Kiu. By virtue of the SFO, Mighty Gain Enterprises Limited, C C Land Holdings Limited, Fame Seeker Holdings Limited, Windsor Dynasty Limited and Cheung Chung Kiu are deemed to be interested in the Shares held by Worthwell Investments Limited.
- (4) Murtsa Capital Limited held 203,676,000 H Shares of the Bank. Murtsa Capital Limited was wholly owned by Satinu Capital (HK) Limited; Satinu Capital (HK) Limited was wholly owned by Satinu Holdings Limited; Satinu Holdings was wholly owned by Satinu Resources Group Ltd. By virtue of the SFO, Satinu Capital (HK) Limited, Satinu Holdings Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Murtsa Capital Limited.  
  
Satinu Markets Limited held 608,000 H Shares of the Bank. Satinu Markets Limited was wholly owned by Satinu Holdings Limited; Satinu Holdings Limited was wholly owned by HEC Securities Company Limited; HEC Securities Company Limited was wholly owned by Satinu Resources Group Ltd. By virtue of SFO, Satinu Holdings Limited, HEC Securities Company Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Satinu Markets Limited.
- (5) Great Captain Limited held 197,180,500 H Shares of the Bank. Great Captain Limited was wholly owned by Perfect Sign Investments Limited; Perfect Sign Investments Limited was wholly owned by Luck Extreme Limited; Luck Extreme Limited was wholly owned by Chan Hoi Wan. By virtue of the SFO, Perfect Sign Investments Limited, Luck Extreme Limited, Chan Hoi Wan and Lau Luen Hung are deemed to be interested in the Shares held by Great Captain Limited.
- (6) Smart Jump Corporation (registered in British Virgin Islands) held 3,034,000 H Shares of the Bank. Smart Jump Corporation (registered in British Virgin Islands) was wholly owned by Smart Jump Corporation (registered in Cayman Islands); Smart Jump Corporation (registered in Cayman Islands) was wholly owned by Smart Jump Corporation (registered in Marshall Islands); Smart Jump Corporation (registered in Marshall Islands) was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Smart Jump Corporation (registered in Cayman Islands), Smart Jump Corporation (registered in Marshall Islands), Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Smart Jump Corporation (registered in British Virgin Islands).





Nu Kenson Limited held 190,000,000 H Shares of the Bank. Nu Kenson Limited was wholly owned by Win Wind International Financial Services Limited; Win Winds International Financial Services Limited was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Win Wind International Financial Services Limited, Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Nu Kenson Limited.

- (7) Acemax Enterprises Limited held 50,776,620 H Shares of the Bank. Acemax Enterprises Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of SFO, Chow Tai Fook Nominee Limited was deemed to be interested in the Shares held by Acemax Enterprises Limited.

Oceanic Fortress Limited holds 76,164,940 H Shares of the Bank. Oceanic Fortress Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Oceanic Fortress Limited.

Chow Tai Fook Nominee Limited held 52,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was held as to 99.80% by Chow Tai Fook (Holding) Limited; Chow Tai Fook (Holding) Limited was held as to 78.58% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited respectively.

By virtue of the SFO, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

Save as disclosed above, the Bank is not aware of any other person (other than the Directors, Supervisors and the chief executive (as defined under the Listing Rules) of the Bank) having any interests or short positions in the shares or underlying shares of the Bank as at 31 December 2019 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

## **SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL**

As at the end of the Reporting Period, Evergrande Nan Chang and Shenyang Hengxin held 3,201,680,000 Domestic Shares and 479,836,334 Domestic Shares of the Bank, respectively, representing 36.40% and 5.45% of the Bank's total share capital, respectively.



## CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

### INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF DOMESTIC SHARES AND DE FACTO CONTROLLERS

Below is the information on the Bank's substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as at the end of the Report Period. For the definition of relevant concepts, please see the relevant requirements of the Interim Measures for the Shareholding Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the CBIRC.

No.	Name of shareholder	Number of Shares held	Shareholding percentage	Reasons of being a substantial shareholder	Number of shares pledged (number)	Controlling shareholder	De facto controller	Parties acting in concert	Ultimate beneficial owner
1	Evergrande Nan Chang	3,201,680,000	36.40%	Holding 5% of more of the Bank's shares, being appointed director	0	China Evergrande Group	Hui Ka Yan	Nil	Evergrande Nan Chang
2	Shenyang Hengxin	479,836,334	5.45%	Holding 5% of more of the Bank's shares, being appointed director	0	Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司)	State-owned Assets Supervision and Administration Commission of Shenyang Municipal Government	Nil	Shenyang Hengxin
3	Huibao International	400,000,000	4.55%	Appointed director	400,000,000	Chenjingyi (Beijing) Cultural Development Co., Ltd. (辰景怡(北京)文化發展有限公司)	Li Yuguo	Nil	Huibao International
4	Xinhu Zhongbao	300,000,000	3.41%	Appointed director	80,000,000	Zhejiang Xinhu Group Co., Ltd.	Huang Wei	Nil	Xinhu Zhongbao
5	Founder Securities	300,000,000	3.41%	Appointed director	0	Peking University Founder Group Co., Ltd. (北大方正集團有限公司)	Peking University	Nil	Founder Securities
6	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	200,000,000	2.27%	Appointed supervisor	0	Chen Zhaogui	Chen Zhaogui	Nil	Shanghai Changxin Group Co., Ltd.
7	Luenmei Group Co., Ltd. (聯美集團有限公司)	200,000,000	2.27%	Appointed supervisor	0	Lhasa Economic and Technological Development Zone Lianmei Holdings Co., Ltd. (拉薩經濟技術開發區聯美控股有限公司)	Su Zhuangqiang	Nil	Luenmei Group Co., Ltd.
8	Shenyang Dayang Decoration Engineering Co., Ltd. (瀋陽大洋裝飾工程有限公司)	120,000,000	1.36%	Appointed supervisor	59,760,000	Yu Haobo	Yu Haobo	Nil	Shenyang Dayang Decoration Engineering Co., Ltd.
9	Liaoning Huafeng Investment Co., Ltd. (遼寧華峰投資有限公司)	100,000,000	1.14%	Appointed supervisor	49,800,000	Liaoning Shengshi Holdings Management Group Co., Ltd. (遼寧盛世控股管理集團有限公司)	Bao Lijun	Nil	Liaoning Huafeng Investment Co., Ltd.



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the Latest Practicable Date, the Directors, Supervisors and senior management of the Bank comprised:

Name	Age	Position
Mr. QIU Huofa (邱火發)	59	Executive Director, Chairman of the Board
Mr. XIAO Ruiyan (肖瑞彥) <sup>Note 1</sup>	53	Executive Director, President
Mr. WANG Yigong (王亦工)	53	Executive Director, Vice President
Mr. WU Gang (吳剛)	49	Executive Director, Vice President
Mr. ZHANG Qiyang (張啟陽)	55	Non-executive Director
Mr. LIU Yanxue (劉彥學)	54	Non-executive Director
Mr. LI Jianwei (李建偉)	59	Non-executive Director
Mr. LI Yuguo (李玉國)	66	Non-executive Director
Mr. YUEN Wing Shing (袁永誠)	73	Non-executive Director
Mr. ZHAO Weiqing (趙偉卿)	60	Non-executive Director
Mr. NI Guoju (倪國巨)	65	Independent Non-executive Director
Mr. KEUNG Chak (姜策)	59	Independent Non-executive Director
Mr. TAI Kwok Leung, Alexander (戴國良)	62	Independent Non-executive Director
Mr. XING Tiancai (邢天才)	58	Independent Non-executive Director
Mr. LI Jinyi (李進一)	56	Independent Non-executive Director
Mr. YANG Liya (楊利亞)	56	Employee Representative Supervisor, Chairman of the Board of Supervisors
Mr. SHI Yang (石陽)	55	Employee Representative Supervisor
Mr. WANG Lijun (王立軍)	39	Employee Representative Supervisor
Mr. PAN Wenge (潘文戈)	53	Shareholder Representative Supervisor
Mr. LIU Huidi (劉惠弟)	59	Shareholder Representative Supervisor
Mr. YU Haobo (于浩波)	55	Shareholder Representative Supervisor
Mr. BA Junyu (巴俊宇)	64	External Supervisor
Mr. SUN Hang (孫航)	54	External Supervisor
Mr. DAI Qiang (戴強)	54	External Supervisor
Mr. SHEN Guoyong (沈國勇)	49	Executive Vice President
Mr. SUN Yongsheng (孫永生)	59	Vice President
Mr. ZHANG Xuwen (張學文)	52	Vice President
Ms. ZHANG Jun (張珺) <sup>Note 2</sup>	49	Vice President
Ms. LI Ying (李穎) <sup>Note 3</sup>	52	Chief Risk Officer
Mr. ZHOU Zhi (周峙)	51	Secretary of the Board
Ms. LI Zheng (歷崢) <sup>Note 4</sup>	34	Human Resources Director
Mr. BAO Hong (包宏) <sup>Note 5</sup>	48	Chief Financial Officer

*Note 1:* The election of Mr. XIAO Ruiyan will be proposed at the general meeting of the Bank for approval by the shareholders. The election of Mr. XIAO Ruiyan as the director and president of the Bank is subject to the ratification of his eligibility by the Liaoning Bureau of CBIRC.

*Note 2:* The election of Ms. ZHANG Jun as the vice president of the Bank is subject to the ratification of her eligibility by the Liaoning Bureau of CBIRC.

*Note 3:* The election of Mrs. LI Ying as the chief risk officer of the Bank is subject to the ratification of her eligibility by the Liaoning Bureau of CBIRC.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

*Note 4:* The election of Ms. LI Zheng as the human resources director of the Bank is subject to the ratification of her eligibility by the Liaoning Bureau of CBIRC.

*Note 5:* The election of Mr. BAO Hong as the chief financial officer of the Bank is subject to the ratification of his eligibility by the Liaoning Bureau of CBIRC.

### CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

After the resolution of the Board of Directors, Mr. ZHANG Xuewen has been appointed as the vice president of the Bank. The CBIRC Liaoning Bureau has ratified the eligibility of Mr. ZHANG Xuewen to serve as the vice president of the Bank. The term of office of Mr. ZHANG commenced from 1 April 2019.

Reference is made to the announcement of the Bank dated 23 April 2019. Mr. ZHANG Qiyang has resigned from the positions of chairman of the Board, vice chairman of the nomination and remuneration committee of the Board and chairman of the strategic development committee of the Board with effect from 23 April 2019 due to work arrangement. Mr. ZHANG will continue to be a non-executive Director of the Bank, a member of the nomination and remuneration committee of the Board and a member of the Strategic development committee of the Board.

Reference is made to the announcement of the Bank dated 29 April 2019. Mr. QIU Huofa, on the meeting of the board of directors of the Bank held on 29 April 2019, has been elected as the chairman of the sixth session of the Board. Mr. QIU has been redesignated from a non-executive Director to an executive Director. Effective from 29 April 2019, the Bank's nomination and remuneration committee will consist of Mr. XING Tiancai as the chairman, Mr. QIU as the Vice chairman and Mr. ZHANG Qiyang, Mr. KEUNG Chak and Mr. LI Jinyi as members; the Bank's strategic development consist of Mr QIU as the chairman, and Mr. ZHANG Qiyang, Mr. ZHANG Qiang, Mr. ZHAO Weiping and Mr. XING Tiancai as members.

Reference is made to the announcement of the Bank dated 9 May 2019. The CBIRC Liaoning Bureau has ratified the eligibility of Mr. QIU to serve as the chairman of the Board. The term of office of Mr. QIU commenced from 9 May 2019.

After the resolution of the Board of Directors, Mr. SHEN Guoyong has been appointed as the vice president of the Bank. The CBIRC Liaoning Bureau has ratified the eligibility of Mr. SHEN Guoyong to serve as the vice president of the Bank. The term of office of Mr. SHEN commenced from 14 June 2019. After the resolution of the Board of Directors, Mr. SHEN Guoyong has been appointed as the executive vice president of the Bank in 27 March 2020.

Reference is made to the announcement of the Bank dated 17 January 2020. Mr. ZHANG Qiang has resigned from the positions of the president, an executive Director of the Bank, the vice chairman of the risk control and consumers' rights protection committee of the Board and a member of the strategic development committee of the Board with effective from 17 January 2020 due to change of work. In addition, Mr. XIAO Ruiyan has been nominated as a candidate for executive director and was appointed as the president of the Bank at the Board meeting on 17 January 2020. The election of Mr. XIAO Ruiyan as an executive Director will be proposed at the general meeting of the Bank for approval by the shareholders. The eligibility of Mr. XIAO to serve as Director and president is subject to the ratification by the CBIRC Liaoning Bureau.

Mr. LI Xin has resigned as the vice president of the Bank in February 2020.

After the resolution of the Board of Directors, Ms. ZHANG Jun has been appointed as the vice president of the Bank in 27 March 2020. The eligibility of Ms. ZHANG is subject to the ratification by the CBIRC Liaoning Bureau.



After the resolution of the Board of Directors, Ms. LI Ying has been appointed as the chief risk officer of the Bank on 27 March 2020. The eligibility of Ms. LI is subject to the ratification by the CBIRC Liaoning Bureau.

After the resolution of the Board of Directors, Ms. LI Zheng has been appointed as the human resources director of the Bank on 27 March 2020. The eligibility of Ms. LI is subject to the ratification by the CBIRC Liaoning Bureau.

After the resolution of the Board of Directors, Mr. BAO Hong has been appointed as the chief financial officer of the Bank on 27 March 2020. The eligibility of Mr. BAO is subject to the ratification by the CBIRC Liaoning Bureau.

During the Reporting Period, the Bank's supervisors remained unchanged.

## **BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

### **1. Biographies of Directors**

#### ***Executive Directors***

**Mr. QIU Huofa (邱火發)**, aged 59, has been serving as the chairman of the Board, an executive Director of the Bank and Party committee secretary since May 2019. Mr. Qiu served as the vice chairman of the Board of the Bank from February 2018 to May 2019 and as a non-executive Director of the Bank from May 2017 to May 2019. From June 2016 to March 2019, Mr. Qiu served as the executive vice president of Evergrande Group. From April 2001 to June 2016, he held various posts in different offices of China Everbright Bank. From September 2010 to May 2016, he successively served as the president assistant, vice president and Party committee member of its head office as well as the president and Party committee secretary of its Beijing branch. From August 2007 to September 2010, he served as the president and Party committee secretary of its Beijing branch. From November 2006 to August 2007, he served as the head of the business department and Party committee secretary of its head office. From April 2001 to November 2006, he served as the president and Party committee secretary of its Guangzhou branch. From December 1987 to April 2001, he held various posts in different offices of Bank of Communications. From March 2000 to April 2001, he served as the president and Party leadership group secretary of its Changsha branch. From December 1987 to March 2000, he successively served as the section chief of the credit department, head of a local office and deputy director of its Wuhan branch; president of its Wuchang sub-branch; and the vice president and Party leadership group member of its Wuhan branch.

Mr. Qiu graduated from Shijiazhuang Army Academy majoring in infantry commanding in September 1981 and received a master degree majoring in finance from Zhongnan University of Economics and Law in June 2000. He obtained the senior economist title in December 1998. He was awarded the "National May Day Medal for Finance Industry" and "National May Day Medal" in 2010 and 2011, respectively. In addition, he previously served as the deputy to the ninth National Party Congress from Guangdong and a deputy to the fifteenth People's Congress of Xicheng District, Beijing.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. XIAO Ruiyan (肖瑞彦)**, aged 53, was appointed as the president of the Bank and deputy Party committee secretary in January 2020. Mr. XIAO was the president of Beijing Zhongguancun Bank from October 2018 to January 2020. From December 2017 to October 2018, Mr. XIAO served as the chairman of the management committee of Zhongke Guizhou Bank Industrial Investment Fund (中科貴銀產業投資基金). From May 2012 to December 2017, Mr. XIAO held various roles in Bank of Guizhou Co., Ltd. (貴州銀行股份有限公司) (Stock Code: 6199) (“Guizhou Bank”). Mr. XIAO was the chairperson and party secretary of Guizhou Bank from May 2014 to December 2017, the chairperson, president and party secretary of Guizhou Bank from October 2012 to May 2014, and the deputy head of preparatory group of Guizhou Bank from May 2012 to October 2012. Mr. XIAO held various positions in China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司) (Stock Code: 1988) (“Minsheng Bank”) from January 1998 to May 2012. Mr. XIAO served as the president and party secretary of Minsheng Bank Hangzhou Branch from April 2010 to May 2012, as the president and party secretary of Minsheng Bank’s investment banking division from September 2008 to April 2010, as the president and party secretary of Minsheng Bank Jinan Branch from December 2006 to September 2008, as the deputy general manager of Minsheng Bank Beijing Management Department from January 2004 to December 2006, as the president of Minsheng Bank Beijing Shouti sub-branch from May 2000 to January 2004. From January 1998 to May 2000, Mr. XIAO successively served as a credit clerk at the credit and loan division of the Beijing Management Department, an assistant to the president of the Beijing Xibahe Sub-branch and the head of corporate banking management division of the Beijing Management Department of Minsheng Bank.

Mr. XIAO received a Bachelor of Engineering from Central South University in July 1986. He also obtained a Master’s degree in management from Renmin University of China (中國人民大學) in January 1998.

**Mr. WANG Yigong (王亦工)**, aged 53, has been serving as an executive Director of the Bank since August 2013. Mr. Wang served as the vice president of the Bank since January 2013 and chief risk officer of the Bank from January 2013 to November 2019. Mr. Wang held the position of general manager of the credit and loan management department of the Bank from January 2006 to January 2013. He then served as president of our Zhenghao Sub-branch from February 2002 to January 2006, during which he also worked as president of our Liaoshen Sub-branch from February 2002 to February 2003. From January 2001 to February 2002, he worked as (managing) vice president of our Liaoshen Sub-branch. He served as deputy general manager of the asset security department of the Bank from June 1998 to January 2001. He successively worked as a cashier, a credit clerk and deputy head of credit office at the Tiexi Office of Industrial and Commercial Bank of China in Shenyang from December 1984 to June 1998.

Mr. Wang graduated from The Open University of China (formerly known as China Central Radio and TV University) (Beijing, PRC) in November 2002, majoring in finance. He has been an economist as accredited by the PRC Ministry of Personnel since June 1995. He has obtained the “Shenyang May 1 Labor Medal” by Shenyang General Labor Union in April 2015.



**Mr. Wu Gang (吳剛)**, aged 49, has been serving as an executive Director of the Bank since May 2014, and the vice president of the Bank in January 2013. He also served as the president of the Beijing branch for the Bank from August 2009 to August 2016. Mr. Wu worked as deputy director of the preparatory office of Shenyang business operation department of the Bank from January 2009 to August 2009. From January 2007 to January 2009, he successively held the positions of president of the Yaming Sub-branch and president of the Shenhe Sub-branch of the Bank. From February 2003 to January 2007, he successively served as (managing) vice president and president of the Taishan Sub-branch of the Bank. From February 2001 to February 2003, he successively worked as assistant to general manager and deputy general manager of the asset security department of the Bank. From May 1998 to February 2001, he worked as assistant to president of the Nanhu Sub-branch of the Bank. From June 1989 to May 1998, Mr. Wu served as a staff member at the Shenhe City Credit Cooperative of Shenyang Cooperative Bank and the Nanhu Sub-branch of the Bank (including its predecessor).

Mr. Wu graduated from the Open University of China (previously known as Central Radio and TV University) (Beijing, the PRC) in June 2003, majoring in finance, and obtained the Master of Business Administration of Senior Management from Renmin University of China in June 2015. He has been an economist as accredited by the Personnel Office of Liaoning Province since November 1997.

#### ***Non-executive Directors***

**Mr. ZHANG Qiyang (張啟陽)**, aged 55, has been service as the vice president of Evergrande Group Limited (恒大集團有限公司) since May 2019. Mr. Zhang has been serving as a non-executive Director since April 2019. He served as an executive Director and the chairman of the Board of the Bank from May 2017 to April 2019. From December 2013 to February 2017, Mr. Zhang was the Party committee secretary and the president of the Shenyang branch of the People's Bank of China (the "PBOC") and the chief of the Liaoning branch of the State Administration of Foreign Exchange (the "SAFE"). From June 2010 to December 2013, he served as the Party committee secretary and the president of the Changchun central sub-branch of the PBOC and the chief of the Jilin branch of the SAFE. From January 1999 to June 2010, he served successively as the Party committee member, Party committee secretary, vice-president and president of the Dalian central sub-branch of the PBOC. From September 2003 to June 2010, he also served as the chief of the Dalian branch of the SAFE. From April 1994 to January 1999, he successively served as the deputy office director, office director, Party leadership group member and vice president of the Dalian branch of the PBOC. From November 1996 to January 1999, he also served as the deputy chief of the Dalian branch of the SAFE. From April 1992 to April 1994, he served as the deputy director of Dalian Credit Rating Committee Firm (大連市信譽評級委員會事務所). From April 1991 to April 1992, he served as the director assistant of Dalian Credit Rating Committee Assessment Firm (大連市信譽評級委員會評信事務所). From August 1988 to April 1991, he was employed by the credit rating firm under the Dalian branch of the PBOC.

Mr. Zhang received a bachelor degree from Dongbei University of Finance and Economics in July 1986. Later in January 2007, he completed a postgraduate course majoring in finance and received a doctoral degree of economics from Dongbei University of Finance and Economics. He obtained the senior economist title in October 2001. He served as a deputy to the fourteenth People's Congress of Dalian from July 2007 to October 2010 and was elected as a deputy to the twelfth National People's Congress in 2013.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. LIU Yanxue (劉彥學)**, aged 54, elected as a non-executive Director of the Bank in February 2018, has served as the director of the Environmental and Resources Protection and City Construction Committee of the Standing Committee of the Shenyang Municipal People's Congress since January 2020. He has been serving as the Party committee secretary of the Bank from August 2016 to May 2019. From February 2013 to October 2016, he served as the Party committee deputy secretary, Party committee secretary and director of the State-owned Assets Supervision and Administration Commission of Shenyang Municipal Government. From May 2011 to February 2013, he served as the deputy secretary-general of Shenyang Municipal Government. From May 2008 to May 2011, he was the deputy director of the Management Committee of Shenyang National High Technology Industry Base for Civil Aviation Industry (瀋陽民用航空產業國家高技術產業基地管委會). From May 2003 to May 2008, he served as the deputy director of Shenyang Economic and Trade Committee (瀋陽市經濟貿易委員會). From April 2001 to August 2004, he was the deputy director and director, successively, of Shenyang Automobile Industry Development Office (瀋陽市汽車產業發展辦公室). From May 1995 to April 2001, Mr. Liu served successively as the deputy chief clerk and deputy director in Shenyang Economic and Trade Commission and the deputy director and director of Central Direct Enterprise Office. From November 1992 to May 1995, Mr. Liu worked in Shenyang Economic Commission.

Mr. Liu graduated from Baotou Iron and Steel Institute (包頭鋼鐵學院) majoring in metallurgical and mechanical in August 1989 and completed an investment management graduate programme organised by Chinese Academy of Social Sciences (中國社會科學院) in November 1998. He obtained a doctoral degree in materials processing engineering from Shenyang University of Technology (瀋陽工業大學) in April 2008.

**Mr. LI Jianwei (李建偉)**, aged 59, has been serving as a non-executive Director of the Bank since June 2006. He has been the chairman of the board and general manager of Shenyang Hengxin since July 2004, and deputy general manager of Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司) since July 2013. Prior to that, he successively worked as chief of the asset revenues (property rights) division at Shenyang Finance Bureau from December 2001 to July 2004, deputy chief of the administrative affairs and resources division and chief of capital operation division at Shenyang State-owned Assets Supervision and Administration Commission from March 1994 to December 2001, and principal staff and deputy chief of the accounting division at Shenyang Finance Bureau from March 1985 to March 1994.

Mr. Li graduated from Liaoning University (Liaoning, PRC) in December 1991, majoring in industrial enterprise management, and received a master's degree in philosophy of Marxism from Liaoning University (Liaoning, PRC) in June 2000. He has been a non-practising member of Liaoning Public Certified Accountants Association since December 2009.





**Mr. LI Yuguo (李玉國)**, aged 66, has been serving as a non-executive Director of the Bank since July 2013 and the vice chairman of the Board from June 2014 to February 2018. He has been the chairman of Huibao International from June 2013 to June 2019 and the chairman of Beijing Jiutai Group Co., Ltd. (北京九台集團有限公司) since May 1993. Prior to that, he successively worked at the planning bureau of the China Association for Science and Technology (中國科學技術協會) as principal staff, deputy chief and chief of the accounting division from August 1983 to October 1992. Mr. Li has been the board chairman of Asia Resources Holdings Limited (listed on the Hong Kong Stock Exchange; stock code: 899) since August 2017.

Mr. Li graduated from Jiangxi University of Finance and Economics (formerly known as Jiangxi Institute of Finance and Economics (江西財經學院)) (Jiangxi, PRC) in July 1983, majoring in industrial accounting.

**Mr. YUEN Wing Shing (袁永誠)**, aged 73, elected as a non-executive Director of the Bank in February 2018, has been an executive director of The Cross-Harbour (Holdings) Limited (listed on the Hong Kong Stock Exchange; stock code: 32) since March 2001 and also serves as a member of the executive committee of the said company as well as directors of several affiliated companies of the said company. He is currently also an executive director of Y. T. Realty Group Limited (listed on the Hong Kong Stock Exchange; stock code: 75). He was the director and a managing director of Yugang International Limited (listed on the Hong Kong Stock Exchange; stock code: 613), and held senior management positions with a major bank in Hong Kong for over 20 years.

Mr. Yuen obtained a diploma in management studies from The Hong Kong Polytechnic University in 1986.

**Mr. ZHAO Weiqing (趙偉卿)**, aged 60, has been appointed as a non-executive Director of the Bank since May 2014. He also served as our shareholders representative Supervisor from March 2008 to May 2014. He has been the president and a director of Xinhua Zhongbao since October 2009 and the vice chairman of the board of Xinhua Zhongbao from October 2009 to November 2015 and was the vice president of Xinhua Zhongbao from May 2007 to October 2009. He has been the general manager of Shenyang Xinhua Real Estate Development Co., Ltd. (瀋陽新湖房地產開發有限公司) since September 2002 and served as the executive deputy manager of Zhejiang Xinhua Real Estate Group Co., Ltd. (浙江新湖房地產集團有限公司) from October 1998 to September 2002. He worked as a teacher and director of the training department at Zhejiang Provincial Government School of the Chinese Communist Party (中共浙江省省級機關黨校) from July 1986 to October 1998.

Mr. Zhao graduated from Hangzhou Normal University (formerly known as Hangzhou Normal College (杭州師範學院)) (Zhejiang, PRC) in August 1980, majoring in physics, and graduated from the Party School of the Zhejiang Committee of the Chinese Communist Party (中共浙江省委黨校) (Zhejiang, PRC), majoring in political economics in July 1986. He has been accredited as a lecturer by the Teachers' Qualification Accreditation Committee of Chinese Communist Party Zhejiang Provincial Committee (中共浙江省委教師職務評審委員會) since March 1991.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

### *Independent Non-executive Directors*

**Mr. NI Guoju (倪國巨)**, aged 65, was elected as an independent non-executive Director of the Bank in February 2018. Mr. Ni served as the Party committee secretary of the Management School of Wuhan University of Science and Technology from March 2009 to April 2014. From January 2007 to March 2009, Mr. Ni served as the Party committee secretary of the Continuing Education School of Wuhan University of Science and Technology. From October 2005 to January 2007, Mr. Ni served as the director of the Department of Infrastructure of Wuhan University of Science and Technology. From December 1997 to October 2005, he served as the general manager of the Technology and Development Company of Wuhan University of Science and Technology. From July 1978 to December 1997, he successively served as the assistant lecturer and lecturer of the Metallurgy School, deputy secretary of the Party branch, the Party committee secretary and deputy director of the Department of Moral Education of Wuhan Iron and Steel Institute (武漢鋼鐵學院) (renamed as Wuhan University of Science and Technology in 1995). Mr. NI has served as an independent director of Xiangyang Boya Precision Industrial Equipments Co., Ltd. (襄陽博亞精工裝備股份有限公司) since 31 March 2020.

Mr. Ni completed studies in metallic materials and heat treatment in Wuhan Iron and Steel Institute in July 1978.

**Mr. KEUNG Chak (姜策)**, aged 59, elected as an independent non-executive Director of the Bank in February 2018, has been serving as the managing director of SZCE Ronghe Investment Co., Ltd. (深圳市建融合投資有限公司) since January 2016. From October 2002 to December 2015, he served as an executive director of Hong Kong Sun Asset Management Limited (香港陽光資本管理有限公司). From December 1998 to September 2002, he served as an executive director of Hong Kong Concord Capital Securities Limited (香港協和證券有限公司). From July 1983 to December 1998, he served positions at the Finance Department and Investment Department of China Everbright Industrial Corporation (中國光大實業總公司).

Mr. Keung obtained a bachelor's degree in applied mathematical statistics specialization awarded by Shanghai University of Finance and Economics (上海財經大學) in July 1983.

**Mr. TAI Kwok Leung, Alexander (戴國良)**, aged 62, elected as an independent non-executive Director of the Bank in February 2018, is a partner of VMS Securities Limited. Mr. Tai previously was a managing director and the head of Corporate Finance Department of Investec Capital Asia Limited. Mr. Tai is licensed under the Securities and Futures Ordinance to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Mr. Tai is currently an independent non-executive director of Luk Fook Holdings (International) Limited (SEHK stock code: 590), AAG Energy Holdings Limited (SEHK stock code: 2686), G & M Holdings Limited (SEHK stock code: 6038) and Jiayuan International Group Limited (SEHK stock code: 2768). Mr. Tai was an independent non-executive director of Anhui Conch Cement Company Limited (SEHK stock code: 914).

Mr. Tai graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in Commerce and Administration in 1982. He is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.



**Mr. XING Tiancai (邢天才)**, aged 58, elected as an independent non-executive Director of the Bank in February 2018. Since 2017, he has been serving as an independent Director of Datong Securities Company Limited (大通證券有限公司). He has been serving as the dean of the Graduate School of Dongbei University of Finance and Economics (東北財經大學) since May 2017. From December 2016 to May 2017, he served as the head of Development Planning and Disciplinary Construction Department of Dongbei University of Finance and Economics. From December 2006 to December 2016, he served as the dean of the School of Finance of Dongbei University of Finance and Economics. From September 1999 to December 2006, he served as the dean of the Vocational Technical School of Dongbei University of Finance and Economics. From August 1986 to August 1999, he served as deputy director of the research section under the School of Investments, deputy director of the Graduate Department, head of Higher Education Research successively at Dongbei University of Finance and Economics.

Mr. Xing obtained a bachelor's degree in economics from Liaoning Institute of Finance and Economics (遼寧財經學院) in July 1984 and a master's degree in Economics and a doctoral degree in economics from Dongbei University of Finance and Economics in September 1987 and April 2003, respectively. He was elected as a professor in December 2000. He was awarded the title of "Excellent Expert" by the Dalian Municipal People's Government in 2013 and was granted the "May 1" Labour Medal of Liaoning Province in 2015 and was granted the "Leader of the National Special Support Program for High-level Talent (Leader of the National Ten-thousand Talents Program)" from the Organisation Department of the Communist Party of China and the Ministry of Human Resources and Social Security

**Mr. LI Jinyi (李進一)**, aged 56, elected as an independent non-executive Director of the Bank in February 2018, has been serving as a lecturer at the School of Economics and subsequently an associate professor at the Management School of Jinan University (暨南大學) since April 1991. He has been a part-time lawyer at Guangdong Shenglun Law Firm since 2018. From 2002 to 2018, he was a part-time lawyer at Guangdong Xindesheng Law Firm. From 1996 to 2002, he was a part-time lawyer at Guangdong Jinan Law Firm. He is currently an independent director of Guangzhou Restaurant Group Co., Ltd. (listed on the Shanghai Stock Exchange; stock code: 603043), Guangdong Aofei Data Technology Co., Ltd. (listed on the Shenzhen Stock Exchange; stock code: 300378), Guangzhou Haige Communications Group Incorporated Company (listed on the Shenzhen Stock Exchange; stock code: 002465), Sotech Smarter Equipment Co., Ltd. (listed on the Shenzhen Stock Exchange; stock code: 300173) and Comefly Outdoor Co., Ltd. (listed on the Shanghai Stock Exchange; stock code: 603908). From June 2006 to June 2012, he served as an independent director of GRG Banking Equipment Co., Ltd. (listed on the Shenzhen Stock Exchange; stock code: 002152).

Mr. Li obtained his bachelor degree and master degree in law from Southwest University of Political Science & Law (西南政法大學) in July 1985 and January 1991, respectively. He was elected as an associate professor in December 1998.



# DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

## 2. Biographies of Supervisors

### *Employee Representative Supervisors*

**Mr. Yang Liya (楊利亞)**, aged 56, has been an Employee Representative Supervisor and Chief Supervisor of the Bank since August 2018. From June 2017 to July 2018, Mr. Yang served as the chief risk officer of Evergrande Financial Group and the general manager of risk management center of China Evergrande Group (listed on The Stock Exchange of Hong Kong Limited, stock code: 3333). From July 2014 to December 2016, Mr. Yang served as a special loan approval officer of China Construction Bank Corporation (head office) ("Construction Bank") (listed on the Hong Kong Stock Exchange, stock code: 939; listed on the Shanghai Stock Exchange, stock code: 601939). From June 2006 to July 2014, Mr. Yang served as the risk director of Shanxi Branch of Construction Bank. From April 2002 to June 2006, Mr. Yang served as the special loan approval officer of Construction Bank (head office). From April 1991 to April 2002, Mr. Yang served successively as staff member, senior staff member, principal staff member, special loan approval officer and vice president of Henan Branch, Pingdingshan Branch and Zhengzhou Jinshui sub-branch of Construction Bank. From August 1984 to August 1988, Mr. Yang served successively as a researcher of China Academy of Engineering Physics and Henan Provincial Government Development Research Center, respectively.

Mr. Yang graduated as a postgraduate in technical economics from Tsinghua University in March 1991. In December 1998, Mr. Yang was accredited as a senior economist.

**Mr. Shi Yang (石陽)**, aged 55, has been an Employee Representative Supervisor of the Bank since June 2014. He has also served as the president of the Bank's Shenyang Branch since January 2015 and secretary to the Party committee of the Bank's Shenyang Branch since July 2015. Mr. Shi joined the Huigong Credit Cooperative, one of the Bank's predecessors, in March 1987 and has held a number of positions in the Bank (including its predecessors) since then. From January 2014 to September 2014, he served concurrently as the director of the preparatory office of Dandong branch. From July 2008 to January 2015, he successively worked as the president of Yuhong sub-branch, the vice president of Shenyang branch and the president of Dandong branch of the Bank, during which, from January 2014 to September 2014, he served concurrently as the director of the preparatory office of Dandong branch. From January 2003 to July 2008, he served as the vice president of the Bank's Yuhong sub-branch. From February 2000 to January 2003, he held the positions of assistant to the president and vice president of the Bank's Yuanlu sub-branch. From April 1992 to February 2000, he served as the vice president of the Bank's Tiexi sub-branch. From March 1987 to April 1992, he successively worked as a credit clerk of the Huigong Credit Cooperative (惠工信用社) and a credit clerk at the credit and loan division of the Bank's head office.

Mr. Shi graduated from the Party School of the Liaoning Committee of the Chinese Communist Party (中共遼寧省委黨校) in March 1997, majoring in economic management, and obtained a diploma of post-graduation studies in political economics from Northeast Normal University in December 2000. He has been a senior economist as accredited by the Department of Human Resources and Social Security of Liaoning Province since September 2009.



**Mr. Wang Lijun (王立軍)**, aged 39, has been an Employee Representative Supervisor of the Bank since August 2018. Since September 2009, Mr. Wang has worked at the Planning and Financial Management Department of the Bank (head office), responsible for accounting management. From May 2008 to August 2009, Mr. Wang worked at the Planning and Finance Department of the Bank (head office), responsible for the bill business. From July 2007 to March 2008, Mr. Wang worked at Shenhe sub-branch of the Bank, responsible for the comprehensive counter business.

Mr. Wang obtained a master's degree in statistics from Liaoning University in June 2007. In September 2009, Mr. Wang was accredited as an intermediate statistician.

#### ***Shareholder Representative Supervisors***

**Mr. PAN Wenge (潘文戈)**, aged 53, a Shareholder representative Supervisor since May 2014, has been the chief financial officer of Luenmei Quantum Co., Ltd. (聯美量子股份有限公司, listed on the Shanghai Stock Exchange; stock code: 600167) since November 2009. Prior to that, he held the position of deputy chief financial officer at Luenmei (China) Investment Co., Ltd. (聯美(中國)投資有限公司) from May 2007 to November 2009. From May 2000 to May 2007, he worked at Huaxia Bank, where he successively served as deputy general manager of the financing center of Shenyang branch, general manager of the business department of Shenyang branch, president of Shenyang Beizhan sub-branch and Shenyang Zhongshan Square Sub-branch.

Mr. Pan graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) (Liaoning, PRC) in July 1988, majoring in finance and accounting, and a master's degree in applied psychology from Liaoning Normal University (Liaoning, PRC) in July 2002. He has been an accountant as accredited by the Personnel Office of Liaoning Province since October 1994.

**Mr. LIU Huidi (劉惠弟)**, aged 59, a Shareholder representative Supervisor since February 2018, has been serving as the president of Shanghai Changxin (Group) Co., Ltd. (上海昌鑫(集團)有限公司), an executive director of Shenyang Changxin Property Investment Co., Ltd. (瀋陽昌鑫置業投資有限公司) and director of Shanghai Baoshan Village Bank (上海寶山富民村鎮銀行) since October 1997, August 2006 and September 2011, respectively. From January 2004 to May 2015, he concurrently served as the general manager of Shanghai Juying Property Development Co., Ltd. (上海聚英房地產開發有限公司). From March 1981 to October 1997, he served as a section officer and section chief of the Department of Finance Shanghai No. 5 Steel (Group) Co., Ltd. of Baosteel Group (寶鋼集團上海五鋼(集團)有限公司).

Mr. Liu graduated from the finance and accounting studies awarded by Shanghai College of Metallurgy Industry (上海市冶金工業學校) in March 1981 and completed the industrial accounting studies of Shanghai Television University (上海電視大學) in July 1986. He is a qualified accountant and the qualification was conferred by Shanghai Metallurgical Industry Bureau (上海市冶金工業局) in December 1991.



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. Yu Haobo (于浩波)**, aged 55, a Shareholder representative Supervisor since February 2018, has been serving as the chairman of the board of Shenyang Dayang Decoration Engineering Co., Ltd. (瀋陽大洋裝飾工程有限公司) and general manager of Liaoning Xiangge Weilan Property Development Co., Ltd. (遼寧香格蔚藍房地產開發有限公司) since December 1995. From March 2008 to March 2014, he was a Shareholder representative Supervisor of the Bank. From December 1995 to August 2000, he served as the general manager of Shenyang Dayang Business and Industrial Co., Ltd. (瀋陽大洋商務實業有限公司).

Mr. Yu completed a master's degree in systems engineering awarded by Tianjin University in December 1993. He is a qualified senior engineer and the qualification was conferred by the Personnel Department of Liaoning Province (遼寧省人事廳) in December 2003.

### **External Supervisors**

**Mr. BA Junyu (巴俊宇)**, aged 64, has been elected as an External Supervisor of the Bank in February 2018. Mr. Ba has been a professor at Shenyang Ligong University (瀋陽理工大學) since September 2001, and served as principal, professor and researcher of the social economy research institute of Shenyang Ligong University from September 2001 to May 2009. He serves as a professor at the ideological and political theory teaching and research department of Shenyang Ligong University since May 2009 and served as an independent non-executive Director of the Bank from June 2010 to February 2018. Prior to that, he served as an associate professor and the head of the economic research institute at Shenyang University from April 1996 to August 2003. From August 1985 to April 1996, he served as a vice dean, deputy principal and associate professor of the market economy research institute at Shenyang Institute of Finance and Economics. He used to work at the teaching and research office at Shenyang Accounting School (瀋陽市財會學校) as deputy director, director and lecturer from August 1982 to August 1985.

Mr. Ba graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) (Liaoning, PRC) in July 1982, majoring in commercial enterprise management. He has been a researcher as accredited by the Personnel Office of Liaoning Province since August 2008.

**Mr. SUN Hang (孫航)**, aged 54, has been elected as an External Supervisor in February 2018, has been appointed as an independent non-executive Director of the Bank since May 2014. He has been the director of the Enterprise Management Research Centre of Liaoning Academy of Social Sciences since March 2016. He served as an independent non-executive Director of the Bank from May 2014 to February 2018. Prior to that, he served as the principal of the Human Resources Research Institute of Liaoning Academy of Social Sciences from April 2007 to March 2016, the general manager at Shenyang Yuhuang Health Products Co., Ltd. (瀋陽玉皇保健品有限公司) from March 2002 to April 2007, worked as deputy principal of the Applied Technology Research Institute of Chinese Academy of Management Science (中國管理科學研究院) from March 1998 to March 2002, and was a deputy director staff at the enterprise department of Changchun Industry and Commerce Association and manager of Xunda Motorcycle Co., Ltd. (迅達摩托車公司) from October 1988 to March 1998.

Mr. Sun graduated from Anhui University of Finance & Economics (formerly known as Anhui Institute of Finance & Economics) (安徽財貿學院) (Anhui, PRC) in July 1988, majoring in merchandising. He has been a senior economist as accredited by the Personnel Office of Liaoning Province since December 2001, and a researcher as accredited by the Department of Human Resources and Social Security of Liaoning Province since September 2011.



**Mr. DAI Qiang (戴強)**, aged 54, elected as an external Supervisor in February 2018, has been serving as the Party committee secretary of Liaoning branch company of Sinosafe Insurance (華安保險遼寧分公司) from October 2017 to December 2018. From March 2004 to October 2017, he served as the deputy general manager, senior underwriting officer and general manager of several branch companies of Sinosafe Insurance from March 2004 to October 2017. From January 2001 to March 2004, he served as the assistant to general manager and chief underwriting officer of Dalian branch company of Sinosafe Insurance. From August 1991 to 2001, he served as the manager, manager of the Department of International Business and manager of the Department of Customer Service of the branch companies of China Ping An Insurance Company (中國平安保險公司).

He graduated from Dongbei University of Finance and Economics with a bachelor's degree in materials economics in July 1988 and completed an on-the-job graduate programme of finance studies organised by Dongbei University of Finance and Economics in July 2007. He was conferred with the title of economist by China Ping An Insurance Company in September 1995.

### 3. Biographies of Senior Management

For the biography of Mr. XIAO Ruiyan (肖瑞彥), please refer to "Directors, Supervisors, Senior Management and Employees – Biographies of Directors".

**Mr. SHEN Guoyong (沈國勇)**, aged 49, was appointed as the vice president of the Bank in January 2019 and executive vice president of the Bank in February 2020. Mr. Shen has over 25 years of experience in banking business operation and management. From July 1992 to January 2019, Mr. Shen held various positions at China CITIC Bank. From December 2014 to January 2019, he served as the general manager of the corporate business department of the head office; from July 2013 to December 2014, he served as the general manager of the factoring business centre of the head office; from March 2010 to July 2013, he served as the party secretary and president of the Harbin branch; from July 2005 to March 2010, he served as the assistant to general manager and deputy general manager of the sales department of the head office (Beijing branch). From January 1999 to July 2005, he served as the corporate credit division director of the sales department and the general manager of the banking department of the head office (Beijing branch). From July 1992 to January 1999, he served as loan officer, deputy section chief and section chief of the credit department of the head office.

Mr. Shen obtained a bachelor's degree in economics from the China University of Finance (currently known as the University of International Business and Economics) in July 1992 and a master's degree in business administration from the Chinese University of Hong Kong in December 2007. Mr. Shen has the qualification of senior economist.

For the biography of Mr. WANG Yigong (王亦工), please refer to "Directors, Supervisors, Senior Management and Employees – Biographies of Directors".

For the biography of Mr. WU Gang (吳剛), please refer to "Directors, Supervisors, Senior Management and Employees – Biographies of Directors".



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

**Mr. SUN Yongsheng (孫永生)**, aged 59, was appointed as the vice president of the Bank in June 2014 and served as an executive Director of the Bank from October 2015 to February 2018. He served as the director of the president's office from January 2014 to January 2017. Mr. Sun has over 30 years of experience in banking business operation and management. He served as the managing vice chairman of the labor union of the Bank from January 2014 to January 2015, general manager of the retail business department of the Bank from January 2014 to July 2014, president of the Bank's Shanghai Branch from January 2013 to January 2014, director of the president's office and director of the board's office at the Bank from February 2012 to January 2013 and president of the Bank's Shenhe Sub-branch from January 2010 to February 2012 and held the positions of general manager of the business department and (managing) deputy general manager of Shenyang operation and administration department of the Bank from July 2006 to February 2012. He joined the Huashan Sub-branch of the Bank in September 1997. From September 1997 to July 2006, he successively served as president of the Huashan Sub-branch of the Bank and president of the Bank's Binhe Sub-branch. Prior to joining the Bank, he worked successively as an administrative accountant, deputy chief of the general affairs division, chief of the accounting division at Liaoning Financial Vocational College (遼寧金融職業學院, formerly known as 遼寧省金融職工大學) and general manager of Shenyang Huashan Credit Cooperative from August 1983 to August 1997.

Mr. Sun graduated from Liaoning University (Liaoning, PRC) in June 2000, majoring in administrative management, and obtained a diploma of post-graduate study in political economics from Dongbei Normal University (Jilin, PRC) in July 2002. He has been a senior accountant as accredited by the Human Resources Department of Liaoning Province since September 2002.

**Mr. ZHANG Xuewen (張學文)**, aged 52, was appointed as the vice president of the Bank in January 2019. He served as the party secretary and the president of the Changchun branch of the Bank from January 2014 to January 2019; the general manager of the marketing department of the Bank from August 2012 to January 2014; and the vice president of the Changchun branch of the Bank from April 2011 to August 2012. Mr. Zhang has over 25 years of experience in banking business operation and management. From December 2006 to April 2011, he served as the Director of the Second Corporate On-site Inspection Department of the Jilin Banking Regulatory Bureau and the Contact Group for Improving Small Enterprises' Financial Services of the Jilin Banking Regulatory Bureau. From September 2003 to December 2006, Mr. Zhang served as a supervisory researcher at the Deputy Department Director level of the Central Bank Department of the Jilin Banking Regulatory Bureau. From September 2001 to September 2003, he served as a principal staff member of the Central Bank Department of the Changchun Financial Regulation Bureau. From December 1998 to September 2001, he served as a senior staff member of the Second Inspection Department of the Changchun Financial Regulation Bureau. From December 1995 to December 1998, Mr. Zhang worked in the banking department of the Jilin People's Bank and from August 1991 to December 1995, served in the business department and the financial management department of the Bank.

Mr. Zhang holds a master degree in political economics from Dongbei Normal University in December 2001 and is an economist.





**Ms. ZHANG Jun (張瑛)**, aged 49, has been appointed as the vice president of the Bank in February 2020. Ms. Zhang has over 27 years of banking and risk management experience. Ms. Zhang has worked at the Bank since August 2019. From November 2019 to February 2020, Ms. Zhang served as the Chief Risk Officer of the Bank. From July 2002 to August 2019, she held various positions at China Everbright Bank. From September 2013 to August 2019, she served as the director of the automobile financial center of the corporate business department, the special credit approval officer of the credit approval department, and the deputy general manager of the credit approval department in the head office. From November 2006 to February 2007 and from August 2009 to September 2013, she served as the general manager of the retail business department and general manager of the corporate business department of the Beijing Branch. From July 2002 to November 2006 and from February 2007 to August 2009, she served as the deputy president and president of Haidian sub-branch. Prior to joining China Everbright Bank, from August 1992 to July 2002, Ms. Zhang served in China Construction Bank Haidian sub-branch as the appropriator of the second investment department, the loan officer of the credit department, the deputy general manager of the international business department, the deputy general manager of the entity customer department, and the general manager of the Shang Di regional branch office and the general manager of the corporate business department.

Ms. Zhang obtained a bachelor's degree in economics from Capital University of Economics and Business in July 1992, and a master's degree in economics from Renmin University of China in March 2003. She has the qualification of senior economist.

**Ms. LI Ying (李穎)**, aged 52, was appointed as the chief risk officer of the Bank in March 2020. Ms. Li has nearly 30 years of experience in banking business operation and management. From December 1998 to March 2020, Ms. Li held multiple positions in China Everbright Bank. From October 2015 to March 2020, she has successively served as the deputy general manager of risk management department and deputy general manager and deputy general manager (at general manager level) of the special assets operation and management department of head office of China Everbright Bank. From September 2010 to October 2015, she served as the chief risk officer, vice president, chairperson of labour union and member of Party Committee of Taiyuan branch of China Everbright Bank. From January 2008 to September 2010, she served as the chief risk officer, chairperson of labour union and member of Party Committee of Changchun branch. From December 1998 to January 2008, she successively served as the deputy general manager (in charge of work) and general manager of business department and international business department and the general manager of risk management department. Prior to joining China Everbright Bank, Ms. Li served as the renminbi and foreign currency accountant, international settlement officer and the deputy head of Shenhe sub-branch of Shenyang branch of China Bank from June 1990 to December 1998.

Ms. Li obtained a bachelor's degree in industrial accounting from Nanjing University of Science and Technology in July 1990. Ms. Li obtained the professional qualification of senior accountant in October 2000 and has the professional qualification of senior registered credit analyst.

**Mr. ZHOU Zhi (周峙)**, aged 51, has been appointed as the secretary of the Board of the Bank since February 2015. Mr. Zhou has over 28 years of experience in banking business operation and management. He joined the Nanhu Sub-branch of Shenyang Cooperative Bank, the Bank's predecessor, in August 1991. Mr. Zhou has served as the director of the strategic development research centre of the Bank from March 2018 to September 2019. Mr. Zhou served as the deputy director of the development strategy research center of the Bank from June 2006 to March 2018. From June 2006 to January 2015, Mr. Zhou served as the director of the Supervisors' office of the Bank. From May 2005 to June 2006, Mr. Zhou served as the deputy director in the president's office of the Bank. From May 1998 to May 2005, he served as assistant to the general manager and deputy general manager of the market development department and deputy director of the development strategy research center. From August 1991 to May 1998, Mr. Zhou successively worked as an employee of the securities department and the City Plaza business department of the Bank (including its predecessor).



## DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Zhou obtained a master's degree in business administration from Liaoning University in December 2008. Mr. Zhou has been a senior economist as accredited by Human Resources Department of Liaoning Province since 2003.

**Ms. LI Zheng (歷嶂)**, aged 34, she has worked at the Bank since March 2020 and has been appointed as the Human Resources Director of the Bank. Ms. Li has nearly 10 years of experience in human resources management. From July 2008 to March 2020, Ms. Li held various positions in Evergrande Group. From June 2010 to March 2020, Ms. Li successively served as the development director, investment director, assistant to general manager (in charge of personnel and marketing), deputy general manager and project general manager of Evergrande Real Estate Group (Liaoning Company). From March 2009 to June 2010, Ms. Li served as the manager of the competition department of Guangdong Evergrande Volleyball Club. From July 2008 to March 2009, Ms. Li served as a recruitment specialist in the Human Resources Center of Evergrande Group.

Ms. Li obtained a bachelor's degree in education from South China Normal University in July 2008, and a master's degree in business administration from Liaoning University in December 2018.

**Mr. BAO Hong (包宏)**, aged 48, has been appointed as the chief financial officer of the Bank since March 2020. Mr. Bao has over 20 years of experience in banking business operation and financial management. He joined Shenyang Cooperative Bank, the precedent of the Bank in August 1992 and has held various important positions in the Bank. He served as a director of Shengjing Bank Consumer Finance Co., Ltd. since June 2019. From March 2019 to present, he served as the general manager of the Planning and Financial Management Department of the Bank; from January 2018 to March 2019, he served as the general manager of the Assets and Liabilities Management Department of the Bank; from January 2017 to January 2018, he served as the deputy director of the President's Office of the Bank (in charge of work); from August 2016 to January 2017, he served as the vice president of Changchun Branch of the Bank; from January 2015 to August 2016, he served as the vice president of Tianjin Branch of the Bank; from August 2009 to January 2015, he served as the deputy general manager of Shenyang Business Management Department of the Bank, the chief financial officer of the Bank, the director of the Board Office, the director of the President's Office, the secretary of the Board, and the director of the Listing Promotion Office. From March 2009 to August 2009, he served as the executive vice president of Beijing Branch of the Bank; from January 2009 to March 2009, he served as the deputy director of the Board Office (in charge of work) and the deputy director of the development strategy research center of the Bank; from March 2007 to January 2009, he served as the vice president of Binhe Sub-branch in Shenyang. From July 1995 to March 2007, Mr. Bao successively served as the system administrator, assistant to general manager, and deputy general manager of the financial and accounting department of Shenyang Commercial Bank, the precedent of the Bank, vice president of the Baogong Branch, deputy general manager of the foreign exchange business department and vice president of the Beishi Sub-branch. From August 1992 to July 1995, he served as the settlement officer and auditing officer of the business department of Shenyang Cooperative Bank, the precedent of the Bank.

Mr. Bao obtained master's degree in Business Administration from Coventry University in the United Kingdom in November 2002. Mr. Bao obtained the professional qualification of senior accountant recognized by Liaoning Public Affairs Department in September 2005.

Save as disclosed above, all our Directors, Supervisors and members of senior management meet the relevant CBIRC qualification requirements for their respective positions. For those whose appointments require approval by the CBIRC, the approvals have been duly obtained.



#### 4. *Biographies of Joint Company Secretaries*

**Mr. ZHOU Zhi (周峙)**, aged 51, is one of the joint company secretaries of the Bank and was appointed in February 2015. For the biography of Mr. Zhou, please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Senior Management”.

**Ms. KWONG Yin Ping Yvonne (鄺燕萍)**, aged 64, is one of the joint company secretaries of the Bank and was appointed in June 2014 with her appointment taking effect on the Listing Date.

Ms. Kwong has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. Kwong received a bachelor’s degree in accounting from Hong Kong Polytechnic University in November 1997. She has been a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators since 2012.

## **EMOLUMENT OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE BANK**

For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see notes 9 and 10 to the financial statements.

## **EMPLOYEES, EMPLOYEES’ COMPENSATION POLICIES AND TRAINING SCHEMES**

As at 31 December 2019, the Bank had 6,219 employees in total.

The Bank has established a compensation system that is consistent with corporate governance requirements, balanced with bank competitiveness and sustainable capacity building, and is compatible with business performance after risk adjustment, with short-term incentives and long-term incentives. Employee compensation consists of fixed salary, variable salary, and welfare income. It is determined by ability and contribution, and takes into account external competitiveness and internal equity. The Bank contributes to its employees’ social insurance and provides housing funds and certain other employee benefits in accordance with the applicable PRC laws, rules and regulations.

According to its overall development strategies and training plans, aiming at continuous improvement of overall quality and business ability of personnel of all levels and positions, with training focus on leadership, professional skills and improvement of marketing capabilities, the Bank has continued to improve the training management system that is compatible with customer needs, market environment and industry development. The Bank has implemented a diversified training programme, effectively enhancing the overall competence of and supporting the professional growth of its employees of all levels and positions to cultivate Shengjing Bank’s own expert talents and achieve sustainable development of human resources. During the Reporting Period, the Bank continued to strengthen the construction of the three-level training system of head office, branches and sub-branches, actively carry out business demonstration training by business lines, and continuously strengthen the training courses and development and management of training materials. In addition, the Bank strengthened the construction of its internal training lecturers. During the Reporting Period, the Bank conducted employee training sessions with total enrolments of 67,869.



## CORPORATE GOVERNANCE REPORT

The Bank strives to improve the transparency and accountability of its corporate governance and ensure high standards of corporate governance to safeguard shareholders' interests and enhance its enterprise value and commitment.

In 2019, the Bank complied with the relevant laws and regulations in all material respects. The Bank also conducted performance appraisals on the Board, senior management and their members, further upgraded its standards of information disclosure and standardised its work on management of investor relations, to enhance the transparency and corporate governance standards of the Bank.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules and the Listing Rules governing disclosure of inside information.

Nothing has come to the attention of the Directors to suggest that the Bank was not in compliance with the code provisions set out in the Code during the Reporting Period.

The Bank will continue to review and enhance its corporate governance in order to ensure compliance with the Code and meet the higher expectations of the Shareholders and investors.

### GENERAL MEETING

#### Information of General Meetings

In 2019, the Bank held three general meetings, details of which are set out below:

At the 2019 first extraordinary general meeting of the Bank held on 22 February 2019, proposals were considered and approved on the matters including amendments to the Rules of Procedures for Shareholders' General Meetings, amendments to the Rules of Procedures for the Board of Directors and amendments to the Articles of Association.

At the 2018 annual general meeting of the Bank held on 31 May 2019, proposals were considered and approved on the matters, including the work report of the Board of Directors for 2018, the work report of the Board of Supervisors for 2018, the final financial accounts for 2018 and financial budget report for 2019, the profit distribution plan for 2018, appointment of auditors for 2019, and the general mandate to issue new shares.

At the 2019 second extraordinary general meeting of the Bank, the 2019 first Domestic Share class meeting of the Bank, the 2019 first H Shares class meeting of the Bank held on 16 August 2019, proposals were considered and approved on the matters including proposed subscription and issuance of Domestic Shares, proposed subscription and issuance of H Shares and the Executive granting the Whitewash Waiver.

The above general meetings were convened in compliance with the procedures as required by the relevant laws and regulations.



## THE BOARD AND SPECIAL COMMITTEES

### Implementation of Resolutions of General Meetings by the Board

In 2019, the Board implemented the resolutions passed at the general meeting regarding, among other things, the amendments to the Rules of Procedures for Shareholders' General Meetings, the Rules of Procedures of the Board of Directors and Articles of Association, the final financial accounts for 2018 and financial budget for 2019, the profit distribution plan for 2018, appointment of auditors for 2019, and subscription and issuance of Domestic Shares and H Shares.

### Composition of the Board

As at the date hereof, the Board of the Bank comprises a total of 14 Directors, including three executive Directors, namely, Mr. QIU Huofa (Chairman), Mr. WANG Yigong and Mr. WU Gang; six non-executive Directors, namely, Mr. ZHANG Qiyang, Mr. LIU Yanxue, Mr. LI Jianwei, Mr. LI Yuguo, Mr. YUEN Wing Shing and Mr. ZHAO Weiqing; and five independent non-executive Directors, namely, Mr. NI Guoju, Mr. KEUNG Chak, Mr. TAI Kwok Leung, Alexander, Mr. XING Tiancai and Mr. LI Jinyi.

The list of Directors (by category of Directors) was disclosed in all corporate communications issued by the Bank in accordance with the Listing Rules.

The Board is responsible for developing the management system of the Bank and monitoring the decisions on business and financial strategies, results and other important matters of the Bank. The Board is accountable to the general meeting. The Board has delegated the powers and duties in relation to management of the Bank to the management. In addition, the Board has also defined respective terms of reference of the audit committee, the nomination and remuneration committee, the strategic development committee, the related party transactions control committee and the risk control and consumers' rights protection committee. Details of such committees are set out in this report.

The Board is also responsible for performing the corporate governance functions. During the Reporting Period, the Board performed the corporate governance functions in accordance with code provision D.3.1 of the Code.

The Bank has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

### Financial, Business and Family Relationships between Directors, Supervisors and Senior Management

There are no relationships between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.



## CORPORATE GOVERNANCE REPORT

### Changes in Directors

Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” for details of changes in Directors of the Bank.

### Operation of the Board

The Board convenes meetings on a regular basis, including regular meetings at least four times a year and other meetings when necessary. Board meetings may be conducted by way of on-site meetings or voting via video conference. The agenda for a regular meeting of the Board is prepared after consulting the Directors, which will be notified to all Directors and Supervisors in writing 14 days prior to the date of such meeting. The Board paper and relevant materials for such meeting are usually circulated to all Directors and Supervisors five days prior to the date of such meeting. All Directors maintain communication with the secretary to the Board to ensure compliance with the procedures of Board meetings and all applicable rules and regulations.

Detailed minutes of Board meetings are maintained and are available for all attending Directors for their review, comments and signature after the conclusion of such meetings. The minutes of Board meetings are kept by the secretary to the Board and are available for inspection by Directors at any time. A communication and reporting mechanism has been established among the Board, Directors and senior management of the Bank. The president reports regularly to the Board and is overseen by the Board.

Relevant members of the senior management are invited to participate in Board meetings from time to time to provide explanations and answers to inquiries. Directors can express their opinions freely at Board meetings, and major decisions are made after detailed discussions. A Director must abstain from discussion and voting at a Board meeting on any proposal in which he or she is materially interested, and must not be counted in the quorum for such proposal.

The Board has set up an office as its working body, which is responsible for the preparation of general meetings, Board meetings and meetings of the special committees under the Board, information disclosure and other routine matters.

### Duties and Powers of the Board

Duties and powers of the Board mainly include, but are not limited to, the following:

- (1) convene and report at shareholders’ general meetings;
- (2) implement resolutions adopted at shareholders’ general meetings;
- (3) make decisions on the Bank’s business plans and investment plans, formulate the Bank’s operational development strategies;



- (4) formulate the Bank's annual financial budgets and accounts;
- (5) formulate the Bank's proposals on profit distribution and loss recovery plans;
- (6) formulate proposals on the increase or reduction of the Bank's registered capital and the issue and listing of bonds and other securities;
- (7) formulate plans for significant acquisitions, purchase of the Bank's shares, or merger, division or dissolution or other change in form of the Bank;
- (8) decide on matters within the scope authorized at a shareholders' general meeting, including major external investments, asset acquisition and sales, pledge of assets, external guarantee, trust management and related transactions etc.;
- (9) decide on the establishment of the Bank's internal management departments and overseas branch office which is not a legal person;
- (10) appoint or remove the Bank's president and Secretary to the Board of Directors in accordance with the recommendations of the chairman; appoint or remove the members of the Bank's senior management, including the executive vice president and chief financial officer in accordance with the recommendations of the president, and determine their remunerations, rewards and punishment;
- (11) formulate proposals on the remuneration and subsidies of the directors of the Bank;
- (12) formulate the basic management systems, decide on the policies on risk management, internal control and compliance of the Bank;
- (13) formulate amendments to these Articles;
- (14) formulate the information disclosure system of the Bank, incorporate the risk management work of the Bank's information into daily operation, implement responsibility of various aspects and manage the disclosure of information of the Bank;
- (15) propose at a shareholders' general meeting the engagement, replace or discontinuance of engagement of an accounting firm of the Bank;
- (16) supervise and evaluate the work performance of the directors and senior management officers of the Bank, listen to the president's work report and inspect the president's work;



## CORPORATE GOVERNANCE REPORT

- (17) consider any major capital expenditure, contract and commitment which exceeds the expenditure limit for senior management officers set by the Board of Directors;
- (18) formulate proposals on the sale or transfer of all or substantially all of the Bank's business or asset;
- (19) draw up share incentive and equity repurchase plans of the Bank; and decide on the measures to link employees' salaries with the operational performance of the Bank;
- (20) report to the relevant authorities of the government in accordance with the laws and regulations with respect to significant events involving operational risks and financial security as well as major decisions that are likely to lead to financial risks and financial security issues before such decisions are made; and
- (21) other rights conferred by the laws, administrative regulations, departmental rules or these Articles.

Unless otherwise required by the laws, regulations, regulatory authorities and the Articles of Association, the resolutions of the above matters of the Board must be approved by a majority of all the Directors, but in respect of the matters mentioned in paragraphs (5), (6), (7), (8), (10), (13), (17) and (18), the resolutions must be approved by more than two-thirds of all the Directors.

### **Appointment of Directors**

The Directors (including non-executive Directors) are appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.

### **Board Meetings**

Pursuant to the Code, the Board is required to convene regular meetings at least four times every year and at least once in each quarter. Such regular meetings do not include obtaining Board consent through circulating written resolutions.

In 2019, the Board convened 12 meetings in total (including voting via video conference), at which 48 proposals were considered and approved, and 3 matters were heard, mainly including subscription and issuance of Domestic Shares and H Shares, amendments to the Articles of Association, amendments to the Rules of Procedures of Shareholders' General Meeting, amendments to the Rules of Procedures of the Board of Directors, financial report, profit distribution, the evaluation report on internal control, the report on comprehensive risk management etc.





Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2019 are set out below:

Members of the Board	Attendance in person/by proxy/required attendance (times)						
	Board	Audit Committee	Nomination and Remuneration Committee	Strategic Development Committee	Related Party Transactions Control Committee	Risk Control Committee	General Meetings
<b>Executive Directors</b>							
QIU Huofa (Chairman)	12/0/12		4/0/4	3/0/3			2/0/3
WANG Yigong	12/0/12				6/0/6		3/0/3
WU Gang	12/0/12					2/0/2	1/0/3
<b>Non-executive Directors</b>							
ZHANG Qiyang	12/0/12		4/0/4	3/0/3			2/0/3
LIU Yanxue	12/0/12	3/0/3					1/0/3
LI Jianwei	11/1/12	3/0/3					0/0/3
LI Yuguo	5/7/12					0/2/2	0/0/3
YUEN Wing Shing	11/1/12				5/1/6		0/0/3
ZHAO Weiqing	11/1/12			3/0/3			1/0/3
<b>Independent non-executive Directors</b>							
NI Guoju	11/1/12				6/0/6	2/0/2	1/0/3
KEUNG Chak	12/0/12	3/0/3	4/0/4				2/0/3
TAI Kwok Leung, Alexander	11/1/12	3/0/3			5/1/6		2/0/3
XING Tiancai	12/0/12		4/0/4	3/0/3	6/0/6		2/0/3
LI Jinyi	12/0/12	3/0/3	4/0/4			2/0/2	3/0/3
<b>Former Director</b>							
ZHANG Qiang	12/0/12			3/0/3		2/0/2	3/0/3



## CORPORATE GOVERNANCE REPORT

*Notes:*

1. Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present.
2. Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” for details of changes in Directors of the Bank.
3. Attendance in person includes participation by way of physical attendance as well as participation by way of electronic means such as telephone and online video conference.

### **Independent Non-executive Directors**

During the Reporting Period, the composition of the Board met the requirements under the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive Directors do not have any business or financial interests, nor hold any management positions, in the Bank. All the current independent non-executive Directors are elected and appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.

The Bank has received the annual confirmation from each independent non-executive Director confirming his independence as required by the Listing Rules. The Bank considers that all independent non-executive Directors are independent.

During the Reporting Period, the Bank’s independent non-executive Directors duly attended the meetings of the Board and the special committees thereof and provided independent and objective advice on various material decisions at the meetings of the Board and relevant special committees by taking advantage of their professional capabilities and industrial experiences. The Bank’s independent non-executive Directors strengthened their communication with the senior management, specific departments and external auditors and thoroughly studied the operation and management of the Bank. They diligently fulfilled their obligations and performed their duties and provided strong support to the Board to make rational decisions and protected the interests of the Bank and its Shareholders as a whole.



## Director's Responsibilities for the Preparation of Financial Statements

The Directors have acknowledged their responsibility for the preparation of the financial statements of the Bank for the year ended 31 December 2019.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure such financial statements give a true and fair view of the financial conditions, operation results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2019, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.

## Continuous Professional Development Program for Directors

Each newly appointed Director shall receive a comprehensive, formal and tailored induction upon his/her first appointment, to ensure that he/she has a proper understanding of the operations and business of the Bank and that he/she is fully aware of his/her duties and responsibilities under the Listing Rules, applicable laws and regulatory rules.

Training for the Directors must be carried out on an ongoing basis. The Bank encourages all Directors to participate in continuous professional development to develop and update their knowledge and skills.

The Bank also provides the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will make their contribution to the Board with informed and relevant information, abide by the Code and enhance their awareness of sound corporate governance practices.

In addition, the Directors attended a number of seminars and training courses provided by professional institutions engaged by the Bank. In 2019, the seminars and training courses attended by the Directors covered the following topics:

1. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
2. The Codes on Takeovers and Mergers and Share Buy-backs
3. Compliant operation of Hong Kong listed companies;
4. Small and Medium Banks Corporate governance;
5. Prevention of Risks and Transformational Development.



## CORPORATE GOVERNANCE REPORT

### Directors

### Topics of Trainings Attended

#### Executive Directors

QIU Huofa	1,2,3,4,5
WANG Yigong	1,2,3,4,5
WU Gang	1,2,3,4,5

#### Non-executive Directors

ZHANG Qiyang	1,2,3,4,5
LIU Yanxue	1,2,3,4
LI Jianwei	1,2,3
LI Yuguo	1,2,4
YUEN Wing Shing	1,2,4,5
ZHAO Weiqing	1,2,4

#### Independent non-executive Directors

NI Guoju	1,2,4,5
KEUNG Chak	1,2,3,4
TAI Kwok Leung, Alexander	1,2,4,5
XING Tiancai	1,2,3,4
LI Jinyi	1,2,4,5

#### Former Director

ZHANG Qiang	1,2,3,4,5
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## Corporate Governance Functions of the Board

The Board is responsible for establishing sound corporate governance practices and procedures within the Bank. During the Reporting Period, the Board has:

1. formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;
2. reviewed and monitored the training and continuous professional development of Directors and senior management members;
3. reviewed and monitored the Bank's policies and practices in respect of compliance with laws and regulatory requirements;
4. formulated, reviewed and monitored the codes of conduct for Directors and employees; and
5. reviewed compliance with the Code and the disclosures in the Corporate Governance Report of the Bank.

## Special Committees under the Board

The Board has the following committees: audit committee, nomination and remuneration committee, strategic development committee, related party transactions control committee and risk control and consumers' rights protection committee. The Board committees have been operated in accordance with their respective terms of reference defined by the Board.

Please refer to "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management" for details of changes in Directors of the Bank.

### **(I) Audit Committee**

As at 31 December 2019 and up to the Latest Practicable Date, the Bank's audit committee consisted of five Directors, including Mr. TAI Kwok Leung, Alexander as the chairman, and Mr. LIU Yanxue, Mr. LI Jianwei, Mr. KEUNG Chak and Mr. LI Jinyi as members. The composition of the audit committee complies with Rules 3.10(2) and 3.21 of the Listing Rules and paragraph C3 of the Code.



## CORPORATE GOVERNANCE REPORT

The primary duties of the audit committee include:

1. examine the Bank's risks and compliance status, accounting policies, financial reporting process and financial status, review the completeness of the Bank's financial information, including financial statements and annual report and accounts, interim reports and quarterly reports (if any), and review the major opinion related to financial reporting as disclosed in the statements and reports.

The audit committee must liaise with the Board and senior management with regard to the above matters and meet at least twice a year with the external auditors. The audit committee must consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting function, compliance officer (if any) or external auditors;

2. With respect to external auditors:
  - (1) make recommendations to the Board on the appointment, reappointment or removal of the external auditors, reviewing the fees and terms of engagement of the external auditors, and handling any matters relating to the resignation or dismissal;
  - (2) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the external auditors the nature and scope of the audit and the related reporting obligations before the audit commences;
  - (3) develop and implement policy on engaging external auditors to provide non-audit services;
  - (4) review the audit results letter presented by external auditors to the management, as well as any material queries raised by the auditors to the management about accounting records, financial accounts or monitoring systems, and the management's response;
  - (5) ensure that the Board will timely respond to the matters raised in the audit results letter presented by external auditors to the management; and
  - (6) act as the key representative body for overseeing the Bank's relations with the external auditors and being responsible for the communications between internal and external auditors to ensure that internal and external audit work has been coordinated.
3. being responsible for the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations;



4. review and approve the Bank's internal audit system and supervise its implementation, review, evaluate and report to the Board on the internal audit on a regular basis, and ensure that the internal audit department has sufficient resources for operation and proper status;
5. examine the Bank's financial reporting system, risk management system and internal control system and their implementation;
6. urge the senior management to develop and implement anti-money laundering policies, systems and procedures, supervise the work of the anti-money laundering, listen to senior management reports on major anti-money laundering matters and make decisions on the policy adjustments in a timely manner; and
7. other duties required by the laws and regulations, rules and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the audit committee held 3 meetings, at which 33 proposals were considered, mainly including the 2018 financial report, the 2018 profit distribution plan, the 2018 internal audit work report, the 2018 evaluation report on internal control, the engagement of auditors for 2019, the 2018 comprehensive risk audit report, the financial report for the six months ended 30 June 2019 and the 2019 interim report. In addition, the audit committee held 3 meetings with the auditors and 2 meetings with the auditors in the absence of the management in accordance with the code provisions of the Code.

## **(II) *Nomination and Remuneration Committee***

As at 31 December 2019 and up to the Latest Practicable Date, the Bank's nomination and remuneration committee consisted of five Directors, including Mr. XING Tiancai as the chairman, and Mr. QIU Huofa, Mr. ZHANG Qiyang, Mr. KEUNG Chak and Mr. LI Jinyi as members, with a majority of the members being independent non-executive Directors.

The primary duties of the nomination and remuneration committee include:

1. review, at least annually, the structure, size and composition (including the skills, knowledge and experience) of the Board, according to the Bank's operation, asset size and ownership structure, and make recommendations with regard to any contemplated changes made to the Board in line with the Bank's development strategy and operation strategy implementations;
2. research and formulate the procedures and standards for electing the Directors and senior management, identify individuals with suitable qualifications for Directors and senior management of the Bank, and make recommendations to the Board;
3. conduct preliminary reviews of the qualifications of potential Directors and senior management, and make recommendations to the Board;
4. assess the independence of the independent non-executive Directors;
5. make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular, the Chairperson and President of the Bank;



## CORPORATE GOVERNANCE REPORT

6. develop and review in appropriate cases the Bank's policy concerning diversity of the Board members, and make disclosure of the relevant policy or a summary of the policy in the corporate governance report of the Bank;
7. study and formulate the standards for appraising Directors and senior management and conduct appraisals and put forward proposals to the Bank;
8. review the remuneration management policies and systems of the Bank, formulate appraisal, compensation and incentive plans for the Directors and senior management, and make recommendations to the Board and supervise the implementation of the relevant policies, systems and plans. The nomination and remuneration committee must consult the Chairperson or the President of the Bank in respect of the remuneration suggestions of executive Directors and senior executives;
9. review and approve remuneration suggestions by management based on the corporate goals and objectives formulated by the Board;
10. determine the remuneration packages of the executive Directors and senior management under authorisation of the Board, or make suggestions to the Board in respect of the remuneration packages of the executive Directors and senior management;
11. make suggestions to the Board in respect of the remuneration packages of the non-executive Directors;
12. consider the salaries paid by similar banks, time and responsibilities required for the posts and terms of employment of the Bank's other posts;
13. review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable but not excessive;
14. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable;
15. ensure that no Director or any of their associates is involved in deciding his or her own remuneration; and
16. other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the nomination and remuneration committee held 4 meetings, at which 9 proposals were considered, mainly including matters such as the performance appraisal of senior management for 2018, the appraisal report on the performance of duties by Directors for 2018, the report on the work of independent non-executive Directors for 2018, election of chairman of the Board and appointment of vice president. During the process of election of chairman and appointment of vice president, the nomination and remuneration committee evaluated the skills, knowledge and experience of the candidates, and preliminarily reviewed the candidate's qualifications in accordance with relevant laws and regulations. The nomination and remuneration committee make recommendations to the Board in conjunction with relevant policies of the Company, including but not limited to the diversity policy of the Board.





The diversity policy of the Board is summarised as follows:

The Board believes that a board of directors with a diverse composition will enable the Bank to, in a more efficient manner, improve the work quality of the Board, understand and meet customer needs and enhance decision-making ability of the Board. In selecting candidates, the Board and the nomination and remuneration committee consider a large number of factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge and years of service, in order to achieve the diversity of members of the Board. The nomination and remuneration committee reports annually on the composition of the Board from the perspective of diversity, set measurable goals and monitors the implementation of this policy and the achievement of measurable goals.

As at the end of the Reporting Period, the Board comprised 14 Directors, including 2 persons who were ordinarily resident in Hong Kong. The Board is diverse in terms of education background, professional experience, skills knowledge and service term of its members.

### **(III) Strategic Development Committee**

As at 31 December 2019, the Bank's strategic development committee consisted of five Directors, including Mr. QIU Huofa as the chairman, and Mr. ZHANG Qiyang, Mr. ZHANG Qiang, Mr. ZHAO Weiqing and Mr. XING Tiancai as members. On 17 January 2020, Mr. ZHANG Qiang resigned as member of the Strategic Development Committee of the Bank. As of the Latest Practicable Date, the Bank's strategic development committee consisted of four Directors, including Mr. QIU Huofa as the chairman, and Mr. ZHANG Qiyang, Mr. ZHAO Weiqing and Mr. XING Tiancai as members.

The primary duties of the strategic development committee include:

1. review and provide advice to the Board on the Bank's mid- and long-term development strategies;
2. supervise and assess the implementation of the Bank's development strategies;
3. review and provide advice to the Board on the annual budget and final accounts;
4. supervise and inspect the implementation of annual operation plans and investment plans;
5. review the strategic capital allocation (such as capital structure, capital adequacy ratio) and the objectives of assets and liabilities management;
6. review the Bank's plans for establishment of branches and sub-branches, material investment and financing, disposal of assets, mergers and acquisitions;
7. inspect and assess the integrity of the Bank's corporate governance structure; and
8. review the Bank's information technology strategic plan and annual business continuity management plan.



## CORPORATE GOVERNANCE REPORT

During the Reporting Period, the strategic development committee held 3 meetings, at which 18 proposals were considered on the matters mainly including operation work review for the year of 2018 and operation work plan for the year of 2019, the report of the Board of Directors for 2018, the institutional development plan for 2019, the evaluation report for capital adequacy ratio for 2018, the report on execution of green credit strategy for 2018 and the development strategy planning outline for 2020–2022.

### **(IV) Related Party Transactions Control Committee**

As at 31 December 2019 and up to the Latest Practicable Date, the Bank's related party transactions control committee consisted of five Directors, including Mr. NI Guoju as the chairman, and Mr. WANG Yigong, Mr. YUEN Wing Shing, Mr. TAI Kwok Leung, Alexander and Mr. XING Tiancai as members.

The primary duties of the related party transactions control committee include:

1. identify related parties of the Bank and report to the Board of Directors and the Board of Supervisors, and notify the relevant departments of the Bank of the related parties;
2. conduct review of related party transactions subject to review by the Board and submit such related party transactions to the Board for review, or review the related party transactions within its scope of authority;
3. supervise related party transactions conducted by the Bank; and
4. review the Bank's annual related party transactions and the plan for related party transactions control, and submit the findings to the Board for review.

During the Reporting Period, the related party transactions control committee held 6 meetings, at which 17 proposals were considered on the matters mainly including 2018 annual review of related party transactions and the 2019 control plan for related party transactions, identifying related parties as at the end of 2018 and 2018 work review and 2019 work plan of the Related Party Transactions Control Committee.

### **(V) Risk Control and Consumers' Rights Protection Committee**

As at 31 December 2019, the Bank's risk control and consumers' rights protection committee consisted of five Directors, including Mr. LI Jinyi as the chairman, and Mr. ZHANG Qiang, Mr. WU Gang, Mr. LI Yuguo and Mr. NI Guoju as members. On 17 January 2020, Mr. ZHANG Qiang resigned as member of the Risk Control and Consumers' Rights Protection Committee of the Bank. As of the Latest Practicable Date, the Bank's risk control and consumers' rights protection committee consisted of four Directors, including Mr. LI Jinyi as the chairman, and Mr. WU Gang, Mr. LI Yuguo and Mr. NI Guoju as members.

The primary duties of the risk control and consumers' rights protection committee include:

1. ensure the effectiveness of the Bank's risk management system and that the risks faced by the Bank's business are under control;
2. review and amend the Bank's policies and reports of risk management; and conduct supervision and evaluation on its implementation in accordance with the Bank's general strategy;



3. conduct regular review of the risk report submitted by the senior management;
4. ensure that necessary measures are adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risks;
5. review and approve the Bank's compliance policies, conduct regular review of the compliance risk report submitted by the senior management, and supervise the implementation of the compliance policies; and
6. conduct regular review of the Bank's information technology risk management report and the Bank's business continuity assessment report.

During the Reporting Period, based on the overall risk management strategies of the Bank, the risk control and consumers' rights protection committee reviewed and amended the Bank's risk management policies, regularly reviewed the risk reports submitted by the senior management to further understand the Bank's risk management work and the effectiveness of relevant measures, and made recommendations to the Board.

During the Reporting Period, the risk control and consumers' rights protection committee held 2 meetings, at which 20 proposals were considered on the matters mainly including the 2018 comprehensive risk management report, 2018 compliance risk management report, 2018 information technology risk management report, 2018 liquidity risk management report and 2018 anti-money laundering risk management report. Such work mainly focused on (1) strengthening comprehensive risk management, especially continuing the construction of a comprehensive risk management system consistent with the Bank's development strategies, operational scale, business scope and risk prevention; (2) strengthening the Bank's capabilities of specific risk management, such as integrating liquidity risk management into the Bank's strategic management, constantly enhancing information technology management, reviewing compliance risk management report, and reviewing anti-money laundering risk management report; and (3) emphasising internal control management, especially reviewing the internal control evaluation report and revising the stress testing management measures.

## **BOARD OF SUPERVISORS**

### **Composition of the Board of Supervisors**

As at the end of the Reporting Period, the Board of Supervisors comprised nine Supervisors, including three employee representative Supervisors, namely, Mr. YANG Liya, Mr. SHI Yang and Mr. WANG Lijun, three Shareholder representative Supervisors, namely, Mr. PAN Wenge, Mr. LIU Huidi and Mr. YU Haobo, and three external Supervisors, namely, Mr. BA Junyu, Mr. SUN Hang and Mr. DAI Qiang.

### **Chairman of the Board of Supervisors**

Mr. YANG Liya serves as the chairman of the Board of Supervisors and is responsible for organisation and performance of duties of the Board of Supervisors.



## CORPORATE GOVERNANCE REPORT

### Meetings of the Board of Supervisors

In 2019, the Board of Supervisors held a total of 9 meetings, at which 34 proposals were considered and 3 proposals were heard, and approved on matters including the 2018 work report of the Board of Supervisors, the 2018 supervision and evaluation report, 2018 report, the 2018 comprehensive risk management report, the 2018 evaluation report on internal control, the 2018 final financial accounts and 2019 budget report, the 2018 profit distribution plan and performance appraisal on the Directors, Supervisors and senior management of the Bank.

During the Reporting Period, the external Supervisors performed their duties in accordance with the laws, regulations, the Articles of Association of the Bank and the Rules of Procedures of the Board of Supervisors, and actively participated in the special research activities of the Board of Supervisors. They duly performed their supervisory duties, exercised their supervisory power according to the laws and effectively exerted their supervision and counter-balance functions in corporate governance.

Attendance records of the Supervisors at the meetings of the Board of Supervisors and the committees under the Board of Supervisors during the Reporting Period are set out below:

Members of the Board of Supervisors	Attendance in person/by proxy/required attendance (times)		
	Board of Supervisors	Supervision Committee	Nomination Committee
YANG Liya	9/0/9	4/0/4	2/0/2
SHI Yang	9/0/9	4/0/4	0/0/0
WANG Lijun	9/0/9	0/0/0	2/0/2
PAN Wenge	9/0/9	4/0/4	0/0/0
LIU Huidi	9/0/9	0/0/0	2/0/2
YU Haobo	9/0/9	0/0/0	2/0/2
BA Junyu	9/0/9	4/0/4	0/0/0
SUN Hang	9/0/9	0/0/0	2/0/2
DAI Qiang	9/0/9	4/0/4	0/0/0

*Note:* Attendance in person includes participation by way of physical attendance as well as electronic means such as telephone and online video conference.



## Committees under the Board of Supervisors

The Bank has also established two committees under the Board of Supervisors: a supervision committee and a nomination committee. The committees operate in accordance with terms of reference established by the Board of Supervisors.

### **(I) Supervision Committee**

As at 31 December 2019, the Bank's supervision committee under the Board of Supervisors consisted of five Supervisors, including Mr. BA Junyu as the chairman, and Mr. DAI Qiang, Mr. YANG Liya, Mr. SHI Yang and Mr. PAN Wenge as members.

The primary duties of the supervision committee include:

1. draft specific plans on supervising and examining the Bank's financial activities, operating decisions, internal control and risk management with the authorisation of the Board of Supervisors and based on the needs, put forward them to the Board of Supervisors for consideration and implement such plans upon approval;
2. review and provide advice to the Board of Supervisors on the Bank's annual financial report, annual audit report, profit allocation plan formulated by the Board; and
3. when becoming aware of any unusual operating condition of the Bank, or upon the occurrence of significant contingencies or major risk events, formulate investigation plans according to the decision of the Board of Supervisors, and if necessary, organising relevant staff or engaging intermediaries, such as accounting firms and law firms, for assistance.

During the Reporting Period, the supervision committee held 4 meetings, at which 31 proposals were considered and 5 proposals were heard on the matters mainly including the 2018 supervisor review report, the 2018 comprehensive risk management report, the 2018 internal control review report, the 2018 internal audit work report, Shengjing Bank internal control standard protocol and the 2018 special audit report on statistical data quality management.



## CORPORATE GOVERNANCE REPORT

### **(II) Nomination Committee**

As at 31 December 2019, the Bank's nomination committee under the Board of Supervisors consisted of five Supervisors, including Mr. SUN Hang as the chairman and Mr. YANG Liya, Mr. WANG Lijun, Mr. LIU Huidi and Mr. YU Haobo as members.

The primary duties of the nomination committee include:

1. provide advice to the Board of Supervisors on the composition and members of the Board of Supervisors based on the Bank's operational and management status, total asset value and shareholding structure;
2. research the procedures and criteria for selecting Supervisors, conduct preliminary review on the qualifications of Supervisor candidates, and provide advice to the Board of Supervisors;
3. seek qualified supervisor candidates;
4. supervise the procedures for selection and appointment of Directors;
5. conduct comprehensive evaluation on the work performance of Directors, Supervisors and senior management and report to the Board of Supervisors; and
6. supervise the scientificity and reasonableness of the remuneration management system and policies of the Bank and the remuneration packages for the senior management.

During the Reporting Period, the nomination committee held 2 meetings, at which 3 proposals were considered on the revision of the performance evaluation methods of directors, supervisors and senior management by the Board of Supervisors, the 2018 report of the performance evaluation of directors, supervisors and senior management by the Board of Supervisors, and the formulation of management measures for the performance evaluation and evaluation of senior management.



## SENIOR MANAGEMENT

The senior management, as the executive body of the Bank, is accountable to the Board and supervised by the Board of Supervisors. The division of authority between the senior management and the Board is in strict accordance with the Articles of Association and other corporate governance documents of the Bank.

The President has the right to organise and develop business and management activities in accordance with the laws, regulations, rules, the Articles of Association and under the authorisation of the Board. The President has the following functions and powers:

1. take charge of the business operation and management of the Bank, organise the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors;
2. submit business plans and investment proposals to the Board of Directors on behalf of the senior management, and organise the implementation of Board resolutions, annual plans of the Bank and investment proposals upon approval by the Board of Directors;
3. draft proposals on the establishment of the Bank's internal management departments;
4. set up the Bank's basic management system;
5. formulate the Bank's specific regulations;
6. propose to the Board of Directors to engage or dismiss the vice presidents and responsible financial officer;
7. decide to engage or dismiss management other than those to be engaged or dismissed by the Board of Directors;
8. authorise the senior management of the Bank and persons in charge of internal departments and branches to conduct operational activities;
9. formulate proposals on wages, benefits, rewards and punishment of the Bank's staff, and decide on their appointment and dismissal;
10. adopt emergency measures when any major emergency, such as bank run, arises and promptly report them to the banking regulatory authority of the State Council and the Board of Directors and the Board of Supervisors; and
11. other powers and rights conferred by the Articles of Association and by the Board of Directors.



## CORPORATE GOVERNANCE REPORT

Total before tax remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2019 is set out below:

Remuneration bands	Number of individuals
Nil to RMB2,000,000	1
RMB2,000,001 to RMB3,000,000	1
RMB3,000,001 to RMB4,000,000	3

### DELEGATION OF POWER BY THE BOARD

The management led by the Board exercises its powers in accordance with its responsibilities as set out in the Articles of Association. Apart from implementing resolutions of the Board, the management takes charge of the daily operation and management of the Bank. Major capital expenditure projects must be approved by the Board through the annual budget proposal and then be implemented. Any projects that are either not included in the budget proposal, or included in the budget proposal but without detailed expenditures, will be decided by the management with the authorisation by the Board.

Such other matters delegated by the Board to the management include loans and guarantees, related party transactions, mortgage financing and guarantees, inter-bank financing business, acquisition of fixed assets, disposal of assets, disposal of non-performing assets and mortgage assets, write-off of assets, donations to external bodies, and establishment, merger and relocation of non-independent accounting sub-branches, provided that the amount of such transaction does not exceed a certain limit. For details, please refer to “Corporate Governance Report – The Board and Special Committees”.

### CHAIRMAN AND PRESIDENT

The roles and functions of the Chairman and the President of the Bank are carried out by different persons. For details of the Chairman and the President of the Bank, please refer to the section headed “Directors, Supervisors, Senior Management and Employees”.

The Chairman of the Board is responsible for overall strategic planning and presiding over the Board, to ensure that the Board works effectively and timely considers all significant matters. The President is responsible for business development and overall operation and management of the Bank. The President is appointed by and accountable to the Board, and must perform his duties in accordance with the Articles of Association and authorisation of the Board. The roles of the Chairman and the President are separated with a clear division of responsibilities. The management is responsible for the day-to-day operation and management.

During the Reporting Period, the Chairman held 2 meetings with the non-executive Directors (including independent non-executive Directors) in the absence of the executive Directors.





## SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.

## EXTERNAL AUDITORS AND AUDITORS’ REMUNERATION

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the Independent Auditor’s Report.

The Bank engaged KPMG and KPMG Huazhen LLP as the international and domestic auditors of the Bank for 2019, respectively. The fees as agreed to be paid by the Bank to KPMG and KPMG Huazhen LLP for the audit of the financial statements for the year ended 31 December 2019 are RMB4.30 million and RMB2.20 million, respectively.

The Bank agreed to pay KPMG Advisory (China) Limited Beijing Branch for the non-auditing services for the year ended 31 December 2019 a fee of RMB1.51 million.

## INTERNAL CONTROL

### Risk Management and Internal Control

#### *(I) Management System*

The Board is responsible for the establishment and implementation of a sound risk management and internal control system as well as regularly conducting comprehensive assessment. The Board of Supervisors supervises the establishment and implementation of risk management and internal control by the Board and senior management. The senior management is responsible for the day-to-day operation of risk management and internal control across the Bank. Meanwhile, the Board has established the audit committee, the risk control and consumers’ rights protection committee and the related party transactions control committee to fulfill the responsibilities of risk management and internal control and evaluate the effectiveness of such risk management and internal control.



## CORPORATE GOVERNANCE REPORT

The Board attaches great importance to the construction of risk management and internal control, and has established a risk management system featuring “uniform leadership, vertical management and hierarchical accountability” to identify, assess and manage the major risks related to the Bank. In particular, the Bank complies with the requirements on the establishment of risk management and internal control under, among others, the PRC Commercial Banking Law, the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》), the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) and the guidelines issued by the Basel Committee on Banking Supervision. Accordingly, the Bank developed a risk management and internal control system which covers such five aspects as internal environment, risk assessment, activity control, information and communication, and internal supervision and is in line with the Bank’s development strategies, operating scale, scope of business and risk appetite. The Board, the Board of Supervisors and senior management constantly pay attention to the effectiveness of risk management and internal control, actively promote relevant rectification and reforms and optimise its system rules, procedures and IT system, thereby encouraging its functional departments and all branches and sub-branches to strengthen risk control in order to improve business quality.

### **(II) Annual Assessment**

During the Reporting Period, in accordance with the PRC Commercial Banking Law, the Law on Supervision of Banking Business, the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), the Guidelines for the Comprehensive Risk Management of Banking Financial Institutions (《銀行業金融機構全面風險管理指引》) and other legal and regulatory requirements and based on the Measures for Internal Control Assessment of Shengjing Bank, the Risk Reporting Policy of Shengjing Bank and other policies, the Bank organised and conducted comprehensive assessments, conducting inspection on all major business lines, assessment by risk management department and interviews, with reference to the internal audit and external inspection during the Reporting Period. Such assessment covered all material risk control aspects of the Bank, including financial, operational and compliance. During the Reporting Period, the Board has conducted an annual review of the effectiveness of the Bank’s internal control and risk management. The Board reviewed the risk management report once and the internal control report twice. The Board considers the Bank’s risk management and internal control systems effective and adequate. Meanwhile, the Board believes that the resources, qualifications and experience of staff of the Bank’s accounting, internal audit and financial reporting functions as well as providing them adequate trainings and financial budgets. There was no significant matter of concern during the Reporting Period.

### **(III) Management of Inside Information**

The Bank attaches great importance to its information disclose, is in strict compliance with all regulations in the listing areas, adheres to the principles of timeliness, fairness, accuracy, truthfulness and completeness as to its information disclosure. The Bank has established procedures for information disclosure to designate the department responsible for managing inside information to satisfy the requirements of SFO and other applicable laws on information disclosure. The Bank also constantly improves its efforts in information disclosure and investor relations management, and carries out information disclosures in accordance with applicable laws.

For further details of risk management and internal control of the Bank, please refer to the sections headed “Management Discussion and Analysis – Risk Management” and “Internal Control” in this report.



## COMPANY SECRETARY

Mr. Zhou Zhi is one of the joint company secretaries of the Company, while Ms. Kwong Yin Ping Yvonne, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, is the joint company secretary fulfilling the relevant qualification requirements of the Hong Kong Listing Rules. The company secretary is mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication between the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Company. Any Director can discuss with, seek advice from and obtain information from the company secretary. The main contact in the Company for Ms. Kwong Yin Ping Yvonne is Mr. Zhou Zhi.

Each of Mr. Zhou Zhi and Ms. Kwong Yin Ping Yvonne has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for no less than 15 hours during the Reporting Period.

## INFORMATION DISCLOSURE

During the Reporting Period, the Bank was in strict compliance with the requirements of carrying out true, accurate, complete and timely information disclosure in relevant laws and regulations. The Bank simultaneously published 60 announcements on HKEx News and the Company's website to enhance the transparency of the company's governance.

### Effective Communication with Shareholders

The Bank places great emphasis on communication with the Shareholders, and strives to improve mutual understanding and communication with the Shareholders through various channels including general meeting, results presentation, roadshows, visit reception and telephone enquiries.

### Amendments to the Articles of Association

Reference is made to the announcement dated 22 February 2019 in relation to, among other things, the resolution on the approval of the amendments to the Articles of Association by Shareholders at the 2019 first extraordinary general meeting of the Bank. The amended Articles of Association is subject to approval by the CBIRC Liaoning Bureau before coming into effect.



## CORPORATE GOVERNANCE REPORT

### SHAREHOLDERS' RIGHTS

#### Request of Shareholders for Convening an Extraordinary General Meeting

The Bank effectively protects shareholders' rights in strict compliance with regulatory regulations and its corporate governance system.

Shareholders individually or in aggregate holding 10% or more of the Bank's voting shares have the right to request in writing the Board of Directors to convene an extraordinary Shareholders' general meeting or a class shareholder meeting. The Board of Directors shall grant feedback in writing of whether to convene the extraordinary shareholders' general meeting or class shareholder meeting within 10 days from the receiving date of such request in accordance with the laws, administrative regulations and the Articles of Association. The shareholding of the above shareholders is based on their shareholdings on the date such request is proposed in writing.

The Board of Directors shall give notice of a shareholders' general meeting or a class shareholder meeting within five days from adoption of the resolution of the Board upon agreeing to convene an extraordinary shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Directors decides against the convening of an extraordinary Shareholders' general meeting or a class shareholder meeting, or the Board of Directors fails to grant feedback within 10 days from receiving the proposal, shareholders individually or in aggregate holding 10% or more of the Bank's voting shares are entitled to propose for convening an extraordinary Shareholders' general meeting or a class shareholder meeting to the Board of Supervisors in writing.

The Board of Supervisors shall give notice of a Shareholders' general meeting or a class shareholder meeting within five days from adoption of the resolution upon agreeing to convening an extraordinary Shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Supervisors fails to issue notice of the Shareholders' general meeting or class shareholder meeting, the Board of Supervisors will be deemed not to convene or preside over the Shareholders' general meeting or class shareholder meeting and such a meeting may be convened and presided over by shareholders individually or in aggregate holding 10% or more of the Bank's voting shares for at least ninety consecutive days.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.



## Proposals at General Meetings

The Board and the Board of Supervisors as well as Shareholders individually or collectively holding 3% or more voting shares of the Bank have the right to put forward proposals at a general meeting of the Bank. Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details of the general methods and procedures for nominating Directors and Supervisors.

## PROFIT AND DIVIDEND DISTRIBUTION POLICY

According to the Articles of Association, the profit and dividend distribution policy of the Bank are as follow:

- (I) According to Article 279 of the Articles of Association, the Bank shall set aside 10% of the profits from the after-tax profits for the year to its statutory reserve fund. The Bank needs not allocate further amounts if the accumulated amount of the statutory reserve fund is over 50% of its registered capital. If the statutory reserve fund is not sufficient to cover the losses made in the previous year, the profits of the current year shall be used to cover such losses before any allocation to the statutory reserve fund is made in accordance with the provisions of the previous paragraph. After the Bank has set aside statutory reserve fund from the after-tax profits, the Bank, subject to the approval of the shareholders' general meeting, may make allocation to the discretionary reserve fund from the after-tax profits after setting aside general reserves in accordance with the relevant provisions. The balance of the after-tax profits of the Bank after making up losses and setting aside statutory reserve fund may be distributed to the shareholders in pro rata to their shareholding unless it is otherwise stipulated in these Articles that the profits shall not be distributed in pro rata to the shareholding of the shareholders. Where the shareholders' general meeting distributes profits to shareholders before the Bank's making up losses and setting aside statutory reserve funds and violates the foregoing provisions, the shareholders concerned must return to the Bank the profits distributed in violation of the provisions. Shares of the Bank held by the Bank shall not participate in the distribution of profits.
- (II) According to Article 285 of the Articles of Association, the profit distribution policy of the Bank shall emphasize the reasonable investment return to the shareholders and be in the interest of the Bank's long-term development. The Bank may distribute profits via bonus issue, payment of cash dividend and so on.

## RELATIONSHIP WITH KEY STAKEHOLDERS

The Bank considers its employees as its core assets. The Bank has established a performance-based compensation system to encourage a fair and friendly working environment. The Bank has also developed and implemented proper strategies and plans to support the career path and professional advancement of its employees.

Paying close attention to the customers' demands, the Bank has continuously diversified its products and services as well as expanded its sales channels, with a view to optimising the customer experience and expanding its client base. The Bank will continue its endeavors to provide its customers with quality products and services.



## CORPORATE GOVERNANCE REPORT

### INVESTOR RELATIONS

Shareholders and investors may send enquiries to the Board as follows:

Office of the Board and Supervisory Board, Shengjing Bank Co., Ltd.  
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC  
Tel: +86 (24) 2253 5633  
Fax: +86 (24) 2253 5930  
E-mail: dongshihui@shengjingbank.com.cn

Principal place of business in Hong Kong of Shengjing Bank Co., Ltd.:  
Units 4105, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong

### SHAREHOLDERS' ENQUIRIES

Any enquiries related to your shareholding of H Shares, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following address:

Computershare Hong Kong Investor Services Limited  
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong  
Tel: (852) 2862 8555  
Fax: (852) 2865 0990

Any enquiries related to your shareholding of Domestic Shares, including transfer of shares, change of address, loss reporting of share certificates and dividend notes, should be sent in writing to the following address:

Office of the Board and Supervisory Board, Shengjing Bank Co., Ltd.  
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC  
Tel: +86 (24) 2253 5633  
Fax: +86 (24) 2253 5930

### ADDITIONAL INFORMATION

The Bank currently holds a Financial License (institution number: B0264H221010001) issued by the CBIRC Liaoning Bureau, and a Business License (credibility code: 91210100117809938P) issued by the Administration for Industry and Commerce of Shenyang. The Bank is not an authorised institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking and/or deposit-taking business in Hong Kong.



## REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present the Report of the Board of Directors together with the audited financial statements of the Bank for the year ended 31 December 2019.

### PRINCIPAL BUSINESS

The Bank engages in banking businesses and the related financial services.

### BUSINESS REVIEW

A review of the Bank's business during the Reporting Period is set out in the section headed "Management Discussion and Analysis". The key financial performance indicators are set out in the section headed "Financial Highlights". Compliance with relevant laws and regulations which have a significant impact on the Bank can be found throughout this report, in particular, in the section headed "Corporate Governance Report". Analysis on the relationship with key stakeholders can also be found in the section headed "Corporate Governance Report".

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Bank are set out in "Management Discussion and Analysis – Risk Management".

### IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

There are no important events affecting the Bank that have occurred since the end of the Reporting Period.

### FUTURE DEVELOPMENT IN THE BANK'S BUSINESS

Please refer to "Management Discussion and Analysis – Environmental Outlook and Development Strategy".

### PROFITS AND DIVIDEND

The profit distribution policy of the Bank attaches importance to reasonable investment returns to investors and adheres to the principles that are conducive to the long-term development of the Bank. The profit distribution of the Bank may be made by way of bonus shares, cash dividends, etc. The Board of Directors is responsible for formulating profit distribution proposals. A profit distribution proposal should be determined by two thirds or more of our Directors and approved at the general meeting by way of ordinary resolution. The independent Directors should express their opinions on the profit distribution proposals to the Board of Directors. The Board of Supervisors should review and express its opinions on the compliance and appropriateness of the profit distribution proposals. The Bank will determine whether to distribute any dividends, and in what amount, based on factors, including the Bank's results of operations, capital adequacy ratios, cash flow, financial condition, status of business operations and future prospects, the Bank's shareholders' interests, statutory and regulatory restrictions on the Bank's dividend distribution.



## REPORT OF THE BOARD OF DIRECTORS

The Bank's revenue for the year ended 31 December 2019 and the Bank's financial position as at the same date are set out in the section headed "Financial Statements".

Pursuant to the resolutions passed at the 2018 annual general meeting of the Bank held on 31 May 2019, the Bank would distribute a cash dividend of RMB1.2 (tax inclusive) for every ten Shares of the Bank in an aggregate amount of RMB695.6 million to all the Shareholders of the Bank whose names appeared on the register of members on 11 June 2019. Such dividends for distribution were denominated in Renminbi. Dividends payable to holders of Domestic Shares were paid in Renminbi, whereas dividends payable to holders of H Shares were paid in Hong Kong dollars. Such dividends were distributed to the Shareholders on 29 July 2019.

As approved at the Board meeting of the Company on 27 March 2020, it is proposed that no final dividend for 2019 be declared to all shareholders. Such resolution for no distribution of dividend will be considered at the 2019 annual general meeting.

The independent non-executive Directors of the Company also expressed independent opinions on such profit distribution plan.

The amounts of cash dividend and ratios of cash dividend to profit for the year of the Bank for the past three years are as follows:

	2018	2017	2016
	<i>RMB Million, except percentages</i>		
Cash dividend (tax inclusive)	695.6	1,043.40	1,449.17
As a percentage of profit for the year	13.6%	13.8%	21.1%

### CHANGES IN THE RESERVES

Details of the changes in the reserves of the Bank and of the reserves available for distribution for the year ended 31 December 2019 are set out in the financial statements.

### PLEDGE OF ASSETS

Details of the pledge of assets of the Bank for the year ended 31 December 2019 are set out in the financial statements.

### SUMMARY OF FINANCIAL INFORMATION

A summary of the operating results and assets and liabilities of the Bank for the five years ended 31 December 2019 is set out in the "Financial Highlights".





## **DONATIONS**

The charitable and other donations made by the Bank for the year ended 31 December 2019 amounted to approximately RMB4.8475 million.

## **PROPERTY AND EQUIPMENT**

Details of the changes in property and equipment of the Bank for the year ended 31 December 2019 are set out in Note 22 to the financial statements.

## **RETIREMENT BENEFITS**

Details of the retirement benefits provided by the Bank to employees are set out in Note 31 to the financial statements.

## **SUBSTANTIAL SHAREHOLDERS**

Details of the Bank's substantial shareholders as at 31 December 2019 are set out in "Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons" and the relevant parts of the notes to the financial statements, respectively.

## **PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE BANK**

During the Reporting Period, the Bank did not purchase, sell or redeem any listed securities of the Bank saved for those set out in the section headed "Significant Events – Issuance and Listing of Securities and Fund Raising Plan".

## **PRE-EMPTIVE RIGHTS**

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders of the Bank. These Articles of Association provide that the Bank may increase its capital by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders, or otherwise as permitted by the laws and administrative regulations.



## REPORT OF THE BOARD OF DIRECTORS

### MAJOR CUSTOMERS

In 2019, the aggregate amount of operating income generated from the five largest customers of the Bank represented no more than 30% of the total operating income of the Bank.

### USE OF PROCEEDS

During the Reporting Period, net proceeds from subscriptions and issuance of Domestic Shares and H Shares have been utilized entirely in, among others, strengthening the Bank's capital foundation to support the ongoing growth of the Bank's business according to the use of proceeds disclosed in the circular issued by the Bank dated 30 July 2019 in relation to, among others, the Proposed Subscriptions and Issuance and the application for the Whitewash Waiver.

### SHARE CAPITAL

Details of the change in the share capital of the Bank during the year are stated in Note 33 to the financial statements.

### DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

The details of the Directors, Supervisors, senior management and employees are stated in the section headed "Directors, Supervisors, Senior Management and Employees".

### CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NONEXECUTIVE DIRECTORS

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



## DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, to the knowledge of the Directors after making reasonable enquiries, the interests or short positions of the Directors, the chief executive and the Supervisors 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 Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules were set out as follows:

Name	Positions held at the Bank	Nature of interests	Number of Domestic Shares held (Share)	Percentage of the Domestic Shares of the Bank (%)	Percentage of the total share capital of the Bank (%)
LI Yuguo (李玉國)	Non-executive Director	Interest of a controlled corporation	400,000,000 <sup>(1)</sup>	6.1958	4.5472
SHI Yang (石陽)	Employee Representative Supervisor	Beneficial owner	107,684	0.0017	0.0012
WU Gang (吳剛)	Executive Director, Vice President	Interest of spouse Beneficial owner	5,722 146,149	0.0001 0.0023	0.0001 0.0017

Notes:

- (1) Please refer to "Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons" for details.

Save as disclosed above, none of the Directors, the chief executive, or the Supervisors held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 31 December 2019.



## REPORT OF THE BOARD OF DIRECTORS

### **FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

There is no relationship between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.

### **ARRANGEMENTS FOR DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES**

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

### **DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS**

Saved for the continuing connected transactions, which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as at 31 December 2019 and at any time during the Reporting Period, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any material transaction, arrangement or contract (excluding service contracts) in relation to the Bank's business to which the Bank, or its associated companies, is a party. None of the Directors and Supervisors has entered into any service contract with the Bank that is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

### **MANAGEMENT CONTRACT**

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

### **DIRECTORS AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES**

None of the Directors or Supervisors have any interest in businesses that compete with the business of the Bank.



## CORPORATE GOVERNANCE

We are committed to maintaining high standards in corporate governance. Our approach to applying the principles and provisions of the corporate governance code are set out in the “Corporate Governance Report”. In addition, the Bank’s environmental policies are discussed in the “Social Responsibility Report”.

## RELATED PARTY TRANSACTIONS

Transactions between the Bank and the Bank’s connected persons (as defined under the Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, the certain connected transactions of the Bank during the Reporting Period can be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Proposed Subscriptions and Issuance of Domestic Shares of the Bank constitutes a connected transaction. The Bank has followed the reporting, announcements and independent shareholders’ approval requirements. For further details, please refer to “Significant Events – Issuance and Listing of Securities and Fund Raising Plan”.

The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Listing Rules.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in Note 37 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none of them, save for the Proposed Subscriptions and Issuance of Domestic Shares mentioned above, constitute any discloseable connected transaction as defined under the Listing Rules.

## REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

The remuneration system for the Directors, Supervisors and senior management adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. Such remuneration system consists of basic annual salary, annual performance bonus, medium- to longterm incentives, allowances and benefits. The Bank makes contributions to various statutory pension plans organised by governments at all levels for its Directors, Supervisors and senior management.



## REPORT OF THE BOARD OF DIRECTORS

### PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Directors, as at the Latest Practicable Date, the Bank has been maintaining sufficient public float to comply with the minimum public float requirement by the Hong Kong Stock Exchange.

### AUDITORS AND REVIEW OF ANNUAL RESULTS

KPMG and KPMG Huazhen LLP were appointed as the international and domestic auditors of the Bank for 2019, respectively.

KPMG has audited the Bank's financial report for 2019 prepared according to the International Financial Reporting Standards and issued an auditor's report with no qualified opinions. The audit committee of the Bank has reviewed the results and financial reports for the year ended 31 December 2019.

### PERMITTED INDEMNITY PROVISION

The Bank has arranged for appropriate insurance coverage for directors' and officers' liabilities in respect of potential legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the report of the Board of Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

By order of the Board  
**Shengjing Bank Co., Ltd.**  
**ZHOU Zhi**  
*Joint Company Secretary*

Shenyang, Liaoning Province, China  
27 March 2020



## REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors earnestly performed its supervisory duties, adhered to the work focus of operation, continued to improve the way and methods of supervision, conducted targeted investigation and studies, and proposed practicable opinions of supervision pursuant to the relevant provisions of the Company Law of the PRC, the Guidelines on the Corporate Governance of Commercial Banks, the Guidelines on the Functioning of Supervisory Board of Commercial Banks and the Articles of Association of the Bank, so as to enhance sustainable, healthy and stable development of the Company.

### I. REPORT ON MAJOR WORK

In 2019, the Bank convened nine meetings of the Board of Supervisors and six meetings of special committees. The matters considered included the work report of the Board of Supervisors, the supervision and evaluation reports, the measures for evaluation of performance of the directors, supervisors and senior management (revised), the evaluation reports of the performance of the directors, supervisors and senior management, annual reports, financial reports, risk management, internal control compliance, related party transactions, financial budgets and final accounts, profit distribution, internal audit, consolidated management and other matters. Meetings of the Board of Supervisors required the person-in-charge of the relevant departments to attend the meetings, explain and illustrate the resolutions. The Supervisors fully discussed and understood the situation, resulting that the supervisory opinions put forward were more practical, improving the quality and efficiency of supervision of the Board of Supervisors.

Combining the actual operation of the Bank, the Board of Supervisors successively carried out investigation on Yingkou Branch, Anshan Branch, Huludao Branch, Tianjin Branch, Dalian Branch and the relevant departments of the headquarters, convened six symposiums, listened to the details of the completion of operation indicators, major measures and work highlights of branches and sub-branches, focused on the inquiries of marketing of customers, compliance management, auditing and disposal of defective assets of the branches, and provided supervisory opinions on the existing problems to promote the implementation of the problems.

The Supervisory Board put emphasis on combination of daily supervision and special supervision, comprehensive supervision and key supervision, so as to improve the continuity and effectiveness of supervision. The Supervisory Board commenced quarterly special supervision of operation management, and prepared quarterly supervision reports on the basis of reviewing relevant information, investigation and understanding. An annual supervisory evaluation report was prepared in accordance with the regulatory requirements, in which matters relating to management and supervision of liquidity risk, market risk, internal control compliance, criminal offence prevention were added. The Board of Supervisors proposed supervisory opinions on the cost pricing, business model, asset disposal, performance appraisal, capital replenishment and development of informatisation. The Supervisory Board organised and convened special meetings on accountability management, discussed the rules and regulations on the basic requirements of accountability management, the administrative measures of the responsibility for approval of lines of crediting, work system of the accountability committee, provided opinions on enhancing communication and coordination among relevant departments and the subsequent supervision of material asset disposal.



## REPORT OF THE BOARD OF SUPERVISORS

The mechanism by which the Board of Supervisors supervises performance appraisal of the directors, supervisors and senior management has been improved at the same time. The Board of Supervisors amended the measures on the evaluation of performance by the directors, supervisors and senior management, and further clarified the scope of personnel, basis and methods of evaluation. The Board of Supervisors formulated the 2018 Comprehensive Evaluation Plan for Directors, Supervisors and Senior Management Personnel (《2018年度董事、監事、高級管理人員綜合評價方案》), specifying the contents of assessment, appraisal process and appraisal standards, carrying out relevant work in an orderly manner, and inviting representatives of shareholders, Directors and Supervisors to form an appraisal and evaluation team. The Board of Supervisors performed comprehensive evaluation on the performance of Directors, Supervisors and senior management personnel based on the written performance reports and record of Directors, Supervisors and senior management personnel. On such basis, an evaluation report of performance of Directors, Supervisors and senior management personnel by the Board of Supervisors was issued, and a special report to the general meeting and the regulatory authorities was then filed on a timely basis.

The Supervisory Board took proactive steps to perform its functions, strengthened the communication and exchanges in advance, appointed Supervisors to sit in on the general meetings, Board meetings, the Party committees, executive councils and the president's office meetings, deeply participated in contemplation and implementation of amendments to important rules and regulations, important project arrangement, use of large amount of funds, liquidity management to improve the timeliness of supervision. The Supervisory Board broadened the information sources and channels of the Board of Supervisors, collected relevant information such as risk management, internal control, related party transactions and internal audit on a regular basis, took the problems and risks as the guide, focused on key concerns, making it a rule to discuss resolutions at the meeting or conducted special supervision.

The Supervisory Board continued to pay attention to the formulation of the Bank's development strategy, collected relevant information in a timely manner, and convened meetings of the Board of Supervisors to discuss the 2020-2022 Strategic Plan for the Development of Shengjing Bank Co., Ltd. (《盛京銀行股份有限公司2020-2022年發展戰略規劃綱要》) to provide opinions and recommendations. Evaluation following strategy making has been made on a regular basis and the evaluation of the implementation of the strategies in 2018 was carried out, providing evaluation opinions and work recommendations.

## II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

### 1. Operations in Compliance with Laws and Regulations

During the Reporting Period, the Board and the senior management duly performed their respective duties, cooperated effectively, mobilized all staff and promoted all work of the Bank in an active and orderly manner pursuant to the Company Law of the PRC, the Guidelines on the Corporate Governance of Commercial Banks, and the Articles of Association of the Bank, which laid a sound foundation for the solid development of the Bank. The Board of Directors carried out in-depth study and judgement, scientific decision-making, and enhanced its role of strategic leadership throughout the Bank. The senior management, with highly efficient implementation and troubleshooting capability, proactively promoted implementation of all decision-making, achieving synergic development of quality, scale and efficiency towards the establishment of an "ideal bank".





## **2. Truthfulness of Financial Report of the Bank**

During the Reporting Period, the Bank has prepared the 2019 financial report according to the International Accounting Standards and relevant provisions of the Listing Rules, and KPMG has audited the same and issued an auditor's report with no qualified opinions. The auditor's report gave a true and objective view of the financial position and operating results of the Bank.

## **3. Use of Funds Raised**

During the Reporting Period, the Bank proceeded with a placement of 3 billion shares for the replenishment of the Bank's core tier 1 capital in accordance with the applicable laws and the approvals by the regulatory authorities, and the use of the funds so raised was consistent with that as stated in the prospectus.

## **4. Acquisition and Disposal of Assets by the Bank**

During the Reporting Period, the Bank had no material acquisition or disposal of assets.

## **5. Related-party Transactions**

During the Reporting Period, the Bank's related-party transactions were in compliance with the Administrative Measures on Related-Party Transactions with Insiders and Shareholders of Commercial Banks, were fairly and reasonably priced and were not detrimental to the interests of the Shareholders or the benefits of the Bank.

## **6. Internal Control**

During the Reporting Period, the Bank continued to improve the organisational structure of internal control and pushed forward the establishment of internal control system, which contributed to the steady improvement of internal control level and effective internal control in all material respects. The Board of Supervisors was not aware of any material defect in the Bank's internal control system or its implementation.

## **7. Implementation of the Resolutions of Shareholders' General Meetings**

During the Reporting Period, the Board of Supervisors had no objection to any resolution or report submitted by the Board of Directors to the shareholders' general meetings in 2019, and the Board of Directors and the senior management had duly implemented the resolutions of the shareholders' general meetings.



## SOCIAL RESPONSIBILITY REPORT

During the Reporting Period, the Bank adheres to the market positioning to “serve the local economy, small and medium-sized enterprises as well as urban and rural residents”, leveraging the institutional mechanism and decision-making efficiency of the headquarters, continuously strengthening its capabilities of fund raising/pooling, aggregation and radiation as well as delivery and guidance, taking service economy and social development as a starting point and a foothold, proactively connecting with the national major strategies and decision-making arrangements, steadily improving the ability to serve the entity, focusing on inclusive financial service, and achieving remarkable results of corporate social responsibility of financial enterprise.

### **(I) ACTIVELY CATERING FOR DIVERSIFIED FINANCIAL NEEDS OF ENTERPRISES AND INJECTING FINANCIAL STRENGTH INTO DEVELOPMENT OF REAL ECONOMY.**

The Bank strongly supports major development strategies of China. The Bank fully supports the development of regional economy, continuously optimizes the investment of credit funds, accelerates the forward-looking deployment for the high-end equipment manufacturing industry, and gives priority to fostering independent innovation capability, advanced manufacturing technology and ancillary services capabilities. Advanced manufacturing enterprises with a leading role in upgrading industrial structure provide enterprises with diversified and customised financial services covering cash management, trade settlement, supply chain finance, investment and financing.

The Bank gives full play to the leadership role of the headquarters to fully support the reform of state-owned enterprises, and actively promotes reform and restructuring of enterprises through pilot and start-up capital investment, so as to help enterprises improve their operation and to facilitate transformation and upgrade thereof.

The Bank earnestly implements various policies on inclusive financial service, continues to increase our capital investment in small and micro private enterprises, and vigorously carries out supply chain financing to provide private, small and micro enterprises with tailor-made and diversified financial services solutions to accurately help private, small and micro enterprises.

### **(II) INTENSIVELY PROMOTING OPTIMISATION AND UPGRADE OF CUSTOMER SERVICE TO STIMULATE THE UNIQUE CHARM OF SMART FINANCE**

The Bank promotes in-depth financial support for people’s livelihood, and have been more effective in providing financial service to fundamental industry for people’s livelihood such as water, electricity, gas, heating and other public services sectors such as healthcare and education.

The Bank adheres to our customer-oriented approach, actively promotes the implementation of “mega retail” strategy, continues to advance upgrade of customer service, constantly optimises our mobile banking service and value-added functions, and provides our customers with easy access to safe, convenient and efficient financial services anytime and anywhere. The Bank accumulatively set in place over 1,800 auto-service terminal, providing more customers with “zero-distance” experience in smart financial service; insists on exemption of more than 20 items of fees, such as card opening fees, fee charge for reissued bank cards, annual fees, small amount account management fees, and free-of-charge processing of payment of more than 10 utilities fees, such as opening of hot water, electricity, communication, digital television, traffic fines, heating fees and repair funds. The corporate image of “close to people, convenient to people, benefit to people and care to people” has gained popularity among the people.



### **(III) INNOVATING GREEN FINANCIAL SERVICES AND HELPING CONSTRUCTION OF ECOLOGICAL CIVILIZATION**

The Bank proactively puts into practice the national ecological civilisation, adheres to the concept of sustainable development of green finance, and provides quality financial services support for energy conservation and emission reduction projects, treatment projects for key pollution source, energy conservation and environmental protection technological reform, transformation and upgrade projects. At the same time, the Bank attempts to expand strategic emerging industries, such as information technology, biology, new energy vehicles and new materials, to enrich the channels for green financial service.

### **(IV) PUTTING INTO PRACTICE SOCIAL RESPONSIBILITY AND HELPING POVERTY ALLEVIATION**

The total tax payment of the Bank for the year 2019 amounted to RMB2.967 billion, among which, the tax payment for Shenyang area, where the head office is located, amounted to RMB2.199 billion, ranking the Bank the number one tax payer among the financial institutions in Liaoning Province for many years. The Bank fully supports and promotes the development of enterprises in the region, to makes ever more contribution to taxation.

In 2019, the Bank adhered to the original intention, contributed to the society with gratitude, actively participated in charity, comprehensively donated a total of RMB4.8475 million, continued to implement the precise poverty alleviation policy, helped the designated poverty alleviation units get rid of poverty at an early stage, and assisted in organizing condolence activities within the enterprise. The Bank issued a bailout fund of RMB261,000 to 77 employees of the Bank in difficulties. The Bank vigorously convened charity and volunteering campaigns, in which the labor unions at all levels of the Bank visited Children's Welfare Institute and Glory Institute for several times to express the love and warmth of Shengjing Bank.

### **(V) CREATING A TEAM WITH QUALITY TALENTS AND CONTINUOUSLY IMPROVING THE QUALITY OF OUR STAFF**

The Bank implements the strategy of building organizational capabilities on the strength of talents in an in-depth manner, adheres to the principle of "openness, equality, competition and selection of talents", supplements and recruits outstanding and high quality talents, devotes to creating a harmonious, healthy and positive working environment for employees and providing the stage and opportunities for talents to enhance their capabilities and value, focuses on the overall development of employees, and organizes formation of swimming, calligraphy, soccer, basketball, badminton, table tennis and other hobby associations, to create a harmonious and healthy corporate culture atmosphere.

### **(VI) PROMOTING IN-DEPTH PROTECTION OF CONSUMERS' RIGHTS AND CREATING A RESPONSIBLE BANK**

In 2019, the Bank meticulously organized the annual promotion project of consumer rights protection, carrying out a series of publicity and education campaigns in an all-round way to effectively help financial consumers strengthen their awareness of risk prevention, enhance their financial literacy and safety awareness, taking better care of special groups, and strengthen complaint management. The Bank continued to maintain first-grade level in the annual regulatory assessment of consumer protection.



## INTERNAL CONTROL

Regarding internal control, the Bank builds a relatively sound, complete and reasonable internal control system that is in line with its development strategies, business scale, business scope and risk profile, establishes an efficient organisational structure for internal control with checks and balances. The Bank has established a corporate governance structure comprising the shareholders' general meeting (as the ultimate authority), the Board of Directors (as the decision-making body), the Board of Supervisors (as the supervisory body) and the senior management (as the executive body), forming a well-functioning, coordinated and balanced corporate governance structure.

The Board of Directors of the Bank is responsible for the establishment and implementation of an adequate and effective internal control system for ensuring the prudent operation of the Bank in a framework of laws and policies, specifying and determining the acceptable level of risks, ensuring that necessary measures on risk control are taken by the senior management, and supervising the senior management in monitoring and assessing the adequacy and effectiveness of the internal control system. The Board of Supervisors of the Bank is responsible for supervising the improvement of the internal control system by the Board of Directors and the senior management and supervising the fulfillment of the internal control duties by the Board of Directors, the senior management and their members. The senior management of the Bank is responsible for the execution of decisions made by the Board of Directors; it formulates systematic policies, procedures and methods and adopts corresponding risk control measures based on the acceptable level of risks determined by the Board of Directors; it establishes and improves internal organisational structure to ensure the effective performance of all duties under the internal control system; and it organizes monitoring and evaluation on the adequacy and effectiveness of the internal control system. In 2019, an internal control committee was established under the senior management to organize and implement the internal control management decisions of the Board, and to monitor and evaluate the adequacy and effectiveness of the internal control system.

Guided by the principle of "a sound system is the foundation to business development", the Bank continuously improves the internal control system. The Bank establishes systematic and standardized business system and management system for various business activities and management activities, which are reviewed regularly. Moreover, the Bank pays close attention to the impact of changes in the laws and regulations on existing business and process, supervises the implementation of systems, regulations and processes within the Bank and timely carries out the activity of "studying and understanding the laws and regulations to improve the internal rules and regulations" and strengthens the guiding role of the system in business development to ensure that the system covers business areas and risk points, and achieve "standards to follow, Ground to abide".



During the Reporting Period, the Bank adheres to the implementation of comprehensive risk management process, proactively carries out risk research and management, and take the qualitative and quantitative methods to identify, measure, assess, monitor, report, control or mitigate various risk exposure, gradually enhance risk control ability, and establish and improve the comprehensive risk management system covering credit risk, market risk, operation risk and liquidity risk from policies and systems, organisational structure, management process and management tools, thus ensuring that the risks are controllable. The Bank builds a supervision system for internal control combining “on-site and off-site”, “regular and special”, “self and external” examinations and devotes greater efforts in the inspection and supervision on businesses.

The Bank establishes a vertical management system for auditing function, proceeding with internal control which performs the supervision function, conducts auditing for the adequacy and effectiveness of the internal control of the Bank, timely reports the issues identified in the audit, and supervises the rectification. At the same time, the Bank continued to enrich its auditing technical means and has formulated a strategic policy and general plan for information development aiming to fulfil its business strategy with the support of information construction, thus ensuring that the plan is forward-looking and systematic. The Bank enhances automatic control of the system of business and management activities through effective integration of internal control processing together with business operating system and management information system.



## INDEPENDENT AUDITOR'S REPORT

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### **Independent auditor's report to the shareholders of Shengjing Bank Co., Ltd.**

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

### **OPINION**

We have audited the consolidated financial statements of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 142 to 301, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 FOR 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 PRC, 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.

### **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 for 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.



## LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

### The Key Audit Matter

The determination of loss allowances using the expected credit loss 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.

### How the matter was addressed in our audit

Our audit procedures to assess loss allowances of loans and financial investments measured at amortised cost included the following:

- 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 financial investments measured at amortised cost, the credit grading process and the measurement of loss allowances. For the key underlying systems used for the processing of transactions in above processes, we utilised our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management;
- 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;



## INDEPENDENT AUDITOR'S REPORT

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

#### The Key Audit Matter

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 and financial investments 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.

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. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held a collateral. 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.

#### How the matter was addressed in our audit

- 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 the Group's revisions to estimates and input parameters, compared with prior period and on transition to the new accounting standard 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;





## LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

### The Key Audit Matter

We identified the impairment of loans and advances to customers and financial investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

### How the matter was addressed in our audit

- for key parameters used in the expected credit loss model 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.
- evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting risk-based samples. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;



## INDEPENDENT AUDITOR'S REPORT

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

#### **The Key Audit Matter**

#### **How the matter was addressed in our audit**

- for selected samples of loans and financial investments measured at amortised cost that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows challenged the viability of the Group's recovery plans, and evaluated other credit enhancements that are integral to the contract terms;
- recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and investments where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively.
- evaluating whether the disclosures on impairment of loans and financial investments measured at amortised cost meet the disclosure requirements in the prevailing accounting standards.



## FAIR VALUE OF FINANCIAL INSTRUMENTS

Refer to note 20(a) and 20(b) to the consolidated financial statements and the accounting policies in note 40.

### The Key Audit Matter

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.

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 active market readily available data. For level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively.

The Group has developed its own models to value certain financial instruments, which also involve significant management judgement.

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.

### How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- understanding and 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;
- performing independent valuations, on a sample basis, of financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation models of the Group with our valuation methods, and developing parallel models to revalue;
- assessing whether the disclosures in the consolidated financial statements with reference to the requirements of the related financial reporting standards, and appropriately reflected the Group's exposure to financial instrument valuation risk.



## INDEPENDENT AUDITOR'S REPORT

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### CONSOLIDATION OF STRUCTURED ENTITIES

Refer to note 42 and 43 to the consolidated financial statements and the accounting policies in note 45(f).

#### The Key Audit Matter

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, an asset management plan, a trust plan or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider 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. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

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 RMB208,753 million whilst, the amounts of assets held by structured entities sponsored by the Group which the Group did and did not consolidate but in which it held a non-equity interest were RMB3,238 million and RMB61,328 million, respectively.

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 statement of financial position and relevant regulatory capital requirements could be significant.

#### How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;
- selecting significant structured entities of each key product type and performing the following procedures for each entity selected:
  - 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;
  - assessing management's judgement over whether the structured entity should be consolidated or not;
- assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.



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

The directors of the Bank are responsible for the other information. The other information comprises 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 of the Bank 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 of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.



## INDEPENDENT AUDITOR'S REPORT

*(Expressed in thousands of Renminbi, unless otherwise stated)*

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

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, 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.



## **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.

### *Certified Public Accountants*

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

27 March 2020



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	2019	2018
Interest income		44,944,020	42,805,495
Interest expense		(28,594,168)	(30,387,931)
<b>Net interest income</b>	3	16,349,852	12,417,564
Fee and commission income		1,425,284	829,360
Fee and commission expense		(269,848)	(202,661)
<b>Net fee and commission income</b>	4	1,155,436	626,699
Net trading gains	5	768,010	1,814,010
Net gains arising from investments	6	4,314,076	3,871,285
Net foreign exchange losses		(1,606,816)	(2,883,141)
Other operating income	7	26,709	39,049
<b>Operating income</b>		21,007,267	15,885,466
Operating expenses	8	(4,631,365)	(3,945,215)
Impairment losses on assets	11	(10,233,200)	(6,401,249)
<b>Profit before taxation</b>		6,142,702	5,539,002
Income tax expense	12	(704,641)	(412,854)
<b>Profit for the year</b>		5,438,061	5,126,148

The notes on pages 150 to 301 form part of these financial statements.





	<i>Note</i>	2019	2018
<b>Net profit attributable to:</b>			
Equity shareholders of the Bank		5,443,224	5,128,717
Non-controlling interests		(5,163)	(2,569)
		<u>5,438,061</u>	<u>5,126,148</u>
<b>Profit for the year</b>			
<b>Other comprehensive income:</b>			
Items that will not be reclassified to profit or loss			
– Remeasurement of net defined benefit liability		(6,109)	(7,801)
Items that may be reclassified subsequently to profit or loss			
– Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve	34(d)	(722,608)	1,288,106
– net movement in the provision reserve	34(e)	2,904	(2,026)
		<u>(725,813)</u>	<u>1,278,279</u>
<b>Other comprehensive income net of tax</b>			
		<u>4,712,248</u>	<u>6,404,427</u>
<b>Total comprehensive income</b>			
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Bank		4,717,411	6,406,996
Non-controlling interests		(5,163)	(2,569)
		<u>4,712,248</u>	<u>6,404,427</u>
Basic and diluted earnings per share (in RMB)	13	<u>0.90</u>	<u>0.88</u>

The notes on pages 150 to 301 form part of these financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

(Expressed in thousands of RMB, unless otherwise stated)

	Note	31 December 2019	31 December 2018
<b>Assets</b>			
Cash and deposits with central bank	14	90,533,151	97,573,501
Deposits with banks and other financial institutions	15	21,104,213	29,098,503
Placements with banks and other financial institutions	16	8,198,954	2,400,914
Derivative financial assets	17	3,379,675	2,171,078
Financial assets held under resale agreements	18	18,713,438	2,146,696
Loans and advances to customers	19	446,375,521	368,078,039
Financial investments:			
Financial assets at fair value through profit or loss	20(a)	156,691,876	151,690,685
Financial assets at fair value through other comprehensive income	20(b)	33,451,350	59,925,100
Financial assets measured at amortised cost	20(c)	227,348,966	263,149,991
Property and equipment	22	5,702,278	5,260,425
Deferred tax assets	23	4,129,576	2,152,558
Other assets	24	5,851,798	1,785,450
<b>Total assets</b>		<b>1,021,480,796</b>	<b>985,432,940</b>
<b>Liabilities</b>			
Borrowings from central bank	25	6,793,977	41,718,868
Deposits from banks and other financial institutions	26	96,837,332	80,993,681
Placements from banks and other financial institutions	27	6,589,301	42,821,263
Financial liabilities at fair value through profit or loss		26,520,878	14,601,560
Derivative financial liabilities	17	694,473	758,626
Financial assets sold under repurchase agreements	28	60,117,133	32,309,138
Deposits from customers	29	655,070,994	524,940,548
Income tax payable		1,605,476	63,858
Debt securities issued	30	80,993,054	186,567,225
Other liabilities	31	7,136,193	3,628,689
<b>Total liabilities</b>		<b>942,358,811</b>	<b>928,403,456</b>

The notes on pages 150 to 301 form part of these financial statements.



	<i>Note</i>	31 December 2019	31 December 2018
<b>Equity</b>			
Share capital	33	8,796,680	5,796,680
Capital reserve	34(a)	26,931,360	11,855,505
Surplus reserve	34(b)	7,166,927	6,110,162
General reserve	34(c)	13,398,535	12,571,882
Fair value reserve	34(d)	399,979	1,122,587
Provision reserve	34(e)	8,215	5,311
Deficit on remeasurement of net defined benefit liability	34(f)	(19,986)	(13,877)
Retained earnings	34(g)	21,873,822	19,009,618
<b>Total equity attributable to equity shareholders of the Bank</b>		78,555,532	56,457,868
<b>Non-controlling interests</b>		566,453	571,616
<b>Total equity</b>		79,121,985	57,029,484
<b>Total liabilities and equity</b>		1,021,480,796	985,432,940

Approved and authorised for issue by the board of directors on 27 March 2020.

**Qiu Huofa**

*Chairman of Board of Directors*

**Xiao Ruiyan**

*President*

**Bao Hong**

*General Manager of Accounting Department*

**Company chop**

*President*

The notes on pages 150 to 301 form part of these financial statements.



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

(Expressed in thousands of RMB, unless otherwise stated)

Note	Attributable to equity shareholders of the Bank									Non-controlling interests	Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total		
<b>Balance at 1 January 2019</b>	5,796,680	11,855,505	6,110,162	12,571,882	1,122,587	5,311	(13,877)	19,009,618	56,457,868	571,616	57,029,484
Profit for the year	-	-	-	-	-	-	-	5,443,224	5,443,224	(5,163)	5,438,061
Other comprehensive income	-	-	-	-	(722,608)	2,904	(6,109)	-	(725,813)	-	(725,813)
Total comprehensive income	-	-	-	-	(722,608)	2,904	(6,109)	5,443,224	4,717,411	(5,163)	4,712,248
Changes in share capital											
- Placement of domestic shares	33	2,200,000	10,986,653	-	-	-	-	-	13,186,653	-	13,186,653
- Placement of H-shares	33	800,000	4,089,202	-	-	-	-	-	4,889,202	-	4,889,202
Subtotal		3,000,000	15,075,855	-	-	-	-	-	18,075,855	-	18,075,855
Appropriation of profit:											
- Appropriation to surplus reserve	35	-	-	1,056,765	-	-	-	(1,056,765)	-	-	-
- Appropriation to general reserve (Note (i))	35	-	-	-	826,653	-	-	(826,653)	-	-	-
- Cash dividends	35	-	-	-	-	-	-	(695,602)	(695,602)	-	(695,602)
Subtotal		-	-	1,056,765	826,653	-	-	(2,579,020)	(695,602)	-	(695,602)
<b>Balance at 31 December 2019</b>	8,796,680	26,931,360	7,166,927	13,398,535	399,979	8,215	(19,986)	21,873,822	78,555,532	566,453	79,121,985

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB1,103 thousand.

The notes on pages 150 to 301 form part of these financial statements.



For the year ended 31 December 2018  
(Expressed in thousands of RMB, unless otherwise stated)

	Note	Attributable to equity shareholders of the Bank										
		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
<b>Balance at 31</b>												
<b>December 2017</b>		5,796,680	11,855,505	5,352,502	11,034,031	(335,375)	-	(6,076)	17,984,108	51,681,375	574,281	52,255,656
Impact on initial application of IFRS 9		-	-	-	-	169,856	7,337	-	(764,294)	(587,101)	(96)	(587,197)
Adjusted balance at 1 January 2018		5,796,680	11,855,505	5,352,502	11,034,031	(165,519)	7,337	(6,076)	17,219,814	51,094,274	574,185	51,668,459
Profit for the year		-	-	-	-	-	-	-	5,128,717	5,128,717	(2,569)	5,126,148
Other comprehensive income		-	-	-	-	1,288,106	(2,026)	(7,801)	-	1,278,279	-	1,278,279
Total comprehensive income		-	-	-	-	1,288,106	(2,026)	(7,801)	5,128,717	6,406,996	(2,569)	6,404,427
Appropriation of profit:												
- Appropriation to surplus reserve	35	-	-	757,660	-	-	-	-	(757,660)	-	-	-
- Appropriation to general reserve (Note (i))	35	-	-	-	1,537,851	-	-	-	(1,537,851)	-	-	-
- Cash dividends	35	-	-	-	-	-	-	-	(1,043,402)	(1,043,402)	-	(1,043,402)
Subtotal		-	-	757,660	1,537,851	-	-	-	(3,338,913)	(1,043,402)	-	(1,043,402)
Balance at 31 December 2018		5,796,680	11,855,505	6,110,162	12,571,882	1,122,587	5,311	(13,877)	19,009,618	56,457,868	571,616	57,029,484

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB276 thousand.

The notes on pages 150 to 301 form part of these financial statements.



## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

(Expressed in thousands of RMB, unless otherwise stated)

	Note	2019	2018
<b>Cash flows from operating activities</b>			
Profit before tax		6,142,702	5,539,002
<i>Adjustments for:</i>			
Impairment losses on assets		10,233,200	6,401,249
Depreciation and amortisation		593,698	403,342
Interest expense on leased assets		28,748	–
Unwinding of discount		–	(137,928)
Unrealised foreign exchange losses		4,072	1,340,360
Net (gains)/losses on disposal of long-term assets		(1,067)	205
Dividend income		(1,200)	(15,730)
Net trading gains of financial assets at fair value through profit or loss		(1,228,395)	(2,336,005)
Net gains arising from investments		(4,169,712)	(3,855,555)
Issuing cost of debt securities		–	27,900
Interest expense on debt securities issued		5,353,271	7,950,060
Interest income on financial investments		(17,234,015)	(19,971,043)
		(278,698)	(4,654,143)
<i>Changes in operating assets</i>			
Net decrease/(increase) in deposits with central bank		4,058,610	(8,627,427)
Net decrease in deposits and placements with bank and other financial institutions		21,701,224	12,984,663
Net increase in loans and advances to customers		(80,620,061)	(97,228,686)
Net increase in financial assets held under resale agreements		(683,991)	–
Net increase in other operating assets		(10,688,843)	(4,639,697)
		(66,233,061)	(97,511,147)
<i>Changes in operating liabilities</i>			
Net decrease in borrowings from central bank		(34,960,000)	(6,500,000)
Net decrease in deposits and placements from banks and other financial institutions		(20,315,744)	(81,647,207)
Net increase/(decrease) in financial assets sold under repurchase agreements		27,771,077	(43,347,096)
Net increase in deposits from customers		127,261,194	40,586,189
Income tax paid		(898,104)	(976,794)
Net increase/(decrease) in other operating liabilities		5,437,303	(1,813,228)
		104,295,726	(93,698,136)
<b>Net cash flows generated from/(used in) operating activities</b>		37,783,967	(195,863,426)

The notes on pages 150 to 301 form part of these financial statements.



	<i>Note</i>	2019	2018
<b>Cash flows from investing activities</b>			
Proceeds from disposal and redemption of investments		1,336,836,742	1,283,920,267
Proceeds from disposal of property and equipment and other assets		1,702	–
Payments on acquisition of investments		(1,246,863,653)	(1,164,445,220)
Payments on acquisition of property and equipment, intangible assets and other assets		(950,472)	(309,005)
<b>Net cash flows generated from investing activities</b>		<u>89,024,319</u>	<u>119,166,042</u>
<b>Cash flows from financing activities</b>			
Proceeds from capital injection		18,075,855	–
Net proceeds from new debt securities issued	36(b)	243,939,710	628,363,600
Repayment of debt securities issued	36(b)	(349,361,306)	(583,261,377)
Interest paid on debt securities issued	36(b)	(5,505,846)	(7,655,455)
Dividends paid		(499,258)	(1,032,704)
Payment of lease liabilities		(264,787)	–
<b>Net cash flows (used in)/generated from financing activities</b>		<u>(93,615,632)</u>	<u>36,414,064</u>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<u>32,905</u>	<u>817,622</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		33,225,559	(39,465,698)
<b>Cash and cash equivalents as at 1 January</b>		<u>42,094,149</u>	<u>81,559,847</u>
<b>Cash and cash equivalents as at 31 December</b>	36(a)	<u><u>75,319,708</u></u>	<u><u>42,094,149</u></u>
<b>Net cash flows generated from operating activities include:</b>			
Interest received		<u>29,989,017</u>	<u>21,667,890</u>
Interest paid (excluding interest expense on debt securities issued)		<u>(20,883,961)</u>	<u>(23,699,113)</u>

The notes on pages 150 to 301 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 1 BACKGROUND INFORMATION

Shengjing Bank Co., Ltd. (the “Bank”), which was formerly known as Shenyang City Cooperative Bank Co., Ltd., is a joint-stock commercial bank established on 10 September 1997 with the approval of the People’s Bank of China (the “PBOC”) of the PRC according to the notices YinFu [1996] No. 362 “Approval upon the Preparing of Shenyang City Cooperative Bank” and YinFu [1997] No.149 “Approval upon the Opening of Shenyang City Cooperative Bank”.

The Bank changed its name from Shenyang City Cooperative Bank Co., Ltd. to Shenyang Commercial Bank Co., Ltd. according to LiaoyinFuZi [1998] No. 78 issued by Liaoning Branch of the PBOC on 2 June 1998 and ShenYinFu [1998] No.103 issued by Shenyang Branch of the PBOC on 29 June 1998. The Bank changed its name from Shenyang Commercial Bank Co., Ltd. to Shengjing Bank Co., Ltd. according to YinJianFu [2007] No. 68 issued by the China Banking Regulatory Commission (the former “CBRC”) of the PRC on 13 February 2007.

The Bank obtained its financial institution licence No. B0264H221010001 from the former CBRC Liaoning Branch. The Bank obtained its business license No. 91210100117809938P from Shenyang Provincial Administration of Industry and Commerce. The registered office of the Bank is located at No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC. In December 2014, the Bank’s H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 02066). As at 31 December 2019, the share capital of the Bank is RMB8,796.68 million.

The Bank has 18 branches in Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang and Tieling as at 31 December 2019. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the former CBRC. The Bank mainly operated in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance and basis of preparation

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 (“IASs”) 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.





## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Statement of compliance and basis of preparation (continued)

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements for the year ended 31 December 2019 comprise the Bank and its subsidiaries.

Unless stated otherwise, the financial statements are presented in Renminbi (RMB), rounded to the nearest thousands, which is the functional currency of the Group.

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, 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 for making the judgments about 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.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 45.

The measurement basis used in the preparation of the financial statements is the historical cost basis, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(f).

#### (b) Changes in accounting policies

Except as described below accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Group's annual financial report for the year ended 31 December 2018. The principal effects of new and revised IFRSs are as follows:



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Changes in accounting policies (continued)

##### ***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.

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.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Changes in accounting policies (continued)

#### *Significant accounting policies*

The Group leases many assets, including properties, electronic equipment 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 consolidated statement of financial position and recognises right-of-use assets and lease liabilities.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets, and leases with less than 12 months of lease term. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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.

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Changes in accounting policies (continued)

##### *Impacts on IFRS16 transition*

The Group has adopted IFRS 16 initially on 1 January 2019, using the modified retrospective approach. As at 1 January 2019, the Group initially recognised lease liabilities of RMB648 million and right-of-use assets of RMB648 million. Therefore, the cumulative effect of adopting the new lease standards was recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. 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 an effect 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 consolidated statement of financial position at 1 January 2019 for the Group is summarised below. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019.

	1 January 2019
Operating lease commitments at 31 December 2018	684,937
Lease payments under IFRS 16 (without discounting)	738,816
Lease liabilities recognised at 1 January 2019	647,837



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(n)), unless the investment is classified as held for sale.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates 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 assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates ruling at the dates the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

#### (e) 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.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) 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.

#### (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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial instruments (continued)

##### (ii) *Classification and subsequent measurement of financial assets (continued)*

###### *Classification of financial assets (continued)*

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.

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.





## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (continued)

#### (ii) *Classification and subsequent measurement of financial assets (continued)*

##### *Classification of financial assets (continued)*

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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) 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.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) 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.

– Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) 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 on:

- Financial assets measured at amortised cost;
- Debt instruments at FVOCI; and
- 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 expected credit loss assessment.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (continued)

#### (iv) Derivative financial instruments (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 39(a).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) Financial instruments (continued)

##### (iv) *Derivative financial instruments (continued)*

###### *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.

###### *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.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Financial instruments (continued)

#### (vi) *Derecognition of financial assets and financial liabilities (continued)*

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.

#### (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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **(g) Financial assets held under resale and repurchase agreements**

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on 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.

#### **(h) Fair value measurement**

Unless otherwise stated, the Group measure the fair value based on below principles:

Fair value represents 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. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Three valuation techniques mainly include the market approach, the income approach and the cost approach.





## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Associates

An associate is an entity in which the Group or Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements of the Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate is included in the consolidated financial statements from the date that significant influence commences until the date that significant influence ends.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(f)).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(n)). Construction in progress ("CIP") is stated in the statements of financial position at cost less impairment loss (Note 2(n)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment 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.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Depreciation rate
Premises	20 – 30 years	3%	4.85% – 3.23%
Office equipment	5 years	3%	19.40%
Leasehold improvement	5 – 10 years	0%	20.00% – 10.00%
Others	3 – 5 years	3%	32.33% – 19.40%



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Lease

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed in Note 2(b).

#### ***Policy applicable from January 1, 2019***

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, as a lessor or a lessee, assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, 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. The lessee has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the lessee has the right to direct the use of the asset if either:
  - The lessee has the right to operate the asset; or
  - The lessee designed the asset in a way that predetermines how and for what purpose it will be used.

IFRS 16 is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Lease (continued)

##### ***Policy applicable before January 1, 2019***

For contracts entered into before January 1, 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfillment of the arrangement was dependent on the use of a specific asset or assets;
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met;
- The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

#### (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 adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method 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. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Lease (continued)

#### (i) As a lessee (continued)

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

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, 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.

The Group presents right-of-use assets that do not meet the definition of investment property in "other assets" and lease liabilities in "other liabilities" in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Lease (continued)

##### (i) *As a lessee (continued)*

###### *Policy applicable before January 1, 2019*

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the right-of-use assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statements of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

##### (ii) *As a lessor*

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. 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 the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(n)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Software	5 – 10 years
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### (m) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.

### (n) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- intangible assets
- investments in subsidiaries and associates
- right-of-use assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Provision for impairment losses on non-financial assets (continued)

A Cash-Generating Unit (the “CGU”) 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. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the greater of its fair value less costs of disposal and value in use. 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.

An asset’s fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use 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 a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss 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, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset’s carrying amount that would have been determined had no impairment loss been recognised in prior periods.





## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (o) Employee benefits

#### (i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes, unemployment insurance and an annuity plan.

#### *Social pension schemes*

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.

#### *Annuity plan*

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

#### *Housing fund and other social insurances*

The Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Employee benefits (continued)

##### (ii) *Supplementary retirement benefits*

###### *Early retirement plan*

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

###### *Supplementary retirement plan*

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

#### (p) 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 end of the reporting period, 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.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Income tax (continued)

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). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the end of the reporting period, 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 end of the reporting period. 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 end of the reporting period, 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (q) Financial guarantees issued, 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(f)(v) for details of the expected credit loss model.

##### (ii) Other provisions and contingent liabilities

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. 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 the effect of time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (r) 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.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Income 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 (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) Income 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 reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

##### (ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date;
- In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.



## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Income recognition (continued)

#### (iii) *Other income*

Other income is recognised on an accrual basis.

#### (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 associated with the grant. Government grants related to an asset are initially recognised as deferred income at fair value and then recognised in profit or loss as other income on a straight-line basis over the useful life of the asset. Government grants that compensate the Group for expenses incurred are recognised in profit or loss in the periods in which the expenses are recognised.

### (t) Expenses 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.

### (u) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

### (v) Related parties

- (a) A person, or a close member of that person's family, is related to the group if that person:
  - (i) has control or joint control over the group;
  - (ii) has significant influence over the group; or
  - (iii) is a member of the key management personnel of the group or the group's parent.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (v) Related parties

- (b) An entity is related to the group if any of the following conditions applies:
- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### (w) 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. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.





### 3 NET INTEREST INCOME

	2019	2018
<b>Interest income arising from</b>		
Deposits with central bank	1,083,993	1,139,094
Deposits and placements with banks and other financial institutions	553,221	1,970,051
Loans and advances to customers		
– Corporate loans and advances	22,769,858	18,405,341
– Personal loans and advances	2,583,519	933,578
– Discounted bills	593,668	271,586
Financial assets held under resale agreements	125,746	114,802
Financial investments	17,234,015	19,971,043
	<hr/>	<hr/>
Subtotal	44,944,020	42,805,495
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
<b>Interest expense arising from</b>		
Borrowings from central bank	(399,492)	(435,623)
Deposits and placements from banks and other financial institutions	(4,654,837)	(5,369,550)
Deposits from customers	(16,598,442)	(14,513,132)
Financial assets sold under repurchase agreements	(1,588,126)	(2,119,566)
Debt securities issued	(5,353,271)	(7,950,060)
	<hr/>	<hr/>
Subtotal	(28,594,168)	(30,387,931)
	<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
<b>Net interest income</b>	<b>16,349,852</b>	<b>12,417,564</b>
	<hr style="border-top: 3px double red;"/>	<hr style="border-top: 3px double red;"/>

*Notes:*

- (a) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.
- (b) Total interest income arising from financial assets that are not at fair value through profit or loss for the year ended 31 December 2019 amounted to RMB44,944 million (2018: RMB42,805 million).

Total interest expense arising from financial liabilities that are not at fair value through profit or loss for the year ended 31 December 2019 amounted to RMB28,594 million (2018: RMB30,388 million).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***4 NET FEE AND COMMISSION INCOME**

	2019	2018
<b>Fee and commission income</b>		
Agency and custody services fees	1,029,332	586,919
Settlement and clearing services fees	288,685	194,069
Bank card services fees	107,267	48,372
	<hr/>	<hr/>
Subtotal	1,425,284	829,360
<b>Fee and commission expense</b>	(269,848)	(202,661)
	<hr/>	<hr/>
<b>Net fee and commission income</b>	1,155,436	626,699
	<hr/> <hr/>	<hr/> <hr/>

**5 NET TRADING GAINS**

Net trading gains include gains arising from the buying and selling of, and changes in the fair value of debt securities held for trading purpose and derivative financial instruments.

**6 NET GAINS ARISING FROM INVESTMENTS**

	2019	2018
Net gains on financial assets at fair value through profit or loss	2,481,332	2,326,114
Net gains on disposal of financial assets at fair value through other comprehensive income	1,103,026	404,028
Net gains on disposal of financial assets measured at amortised cost	728,518	1,125,413
Dividends from designated as financial assets at fair value through other comprehensive income	1,200	15,730
	<hr/>	<hr/>
Total	4,314,076	3,871,285
	<hr/> <hr/>	<hr/> <hr/>



## 7 OTHER OPERATING INCOME

	2019	2018
Government grants	10,030	15,142
Rental income	11,259	11,074
Net gains/(losses) on disposal of property and equipment	1,067	(205)
Handling charge income	1,002	1,403
Others	3,351	11,635
	<hr/>	<hr/>
Total	26,709	39,049
	<hr/> <hr/>	<hr/> <hr/>

## 8 OPERATING EXPENSES

	2019	2018
Staff costs		
– Salaries, bonuses and allowances	1,806,094	1,516,815
– Pension and annuity	230,456	240,705
– Other social insurance	179,759	142,860
– Housing allowances	103,194	92,235
– Supplementary retirement benefits	13,440	4,743
– Others	128,514	97,927
	<hr/>	<hr/>
Subtotal	2,461,457	2,095,285
Depreciation and amortisation	426,260	403,342
Office expenses	329,098	274,804
Depreciation of the right-of-use assets	167,438	–
Tax and surcharges	155,402	111,757
Rental and property management expenses	115,723	256,521
Interest expense of the lease liability	28,748	–
Other general and administrative expenses ( <i>Note(a)</i> )	947,239	803,506
	<hr/>	<hr/>
Total	4,631,365	3,945,215
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) Auditor's remunerations were RMB6.50 million for the year ended 31 December 2019 (2018: RMB5.50 million).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

## 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' 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	Fees	Salaries	Discretionary bonuses	2019		Deferred payment	Actual amount of remuneration paid (pre-tax)
				Contributions to social pension schemes	Total emoluments before tax		
<b>Executive directors</b>							
Qiu Huofa <i>(Note (a))</i>	–	1,486	1,053	91	2,630	324	2,306
Zhang Qiyang <i>(Note (a))</i>	–	743	371	53	1,167	114	1,053
Zhang Qiang <i>(Note (b))</i>	–	2,192	1,593	159	3,944	104	3,840
Wang Yigong	–	1,482	2,047	153	3,682	364	3,318
Wu Gang	–	1,481	1,880	169	3,530	224	3,306
<b>Non-executive directors</b>							
Li Yuguo	22	–	–	–	22	–	22
Zhang Qiyang <i>(Note (a))</i>	28	–	–	–	28	–	28
Qiu Huofa <i>(Note (a))</i>	20	–	–	–	20	–	20
Li Jianwei	42	–	–	–	42	–	42
Zhao Weiqing	40	–	–	–	40	–	40
Liu Yanxue <i>(Note (b))</i>	34	425	218	145	822	65	757
YUEN Wing Shing <i>(Note (b))</i>	30	–	–	–	30	–	30
<b>Independent non-executive directors</b>							
Ni Guoju <i>(Note (b))</i>	–	216	41	–	257	–	257
KEUNG Chak <i>(Note (b))</i>	–	216	41	–	257	–	257
TAI Kwok Leung <i>(Note (b))</i>	–	216	41	–	257	–	257
Xing Tiancai <i>(Note (b))</i>	–	216	41	–	257	–	257
Li Jinyi <i>(Note (b))</i>	–	216	41	–	257	–	257
<b>Supervisors</b>							
Yang Liya <i>(Note (c))</i>	–	1,309	1,238	159	2,706	82	2,624
Wang Lijun <i>(Note (c))</i>	–	123	322	36	481	–	481
Shi Yang	–	1,067	2,648	153	3,868	268	3,600
Pan Wenge	38	–	–	–	38	–	38
Liu Huidi <i>(Note (b))</i>	28	–	–	–	28	–	28
Yu Haobo <i>(Note (b))</i>	33	–	–	–	33	–	33
Ba Junyu <i>(Note (b))</i>	–	216	98	–	314	–	314
Sun Hang <i>(Note (b))</i>	–	216	98	–	314	–	314
Dai Qiang <i>(Note (b))</i>	–	216	40	–	256	–	256
<i>Total</i>	315	12,036	11,811	1,118	25,280	1,545	23,735



## 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Name	Fees	Salaries	Discretionary bonuses	2018		Deferred payment	Actual amount of remuneration paid (pre-tax)
				Contributions to social pension schemes	Total emoluments before tax		
<b>Executive directors</b>							
Zhang Qiyang (Note (a))	–	2,229	1,230	165	3,624	378	3,246
Zhang Qiang (Note (b))	–	1,676	1,666	163	3,505	109	3,396
Wang Yigong	–	1,200	2,127	165	3,492	378	3,114
Wu Gang	–	1,200	2,117	178	3,495	252	3,243
<b>Non-executive directors</b>							
Li Yuguo	19	–	–	–	19	–	19
Qiu Huofa (Note (a))	43	–	–	–	43	–	43
Li Jianwei	38	–	–	–	38	–	38
Zhao Weiqing	43	–	–	–	43	–	43
Liu Yanxue (Note (b))	47	2,228	1,169	165	3,609	–	3,609
YUEN Wing Shing (Note (b))	30	–	–	–	30	–	30
<b>Independent non-executive directors</b>							
Ni Guoju (Note (b))	–	216	38	–	254	–	254
KEUNG Chak (Note (b))	–	216	38	–	254	–	254
TAI Kwok Leung (Note (b))	–	216	38	–	254	–	254
Xing Tiancai (Note (b))	–	216	38	–	254	–	254
Li Jinyi (Note (b))	–	216	38	–	254	–	254
<b>Supervisors</b>							
Yang Liya (Note (c))	–	617	1,042	60	1,719	69	1,650
Wang Lijun (Note (c))	–	97	253	–	350	–	350
Shi Yang	–	1,067	2,009	165	3,241	203	3,038
Pan Wenge	36	–	–	–	36	–	36
Liu Huidi (Note (b))	18	–	–	–	18	–	18
Yu Haobo (Note (b))	30	–	–	–	30	–	30
Ba Junyu (Note (b))	–	216	94	–	310	–	310
Sun Hang (Note (b))	–	216	94	–	310	–	310
Dai Qiang (Note (b))	–	216	31	–	247	–	247
Total	304	12,042	12,022	1,061	25,429	1,389	24,040

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)**

Notes:

- (a) At the Bank's meeting of the board of directors on 29 April 2019, Qiu Huofa was elected as executive director of the Bank, Zhang Qiyang was served as non-executive director of the Bank.
- (b) At the Bank's 2018 first Extraordinary Shareholders' Meeting on 28 February 2018, Zhang Qiang was elected as executive director of the Bank, Liu Yanxue and YUEN Wing Shing were elected as non-executive directors of the Bank, Ni Guoju, KEUNG Chak, TAI Kwok Leung, Xing Tiancai and Li Jinyi were elected as independent non-executive directors of the Bank, Liu Huidi, Yu Haobo, Ba Junyu, Sun Hang and Dai Qiang were elected as supervisors of the .
- (c) At 15 August 2018, Yang Liya and Wang Lijun were elected as supervisors of the Bank.

**10 INDIVIDUALS WITH HIGHEST EMOLUMENTS**

For the year ended 31 December 2019, the five individuals with highest emoluments included 1 (2018: 2) director and 1 (2018: Nil) supervisor of the Bank, whose emoluments are disclosed in Note 9. The emoluments for the 3 (2018: 3) non-director and non-supervisor highest paid individuals for the year ended 31 December 2019 are as follows:

	2019	2018
Salaries and other emoluments	2,191	2,785
Discretionary bonuses	12,200	15,918
Contributions to pension schemes	337	495
Total	14,728	19,198

The individuals whose emoluments before individual income tax are within the following bands are set out below:

	2019	2018
RMB4,500,001 – 5,000,000	3	1
RMB5,500,001 – 6,000,000	–	1
RMB8,500,001 – 9,000,000	–	1
Total	3	3

## 11 IMPAIRMENT LOSSES ON ASSETS

	2019	2018
Deposits and placements with banks and other financial institutions	118,615	(15,650)
Financial assets held under resale agreements	3,439	(4,901)
Loans and advances to customers	10,388,934	5,121,577
Financial investments	(376,485)	1,040,801
Credit commitment	73,386	(210,458)
Others	25,311	469,880
	<u>10,233,200</u>	<u>6,401,249</u>

## 12 INCOME TAX EXPENSE

### (a) Income tax for the year:

	2019	2018
Current tax	2,439,722	821,971
Deferred tax	(1,735,081)	(409,117)
	<u>704,641</u>	<u>412,854</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***12 INCOME TAX EXPENSE (CONTINUED)****(b) Reconciliations between income tax and accounting profit are as follows:**

	<i>Note</i>	2019	2018
Profit before taxation		6,142,702	5,539,002
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		1,535,676	1,384,751
Non-deductible expenses			
– Entertainment expenses		4,832	3,352
– Others		2,400	2,601
		7,232	5,953
Non-taxable income	12(b)(i)	(838,267)	(977,850)
Income tax		704,641	412,854

*Note:*

- (i) Non-taxable income consists of interest income from the PRC government bonds, public funds and dividends from domestic companies, which are exempted from income tax under the PRC tax regulations.





### 13 BASIC AND DILUTED EARNINGS PER SHARE

	2019	2018
Net profit attributable to equity shareholders of the Bank	5,443,224	5,128,717
Weighted average number of ordinary shares (in thousands)	6,076,132	5,796,680
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.90	0.88

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

#### (a) Weighted average number of ordinary shares (in thousands)

	2019	2018
Number of ordinary shares as at 1 January	5,796,680	5,796,680
Increase in weighted average number of ordinary shares	279,452	–
Weighted average number of ordinary shares	6,076,132	5,796,680

### 14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	31 December 2019	31 December 2018
Cash on hand		877,084	702,533
Deposits with central bank			
– Statutory deposit reserves	14(a)	61,016,093	64,812,844
– Surplus deposit reserves	14(b)	28,421,050	31,572,455
– Foreign currency risk reserves	14(c)	80,749	195,327
– Fiscal deposits		106,167	253,448
Subtotal		89,624,059	96,834,074
Add: interest receivable		32,008	36,894
Total		90,533,151	97,573,501

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***14 CASH AND DEPOSITS WITH CENTRAL BANK (CONTINUED)**

- (a) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2019	31 December 2018
Reserve ratio for RMB deposits	11.0%	12.5%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.
- (c) The foreign currency risk reserves are maintained with the PBOC in accordance with the related notice issued by the PBOC on 31 August 2015. The reserves are payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign currency risk reserves are non-interest bearing and will be repayable in 12 months.

**15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS****(a) Analysed by type and location of counterparty**

	31 December 2019	31 December 2018
Deposits in mainland China		
– Banks	16,882,175	27,162,902
– Other financial institutions	2,408	4,519
Deposits outside mainland China		
– Banks	4,314,257	1,210,880
Subtotal	21,198,840	28,378,301
Add: interest receivable	31,794	728,945
Less: provision for impairment losses	(126,421)	(8,743)
Total	21,104,213	29,098,503



## 15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

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

	2019	2018
As at 1 January	8,743	15,300
Net charge/(release) for the year	117,678	(6,557)
As at 31 December	126,421	8,743

## 16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

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

	31 December 2019	31 December 2018
Placements in mainland China		
– Banks	6,000,000	–
– Other financial institutions	2,200,000	2,400,000
Subtotal	8,200,000	2,400,000
Add: interest receivable	651	1,674
Less: provision for impairment losses	(1,697)	(760)
Total	8,198,954	2,400,914

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

	2019	2018
As at 1 January	760	9,853
Net charge/(release) for the year	937	(9,093)
As at 31 December	1,697	760

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***17 DERIVATIVE FINANCIAL INSTRUMENTS**

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards and swaps.

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.

**(a) Analysed by nature of contract**

	31 December 2019		
	Notional amount	Fair value Assets	Liabilities
Interest rate swaps	73,490,000	390,679	(350,316)
Currency swaps	21,331,357	103,128	(188,640)
Currency options	61,400,792	1,155	(8,063)
Precious metal derivatives	27,327,424	2,869,316	(135,729)
Foreign exchange forwards	788,286	15,397	(11,725)
<b>Total</b>	<b>184,337,859</b>	<b>3,379,675</b>	<b>(694,473)</b>

	31 December 2018		
	Notional amount	Fair value Assets	Liabilities
Interest rate swaps	220,090,000	433,617	(476,400)
Currency swaps	109,317,896	1,223,944	(275,805)
Currency options	71,079,507	–	(4,954)
Precious metal derivatives	15,053,139	489,588	–
Foreign exchange forwards	1,008,753	23,929	(1,467)
<b>Total</b>	<b>416,549,295</b>	<b>2,171,078</b>	<b>(758,626)</b>



## 17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Analysed by credit risk-weighted amount

	31 December 2019	31 December 2018
Currency swaps	53,328	273,295
Foreign exchange options	153,502	177,698
Precious metal derivatives	68,319	37,633
Foreign exchange forwards	7,883	10,088
	<hr/>	<hr/>
Total	283,032	498,714
	<hr/> <hr/>	<hr/> <hr/>

The credit risk-weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the former CBRC.

## 18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

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

	31 December 2019	31 December 2018
In mainland China		
– Banks	16,858,010	1,500,000
– Other financial institutions	1,852,491	645,860
	<hr/>	<hr/>
Subtotal	18,710,501	2,145,860
Add: interest receivable	6,757	1,217
Less: provision for impairment losses	(3,820)	(381)
	<hr/>	<hr/>
Total	18,713,438	2,146,696
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)****(b) Analysed by type of security held**

	31 December 2019	31 December 2018
Debt securities held under resale agreements	18,710,501	2,145,860
Add: interest receivable	6,757	1,217
Less: provision for impairment losses	<u>(3,820)</u>	<u>(381)</u>
Total	<u><u>18,713,438</u></u>	<u><u>2,146,696</u></u>

**(c) Movements of provision for impairment losses**

	2019	2018
As at 1 January	381	5,282
Net charge/(release) for the year	<u>3,439</u>	<u>(4,901)</u>
As at 31 December	<u><u>3,820</u></u>	<u><u>381</u></u>



## 19 LOANS AND ADVANCES TO CUSTOMERS

### (a) Analysed by nature

	31 December 2019	31 December 2018
Measured at amortised cost:		
Corporate loans and advances	373,987,498	347,511,078
Personal loans and advances		
– Residential mortgage	36,041,189	20,822,817
– Personal consumption loans	17,297,007	3,075,729
– Credit cards	3,568,235	799,698
– Personal business loans	587,963	732,873
– Others	17,870	21,109
Subtotal	57,512,264	25,452,226
Gross loans and advances to customers measured at amortised cost	431,499,762	372,963,304
Measured at fair value through other comprehensive income:		
– Corporate loans and advances	213,674	36,553
– Discounted bills	25,488,939	3,597,503
Gross loans and advances to customers measured at fair value through other comprehensive income	25,702,613	3,634,056
Gross loans and advances to customers	457,202,375	376,597,360
Add: interest receivable	2,052,316	1,839,265
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(12,879,170)	(10,358,586)
Net loans and advances to customers	446,375,521	368,078,039

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(a) Analysed by nature (continued)**

As at 31 December 2019, the Group's provision amount for loans and advances to customers measured at fair value through other comprehensive income is RMB8.62 million (31 December 2018: RMB1.63 million), as detailed in Note 19(f).

**(b) Analysed by economic sector**

	31 December 2019		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	174,938,570	38%	87,110,017
Renting and business activities	68,381,038	15%	44,202,032
Real estate	35,280,158	8%	30,499,262
Construction	27,611,545	6%	6,281,071
Manufacturing	26,512,208	6%	7,261,555
Culture, sports and entertainment	6,175,911	1%	204,000
Transportation, storage and postal services	4,114,725	1%	659,197
Production and supply of electric power, gas and water	3,548,293	1%	879,727
Accommodation and catering	3,422,891	1%	3,215,561
Mining	2,488,580	0%	90,897
Household and other services	2,142,419	0%	441,619
Agriculture, forestry, animal husbandry and fishery	1,161,819	0%	276,521
Others	18,423,015	4%	9,775,731
Subtotal of corporate loans and advances	374,201,172	81%	190,897,190
Personal loans and advances	57,512,264	13%	39,990,283
Discounted bills	25,488,939	6%	25,488,939
Gross loans and advances to customers	457,202,375	100%	256,376,412





## 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (b) Analysed by economic sector (continued)

	31 December 2018		
	Amount	Percentage	Loans and advances secured by collaterals
Wholesale and retail trade	173,690,903	46%	76,602,639
Renting and business activities	43,515,629	12%	26,486,108
Manufacturing	40,591,373	11%	12,568,637
Real estate	28,954,810	8%	24,502,540
Construction	19,190,327	4%	6,541,088
Accommodation and catering	6,053,565	2%	5,723,185
Production and supply of electric power, gas and water	5,245,370	1%	1,033,527
Transportation, storage and postal services	3,895,292	1%	1,043,478
Mining	2,864,996	1%	505,997
Agriculture, forestry, animal husbandry and fishery	2,568,981	1%	383,481
Culture, sports and entertainment	1,893,934	1%	234,100
Household and other services	1,352,600	0%	109,000
Others	17,729,851	4%	9,340,764
Subtotal of corporate loans and advances	347,547,631	92%	165,074,544
Personal loans and advances	25,452,226	7%	23,206,219
Discounted bills	3,597,503	1%	3,597,503
Gross loans and advances to customers	<u>376,597,360</u>	<u>100%</u>	<u>191,878,266</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(c) Analysed by type of collateral**

	31 December 2019	31 December 2018
Unsecured loans	20,927,803	14,243,064
Guaranteed loans	179,898,160	170,476,030
Loans secured by tangible assets other than monetary assets	182,487,244	129,346,181
Loans secured by intangible assets or monetary assets	<u>73,889,168</u>	<u>62,532,085</u>
Gross loans and advances to customers	<u>457,202,375</u>	<u>376,597,360</u>
Add: interest receivable	2,052,316	1,839,265
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	<u>(12,879,170)</u>	<u>(10,358,586)</u>
Net loans and advances to customers	<u>446,375,521</u>	<u>368,078,039</u>

**(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	491,238	63,456	28,481	11,727	594,902
Guaranteed loans	4,051,982	6,783,008	3,692,915	1,132,519	15,660,424
Loans secured by tangible assets other than monetary assets	1,269,402	2,974,279	2,176,877	842,169	7,262,727
Loans secured by intangible assets or monetary assets	<u>793,103</u>	<u>331</u>	<u>9,478</u>	<u>70,000</u>	<u>872,912</u>
Total	<u>6,605,725</u>	<u>9,821,074</u>	<u>5,907,751</u>	<u>2,056,415</u>	<u>24,390,965</u>
As a percentage of gross loans and advances to customers	<u>1.44%</u>	<u>2.15%</u>	<u>1.29%</u>	<u>0.45%</u>	<u>5.33%</u>



## 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	31 December 2018				Total
	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	
Unsecured loans	12,213	17,888	13,887	2,368	46,356
Guaranteed loans	5,126,330	10,901,300	1,816,316	621,522	18,465,468
Loans secured by tangible assets other than monetary assets	4,569,736	5,046,023	2,227,833	356,130	12,199,722
Loans secured by intangible assets or monetary assets	598,157	25,278	15,000	70,000	708,435
<b>Total</b>	<b>10,306,436</b>	<b>15,990,489</b>	<b>4,073,036</b>	<b>1,050,020</b>	<b>31,419,981</b>
As a percentage of gross loans and advances to customers	2.74%	4.25%	1.08%	0.28%	8.35%

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(e) Loans and advance and provision for impairment losses**

- (i) As at 31 December 2019, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2019			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	431,583,015	7,080,721	18,538,639	457,202,375
Add: interest receivable	2,052,316	–	–	2,052,316
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(5,480,833)	(1,429,810)	(5,968,527)	(12,879,170)
Net loans and advances to customers	<u>428,154,498</u>	<u>5,650,911</u>	<u>12,570,112</u>	<u>446,375,521</u>

- (ii) As at 31 December 2018, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2018			Total
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	
Gross loans and advances to customers	348,833,928	6,016,102	21,747,330	376,597,360
Add: interest receivable	1,839,265	–	–	1,839,265
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(3,640,867)	(1,200,134)	(5,517,585)	(10,358,586)
Net loans and advances to customers	<u>347,032,326</u>	<u>4,815,968</u>	<u>16,229,745</u>	<u>368,078,039</u>



## 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

As at 31 December 2019, the movements of provision for loans and advances to customers are as follows:

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

	Year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL -not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	3,640,867	1,200,134	5,517,585	10,358,586
Transferred:				
– to ECL over the next 12 months	7,289	(449)	(6,840)	–
– to lifetime ECL- not credit-impaired loans	(27,845)	27,986	(141)	–
– to lifetime ECL- credit-impaired loans	(70,228)	(158,886)	229,114	–
Net charge for the year	1,930,750	361,025	8,090,170	10,381,945
Transfer out	–	–	(8,203,540)	(8,203,540)
Write-offs	–	–	(15,046)	(15,046)
Recoveries	–	–	357,225	357,225
As at 31 December	<u>5,480,833</u>	<u>1,429,810</u>	<u>5,968,527</u>	<u>12,879,170</u>

Note:

- (a) In 2019, the Group disposed certain loans and advances with gross amount of RMB15,997.12 million to asset management companies.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(f) Movements of provision for impairment losses (continued)**

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

	Year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL -not credit-impaired loans	Lifetime ECL-credit-impaired loans	
As at 1 January	1,629	-	-	1,629
Net charge for the year	6,989	-	-	6,989
As at 31 December	8,618	-	-	8,618



## 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

As at 31 December 2018, the movements of provision for loans and advances to customers are as follows:

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

	Year ended 31 December 2018			Total
	ECL over the next 12 months	Lifetime ECL -not credit-impaired loans	Lifetime ECL- credit-impaired loans	
As at 1 January	3,347,500	1,382,476	2,929,100	7,659,076
Transferred:				
– to ECL over the next 12 months	8,328	(8,328)	–	–
– to lifetime ECL- not credit-impaired loans	(7,833)	7,833	–	–
– to lifetime ECL- credit-impaired loans	(140,717)	(398,536)	539,253	–
Net charge for the year	433,589	216,689	4,470,653	5,120,931
Transfer out	–	–	(2,076,660)	(2,076,660)
Unwinding of discount	–	–	(137,928)	(137,928)
Write-offs	–	–	(206,976)	(206,976)
Recoveries	–	–	143	143
As at 31 December	<u>3,640,867</u>	<u>1,200,134</u>	<u>5,517,585</u>	<u>10,358,586</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)****(f) Movements of provision for impairment losses (continued)**

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

	ECL over the next 12 months	Year ended 31 December 2018		Total
		Lifetime ECL -not credit- impaired loans	Lifetime ECL- credit- impaired loans	
As at 1 January	982	–	–	982
Net charge for the year	647	–	–	647
As at 31 December	1,629	–	–	1,629

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income, while the impairment losses are recognised in profit or loss. Besides, the carrying amount of the financial assets presented in the balance sheet are not reduced.





## 19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

### (g) Analysed by geographical sector (Note (i))

	31 December 2019		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	399,571,957	87%	237,428,825
North China	44,889,718	10%	11,408,813
Others	12,740,700	3%	7,538,774
Gross loans and advances to customers	<u>457,202,375</u>	<u>100%</u>	<u>256,376,412</u>

	31 December 2018		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	305,293,090	81%	170,405,720
North China	57,830,506	15%	13,338,077
Others	13,473,764	4%	8,134,469
Gross loans and advances to customers	<u>376,597,360</u>	<u>100%</u>	<u>191,878,266</u>

Note:

- (i) The definitions of the geographical sectors are set out in Note 38(b).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***20 FINANCIAL INVESTMENTS**

	<i>Note</i>	31 December 2019	31 December 2018
Financial assets at fair value through profit or loss	20(a)	156,691,876	151,690,685
Financial assets at fair value through other comprehensive income	20(b)	33,451,350	59,925,100
Financial assets measured at amortised cost	20(c)	227,348,966	263,149,991
Total		<u>417,492,192</u>	<u>474,765,776</u>

**(a) Financial assets at fair value through profit or loss**

	<i>Note</i>	31 December 2019	31 December 2018
Debt securities at fair value listed outside Hong Kong			
– Policy banks		383,136	1,434,344
– Banks and other financial institutions		1,686,272	1,101,407
– Corporate		1,030,961	1,030,961
Subtotal		<u>3,100,369</u>	<u>3,566,712</u>
Wealth management plan		116,098,273	103,158,400
Investment funds		37,493,234	34,480,163
Financial products issued by financial institutions		–	10,485,410
Total		<u>156,691,876</u>	<u>151,690,685</u>



## 20 FINANCIAL INVESTMENTS (CONTINUED)

### (b) Financial assets at fair value through other comprehensive income

	<i>Note</i>	31 December 2019	31 December 2018
Debt securities at fair value listed outside Hong Kong			
– Government		9,889,376	17,882,657
– Policy banks		15,548,565	26,904,821
– Banks and other financial institutions		1,415,436	1,018,740
– Corporate		685,278	4,532,188
Subtotal		27,538,655	50,338,406
Wealth management plan		1,107,105	6,330,566
Equity investments			
– Unlisted	20(b)(i)	4,318,416	2,072,175
Subtotal		5,425,521	8,402,741
Add: interest receivable		487,174	1,183,953
Total		33,451,350	59,925,100

- (i) The Group chose to designate non-trading equity investments as at financial assets at fair value through other comprehensive income on the transition date. As at 31 December 2019, the amount for these non-trading equity investments was RMB4,318 million. For the year ended 31 December 2019, the dividend income from these non-trading equity investments amounted to RMB1.20 million and was included in profit or loss. As at 31 December 2019, non-trading equity investments of the Group were not disposed and no accumulated gain or loss was transferred from other comprehensive income to retained earnings.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***20 FINANCIAL INVESTMENTS (CONTINUED)****(b) Financial assets at fair value through other comprehensive income**

The movements of provision for financial assets at fair value through other comprehensive income are as follows:

	Year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January	5,453	–	–	5,453
Net release for the period	(3,117)	–	–	(3,117)
As at 31 December	<u>2,336</u>	<u>–</u>	<u>–</u>	<u>2,336</u>

	Year ended 31 December 2018			Total
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January	8,801	–	–	8,801
Net release for the year	(3,348)	–	–	(3,348)
As at 31 December	<u>5,453</u>	<u>–</u>	<u>–</u>	<u>5,453</u>

Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the balance sheet are not reduced.



## 20 FINANCIAL INVESTMENTS (CONTINUED)

### (c) Financial assets measured at amortised cost

	<i>Note</i>	31 December 2019	31 December 2018
Debt securities at fair value listed outside Hong Kong			
– Government		58,487,011	51,379,771
– Policy banks		72,871,086	64,533,451
– Banks and other financial institutions		–	5,888,675
– Corporate		3,342,022	30,809,362
		<hr/>	<hr/>
Subtotal		134,700,119	152,611,259
		<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Wealth management plan		14,771,585	21,722,671
Beneficial investment of trust		76,775,572	87,960,574
		<hr/>	<hr/>
Subtotal		91,547,157	109,683,245
		<hr style="border-top: 1px dashed red;"/>	<hr style="border-top: 1px dashed red;"/>
Add: interest receivable		3,126,235	3,253,400
Less: provision for impairment losses		(2,024,545)	(2,397,913)
		<hr/>	<hr/>
Total		227,348,966	263,149,991
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***20 FINANCIAL INVESTMENTS (CONTINUED)****(c) Financial assets measured at amortised cost (continued)**

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

	Year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January	1,322,900	785,637	289,376	2,397,913
Transferred:				
– to lifetime ECL – credit-impaired investments	(59,881)	(6,717)	66,598	–
Net (release)/charge for the year	<u>(434,881)</u>	<u>(613,466)</u>	<u>674,979</u>	<u>(373,368)</u>
As at 31 December	<u>828,138</u>	<u>165,454</u>	<u>1,030,953</u>	<u>2,024,545</u>

	Year ended 31 December 2018			Total
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January	1,243,608	52,321	57,835	1,353,764
Transferred:				
– to ECL over the next 12 months	37,169	(37,169)	–	–
– to lifetime ECL – credit-impaired investments	–	(5,494)	5,494	–
Net charge for the year	<u>42,123</u>	<u>775,979</u>	<u>226,047</u>	<u>1,044,149</u>
As at 31 December	<u>1,322,900</u>	<u>785,637</u>	<u>289,376</u>	<u>2,397,913</u>



## 21 INVESTMENTS IN SUBSIDIARIES

### The Bank

	31 December 2019	31 December 2018
Shenyang Shenbei Fumin Village Bank Co., Ltd. ("Shenyang Shenbei")	35,321	35,321
Shenyang Xinmin Fumin Village Bank Co., Ltd. ("Shenyang Xinmin")	6,230	6,230
Shenyang Faku Fumin Village Bank Co., Ltd. ("Shenyang Faku")	6,262	6,262
Shenyang Liaozhong Fumin Village Bank Co., Ltd. ("Shenyang Liaozhong")	6,097	6,097
Ningbo Jiangbei Fumin Rural Bank Co., Ltd. ("Ningbo Jiangbei")	30,039	30,039
Shanghai Baoshan Fumin Rural Bank Co., Ltd. ("Shanghai Baoshan")	62,208	62,208
Shengjing Bank Consumer Finance Co., Ltd. ("Shengjing Consumer")	180,000	180,000
Total	<u>326,157</u>	<u>326,157</u>

As at 31 December 2019, background of the subsidiaries is as follows:

	<i>Notes</i>	Date of incorporation	Place of incorporation, registration and operations	Registered capital	Percentage owned by the Bank	Business sector
Shenyang Shenbei	21(a)	09/02/2009	Liaoning, China	150,000	20%	Banking
Shenyang Xinmin	21(b)	25/06/2010	Liaoning, China	30,000	20%	Banking
Shenyang Faku	21(c)	26/10/2010	Liaoning, China	30,000	20%	Banking
Shenyang Liaozhong	21(d)	26/11/2010	Liaoning, China	30,000	20%	Banking
Ningbo Jiangbei	21(e)	17/08/2011	Zhejiang, China	100,000	30%	Banking
Shanghai Baoshan	21(f)	09/09/2011	Shanghai, China	150,000	40%	Banking
Shengjing Consumer		25/02/2016	Liaoning, China	300,000	60%	Consumer finance

- (a) According to the revised Articles of Association of Shenyang Shenbei approved by the General Meeting held in June 2012, the financial and operational decisions of Shenyang Shenbei were made by the Bank. The Bank also agreed with seven shareholders who held in total 61.34% of ownership and voting power of Shenyang Shenbei that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Shenbei and classified its investment in Shenyang Shenbei as investments in subsidiaries.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

#### The Bank (Continued)

- (b) According to the revised Articles of Association of Shenyang Xinmin approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Xinmin were made by the Bank. The Bank also agreed with eight shareholders who held in total 55% of ownership and voting power of Shenyang Xinmin that these eight shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Xinmin and classified its investment in Shenyang Xinmin as investments in subsidiaries.
- (c) According to the revised Articles of Association of Shenyang Faku approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Faku were made by the Bank. The Bank also agreed with seven shareholders who held in total 50% of ownership and voting power of Shenyang Faku that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Faku and classified its investment in Shenyang Faku as investments in subsidiaries.
- (d) According to the revised Articles of Association of Shenyang Liaozhong approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Liaozhong were made by the Bank. The Bank also agreed with eleven shareholders who held in total 70% of ownership and voting power of Shenyang Liaozhong that these eleven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Liaozhong and classified its investment in Shenyang Liaozhong as investments in subsidiaries.
- (e) According to the revised Articles of Association of Ningbo Jiangbei approved by the General Meetings held in June 2012, the financial and operational decisions of Ningbo Jiangbei were made by the Bank. The Bank also agreed with six shareholders who held in total 50% of ownership and voting power of Ningbo Jiangbei that these six shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Ningbo Jiangbei and classified its investment in Ningbo Jiangbei as investments in subsidiaries.
- (f) According to the revised Articles of Association of Shanghai Baoshan approved by the General Meetings held in June 2012, the financial and operational decisions of Shanghai Baoshan were made by the Bank. The Bank also agreed with four shareholders who held in total 35.33% of ownership and voting power of Shanghai Baoshan that these four shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shanghai Baoshan and classified its investment in Shanghai Baoshan as investments in subsidiaries.





## 22 PROPERTY AND EQUIPMENT

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
<b>Cost</b>						
As at 1 January 2018	3,622,113	760,458	2,494,551	734,594	100,913	7,712,629
Additions	40,124	78,254	87,193	74,940	1,416	281,927
CIP transfers	254,280	55,803	(310,083)	–	–	–
Disposals	–	–	–	(6,218)	–	(6,218)
As at 31 December 2018 and 1 January 2019	<u>3,916,517</u>	<u>894,515</u>	<u>2,271,661</u>	<u>803,316</u>	<u>102,329</u>	<u>7,988,338</u>
Additions	128,419	160,144	349,466	203,666	2,282	843,977
CIP transfers	–	1,819	(1,819)	–	–	–
Disposals	–	–	–	(3,416)	(12,382)	(15,798)
As at 31 December 2019	<u>4,044,936</u>	<u>1,056,478</u>	<u>2,619,308</u>	<u>1,003,566</u>	<u>92,229</u>	<u>8,816,517</u>
<b>Accumulated depreciation</b>						
As at 1 January 2018	(1,288,941)	(461,871)	–	(515,014)	(89,554)	(2,355,380)
Additions	(189,510)	(99,684)	–	(85,285)	(4,084)	(378,563)
Disposals	–	–	–	6,030	–	6,030
As at 31 December 2018 and 1 January 2019	<u>(1,478,451)</u>	<u>(561,555)</u>	<u>–</u>	<u>(594,269)</u>	<u>(93,638)</u>	<u>(2,727,913)</u>
Additions	(191,108)	(116,577)	–	(90,234)	(3,570)	(401,489)
Disposals	–	–	–	3,241	11,922	15,163
As at 31 December 2019	<u>(1,669,559)</u>	<u>(678,132)</u>	<u>–</u>	<u>(681,262)</u>	<u>(85,286)</u>	<u>(3,114,239)</u>
<b>Net book value</b>						
As at 31 December 2018	<u>2,438,066</u>	<u>332,960</u>	<u>2,271,661</u>	<u>209,047</u>	<u>8,691</u>	<u>5,260,425</u>
As at 31 December 2019	<u>2,375,377</u>	<u>378,346</u>	<u>2,619,308</u>	<u>322,304</u>	<u>6,943</u>	<u>5,702,278</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 22 PROPERTY AND EQUIPMENT (CONTINUED)

The carrying amount of premises without title deeds as at 31 December 2019 was RMB488.38 million (31 December 2018: RMB499.32 million). The Group is still in the progress of applying the title deeds for the above premises. Management of the Group expected that there would be no significant costs 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		
– Long term leases (over 50 years)	246,923	259,925
– Medium term leases (10 – 50 years)	1,929,388	1,977,380
– Short term leases (less than 10 years)	199,066	200,761
Total	<u>2,375,377</u>	<u>2,438,066</u>



## 23 DEFERRED TAX ASSETS AND LIABILITIES

### (a) Analysed by nature

	31 December 2019		31 December 2018	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets:				
Allowance for impairment losses	21,588,672	5,397,169	12,375,648	3,093,912
Supplementary retirement benefits	103,566	25,891	98,488	24,622
Subtotal	<u>21,692,238</u>	<u>5,423,060</u>	<u>12,474,136</u>	<u>3,118,534</u>
Deferred tax liabilities:				
Change in fair value of financial assets at fair value through other comprehensive income	(533,304)	(133,326)	(1,496,780)	(374,195)
Change in fair value of derivative financial instruments	(2,697,764)	(674,441)	(1,412,452)	(353,113)
Change in fair value of financial assets at fair value through profit or loss	(1,942,868)	(485,717)	(954,672)	(238,668)
Subtotal	<u>(5,173,936)</u>	<u>(1,293,484)</u>	<u>(3,863,904)</u>	<u>(965,976)</u>
Net deferred tax	<u>16,518,302</u>	<u>4,129,576</u>	<u>8,610,232</u>	<u>2,152,558</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***23 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)****(b) Analysed by movement**

	At 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2019
Deferred tax assets:				
Allowance for impairment losses	3,093,912	2,303,257	–	5,397,169
Supplementary retirement benefits	24,622	(767)	2,036	25,891
Subtotal	3,118,534	2,302,490	2,036	5,423,060
Deferred tax liabilities:				
Change in fair value of financial assets at fair value through other comprehensive income	(374,195)	–	240,869	(133,326)
Change in fair value of derivative financial instruments	(353,113)	(321,328)	–	(674,441)
Change in fair value of financial assets at fair value through profit or loss	(238,668)	(247,049)	–	(485,717)
Subtotal	(965,976)	(568,377)	240,869	(1,293,484)
Net deferred tax	2,152,558	1,734,113	242,905	4,129,576



## 23 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

	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
Deferred tax assets:						
Allowance for impairment losses	1,627,742	205,264	1,833,006	1,260,906	–	3,093,912
Change in fair value of available-for-sale financial assets	111,792	(111,792)	–	–	–	–
Change in fair value of derivative financial instruments	209,873	–	209,873	(209,873)	–	–
Supplementary retirement benefits	24,395	–	24,395	(2,373)	2,600	24,622
Subtotal	1,973,802	93,472	2,067,274	1,048,660	2,600	3,118,534
Deferred tax liabilities:						
Change in fair value of financial assets at fair value through other comprehensive income	–	55,173	55,173	–	(429,368)	(374,195)
Change in fair value of derivative financial instruments	–	–	–	(353,113)	–	(353,113)
Change in fair value of financial assets at fair value through profit or loss	–	47,087	47,087	(285,755)	–	(238,668)
Subtotal	–	102,260	102,260	(638,868)	(429,368)	(965,976)
Net deferred tax	1,973,802	195,732	2,169,534	409,792	(426,768)	2,152,558

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***24 OTHER ASSETS**

	<i>Note</i>	31 December 2019	31 December 2018
Settlement and clearing accounts		1,737,026	69,148
Reposessed assets	24(a)	1,238,158	615,138
Right-of-use assets	24(b)	674,985	–
Interest receivable	24(c)	320,574	221,614
Intangible assets	24(d)	192,307	118,218
Prepayments		68,956	175,078
Land use rights		65,770	58,135
Others	24(e)	1,554,022	528,119
Total		<u>5,851,798</u>	<u>1,785,450</u>

**(a) Reposessed assets**

	31 December 2019	31 December 2018
Land use rights and buildings	1,297,598	674,578
Less: impairment allowance	<u>(59,440)</u>	<u>(59,440)</u>
	<u>1,238,158</u>	<u>615,138</u>



## 24 OTHER ASSETS (CONTINUED)

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

	Leased properties and buildings
<b>Cost</b>	
As at 1 January	647,837
Additions	<u>194,586</u>
As at 31 December	<u>842,423</u>
<b>Accumulated depreciation</b>	
As at 1 January	–
Depreciation charge for the year	<u>(167,438)</u>
As at 31 December	<u>(167,438)</u>
<b>Carrying amount:</b>	
As at 1 January	<u><u>647,837</u></u>
As at 31 December	<u><u>674,985</u></u>

### (c) Interest receivable

	31 December 2019	31 December 2018
Interest receivable arising from:		
– Loans and advances to customers	<u><u>320,574</u></u>	<u><u>221,614</u></u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***24 OTHER ASSETS (CONTINUED)****(d) Intangible assets**

	2019	2018
<b>Cost</b>		
As at 1 January	220,785	193,914
Additions	96,830	26,871
As at 31 December	317,615	220,785
<b>Accumulated amortisation</b>		
As at 1 January	(102,567)	(85,826)
Additions	(22,741)	(16,741)
As at 31 December	(125,308)	(102,567)
<b>Net value</b>		
As at 1 January	118,218	108,088
As at 31 December	192,307	118,218

Intangible assets of the Group mainly represent computer software.





## 24 OTHER ASSETS (CONTINUED)

### (e) Others

	31 December 2019	31 December 2018
Receivable due from disposal of non-performing assets ( <i>Note (i)</i> )	653,754	653,754
Others	<u>1,217,590</u>	<u>166,375</u>
Subtotal	1,871,344	820,129
Less: impairment allowance	<u>(317,322)</u>	<u>(292,010)</u>
	<u><u>1,554,022</u></u>	<u><u>528,119</u></u>

*Note:*

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***25 BORROWINGS FROM CENTRAL BANK**

	31 December 2019	31 December 2018
Borrowings (Note (a))	6,700,000	41,660,000
Add: interest payable	93,977	58,868
Total	<u>6,793,977</u>	<u>41,718,868</u>

*Note:*

(a) Borrowings from central bank mainly include Medium-term Lending Facility and open market operations.

**26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS****Analysed by type and location of counterparty**

	31 December 2019	31 December 2018
Deposits in mainland China		
– Banks	23,498,716	48,587,425
– Other financial institutions	72,955,513	32,051,369
Subtotal	96,454,229	80,638,794
Add: interest payable	383,103	354,887
Total	<u>96,837,332</u>	<u>80,993,681</u>



## 27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

### Analysed by type and location of counterparty

	31 December 2019	31 December 2018
Placements in mainland China		
– Banks	6,501,364	42,685,766
– Other financial institutions	57,000	3,777
Subtotal	6,558,364	42,689,543
Add: interest payable	30,937	131,720
Total	6,589,301	42,821,263

## 28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

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

	31 December 2019	31 December 2018
In mainland China		
– Banks	38,323,587	31,113,230
– Other financial institutions	21,723,659	1,162,939
Subtotal	60,047,246	32,276,169
Add: interest payable	69,887	32,969
Total	60,117,133	32,309,138



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

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

	31 December 2019	31 December 2018
Debt securities sold under repurchase agreements	52,348,317	31,860,300
Bills sold under repurchase agreements	<u>7,698,929</u>	<u>415,869</u>
Subtotal	60,047,246	32,276,169
Add: interest payable	<u>69,887</u>	<u>32,969</u>
Total	<u><u>60,117,133</u></u>	<u><u>32,309,138</u></u>



## 29 DEPOSITS FROM CUSTOMERS

	31 December 2019	31 December 2018
Demand deposits		
– Corporate deposits	190,952,618	157,657,454
– Personal deposits	37,732,968	16,571,753
Subtotal	228,685,586	174,229,207
Time deposits		
– Corporate deposits	197,106,655	159,325,536
– Personal deposits	174,367,690	142,442,046
Subtotal	371,474,345	301,767,582
Pledged deposits		
– Acceptances	36,250,974	33,519,498
– Letters of credit	2,598,266	1,626,410
– Letters of guarantees	1,418,793	1,467,943
– Others	399,388	301,613
Subtotal	40,667,421	36,915,464
Inward and outward remittances	600,839	1,254,744
Total deposits from customers at amortised cost	641,428,191	514,166,997
Add: interest payable	13,642,803	10,773,551
Total	655,070,994	524,940,548

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***30 DEBT SECURITIES ISSUED**

	Note	31 December 2019	31 December 2018
Tier two capital fixed rate debts maturing in May 2019	30(a)	–	2,200,000
Tier two capital fixed rate debts maturing in December 2025	30(b)	10,000,000	10,000,000
Tier two capital fixed rate debts maturing in December 2027	30(c)	6,000,000	6,000,000
Financial fixed rate bonds maturing in August 2019	30(d)	–	5,000,000
Financial fixed rate bonds maturing in August 2021	30(e)	2,000,000	2,000,000
Financial fixed rate bonds maturing in August 2021	30(f)	12,000,000	12,000,000
Financial fixed rate bonds maturing in October 2021	30(g)	8,000,000	8,000,000
Financial fixed rate bonds maturing in November 2021	30(h)	6,900,000	6,900,000
Certificates of interbank deposit	30(i)	35,728,767	133,950,363
Subtotal		80,628,767	186,050,363
Add: interest payable		364,287	516,862
Total		80,993,054	186,567,225

*Notes:*

- (a) Tier two capital fixed rate debts of RMB2.2 billion with a term of ten years were issued on 28 May 2014. The coupon rate is 6.18%. The Group has redeemed the debts at the end of the 5th year at the nominal amount.
- (b) Tier two capital fixed rate debts of RMB10.0 billion with a term of ten years were issued on 4 December 2015. The coupon rate is 4.57%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (c) Tier two capital fixed rate debts of RMB6.0 billion with a term of ten years were issued on 18 December 2017. The coupon rate is 4.90%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (d) Financial fixed rate bonds of RMB5.0 billion with a term of three years were issued on 26 August 2016. The coupon rate is 3.00% per annum.



### 30 DEBT SECURITIES ISSUED (CONTINUED)

Notes: (continued)

- (e) Financial fixed rate bonds of RMB2.0 billion with a term of five years were issued on 26 August 2016. The coupon rate is 3.10% per annum.
- (f) Financial fixed rate bonds of RMB12.0 billion with a term of three years were issued on 15 August 2018. The coupon rate is 4.35% per annum.
- (g) Financial fixed rate bonds of RMB8.0 billion with a term of three years were issued on 25 October 2018. The coupon rate is 4.10% per annum.
- (h) Financial fixed rate bonds of RMB6.9 billion with a term of three years were issued on 26 November 2018. The coupon rate is 3.98% per annum.
- (i) As at 31 December 2019, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB35,111 million (31 December 2018: RMB132,848 million).

### 31 OTHER LIABILITIES

	<i>Note</i>	31 December 2019	31 December 2018
Payment and collection clearance accounts		3,780,359	1,405,060
Expected credit loss of credit commitment	31(a)	784,340	710,954
Lease liabilities	31(b)	606,384	–
Taxes payable	31(c)	542,518	398,475
Dividend payable		341,657	145,313
Accrued staff cost	31(d)	298,435	515,698
Deferred income		103,220	73,327
Dormant accounts		46,829	40,464
Others		632,451	339,398
		<u>7,136,193</u>	<u>3,628,689</u>
Total		<u>7,136,193</u>	<u>3,628,689</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(a) Expected credit loss of credit commitment**

	Year ended 31 December 2019			Total
	ECL over the next 2 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	551,708	45,849	113,397	710,954
Transferred:				
– to ECL over the next 12 months	317	(22)	(295)	–
– to lifetime ECL-not credit-impaired	(1)	(134)	135	–
Net charge/(release) for the year	<u>105,829</u>	<u>(11,550)</u>	<u>(20,893)</u>	<u>73,386</u>
As at 31 December	<u>657,853</u>	<u>34,143</u>	<u>92,344</u>	<u>784,340</u>

	Year ended 31 December 2018			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	920,325	187	900	921,412
Transferred:				
– to ECL over the next 12 months	16	(16)	–	–
– to lifetime ECL-not credit-impaired	(18)	18	–	–
Net (release)/charge for the year	<u>(368,615)</u>	<u>45,660</u>	<u>112,497</u>	<u>(210,458)</u>
As at 31 December	<u>551,708</u>	<u>45,849</u>	<u>113,397</u>	<u>710,954</u>





### 31 OTHER LIABILITIES (CONTINUED)

#### (b) Maturity analysis of contractual undiscounted cash flows of lease liabilities

	31 December 2019
Within one year	147,091
Between one year and two years	125,063
Between two years and three years	103,063
Between three years and five years	153,576
More than five years	<u>166,214</u>
Contractual undiscounted cash flows of lease liabilities as at 31 December 2019	<u><u>695,007</u></u>
Ending balance of lease liabilities as at 31 December 2019	<u><u>606,384</u></u>

#### (c) Taxes payable

	31 December 2019	31 December 2018
Value-added tax and surcharges payable	442,364	371,632
Others	<u>100,154</u>	<u>26,843</u>
Total	<u><u>542,518</u></u>	<u><u>398,475</u></u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(d) Accrued staff cost**

	<i>Note</i>	31 December 2019	31 December 2018
Supplementary retirement benefits payable	31(d)(i)	103,566	98,487
Pension and annuity payable	31(d)(ii)	77,111	77,003
Salary, bonuses and allowances payable		70,065	294,176
Housing allowances payable		30,092	31,208
Other social insurance payable		1,616	2,302
Others		15,985	12,522
		<hr/>	<hr/>
Total		<u>298,435</u>	<u>515,698</u>

**(i) Supplementary retirement benefits***Early retirement plan*

The Group provides early retirement benefit payments 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 Group accounts for the respective obligations in accordance with the accounting policies in Note 2(o).



## 31 OTHER LIABILITIES (CONTINUED)

### (d) Accrued staff cost (continued)

#### (i) *Supplementary retirement benefits (continued)*

##### *Supplementary retirement plan*

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation. The Group accounted for the respective obligations in accordance with the accounting policies in Note 2(o).

(1) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2019	31 December 2018
Present value of early retirement plan	32,635	38,629
Present value of supplementary retirement plan	<u>70,931</u>	<u>59,858</u>
Total	<u><u>103,566</u></u>	<u><u>98,487</u></u>

(2) The movements of supplementary retirement benefits of the Group are as follows:

	2019	2018
As at 1 January	98,487	97,579
Benefits paid during the year	(16,506)	(14,236)
Defined benefit cost recognised in profit or loss	13,440	4,743
Defined benefit cost recognised in other comprehensive income	<u>8,145</u>	<u>10,401</u>
As at 31 December	<u><u>103,566</u></u>	<u><u>98,487</u></u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(d) Accrued staff cost (continued)****(i) Supplementary retirement benefits (continued)***Supplementary retirement plan (continued)*

(3) Principal actuarial assumptions of the Group are as follows:

Early retirement plan	31 December 2019	31 December 2018
Discount rate	2.75%	2.75%
Mortality	<i>Note 31(c)(ii)(3)(i)</i>	<i>Note 31(c)(ii)(3)(i)</i>
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	4.00%	4.00%

Supplementary retirement plan	31 December 2019	31 December 2018
Discount rate	3.50%	3.50%
Mortality	<i>Note 31(c)(ii)(3)(i)</i>	<i>Note 31(c)(ii)(3)(i)</i>
Turnover rate	3.00%	3.00%
Retired age		
– Male	60	60
– Female	55	55

*Notes:*

- (i) As at 31 December 2019, Mortality assumptions are based on China Life Insurance Annuity Table (2010-2013) in China Life Insurance Mortality Table compiled by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.



## 31 OTHER LIABILITIES (CONTINUED)

### (d) Accrued staff cost (continued)

#### (ii) *Pension and annuity*

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the relevant government authorities.

The Group also provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to the total salaries and bonuses of employees, which are charged to profit or loss when the contributions are made.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)***32 MOVEMENT IN COMPONENTS OF EQUITY**

The reconciliation between the opening and closing balance 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 reporting period are set out below:

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2019		5,796,680	11,855,505	6,110,162	12,564,922	1,122,587	5,311	(13,877)	18,977,059	56,418,349
Profit for the year		-	-	-	-	-	-	-	5,441,300	5,441,300
Other comprehensive income		-	-	-	-	(722,608)	2,904	(6,109)	-	(725,813)
Total comprehensive income		-	-	-	-	(722,608)	2,904	(6,109)	5,441,300	4,715,487
Changes in share capital										
- Placement of domestic shares	33	2,200,000	10,986,653	-	-	-	-	-	-	13,186,653
- Placement of H-shares	33	800,000	4,089,202	-	-	-	-	-	-	4,889,202
Subtotal		3,000,000	15,075,855	-	-	-	-	-	-	18,075,855
Appropriation of profit:										
- Appropriation to surplus reserve	35	-	-	1,056,765	-	-	-	-	(1,056,765)	-
- Appropriation to general reserve	35	-	-	-	825,550	-	-	-	(825,550)	-
- Cash dividends	35	-	-	-	-	-	-	-	(695,602)	(695,602)
Subtotal		-	-	1,056,765	825,550	-	-	-	(2,577,917)	(695,602)
Balance at 31 December 2019		8,796,680	26,931,360	7,166,927	13,390,472	399,979	8,215	(19,986)	21,840,442	78,514,089



## 32 MOVEMENT IN COMPONENTS OF EQUITY (CONTINUED)

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 31 December 2017		5,796,680	11,855,505	5,352,502	11,027,347	(335,375)	-	(6,076)	17,953,582	51,644,165
Impact on initial application of IFRS9		-	-	-	-	169,856	7,337	-	(764,231)	(587,038)
Balance at 1 January 2018		5,796,680	11,855,505	5,352,502	11,027,347	(165,519)	7,337	(6,076)	17,189,351	51,057,127
Profit for the year		-	-	-	-	-	-	-	5,126,345	5,126,345
Other comprehensive income		-	-	-	-	1,288,106	(2,026)	(7,801)	-	1,278,279
Total comprehensive income		-	-	-	-	1,288,106	(2,026)	(7,801)	5,126,345	6,404,624
Appropriation of profit:										
- Appropriation to surplus reserve	35	-	-	757,660	-	-	-	-	(757,660)	-
- Appropriation to general reserve	35	-	-	-	1,537,575	-	-	-	(1,537,575)	-
- Cash dividends	35	-	-	-	-	-	-	-	(1,043,402)	(1,043,402)
Subtotal		-	-	757,660	1,537,575	-	-	-	(3,338,637)	(1,043,402)
Balance at 31 December 2018		5,796,680	11,855,505	6,110,162	12,564,922	1,122,587	5,311	(13,877)	18,977,059	56,418,349



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 33 SHARE CAPITAL

Issued share capital

	31 December 2019	31 December 2018
Number of shares, issued and fully paid at par value (in thousands)	8,796,680	5,796,680

On 28 November 2019, the Bank placed 2,200 million domestic shares with a par value of RMB1 at a price of RMB6 per share and 800 million H-shares with a par value of RMB1 at an offering price of HKD6.82 per share. The premium arising from the new placing shares (net of the placing expenses) amounting to RMB15,076 million was recorded in capital reserve.

### 34 RESERVES

#### (a) Capital reserve

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

#### (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, the Bank is required to appropriate 10% of its net profit according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") 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 also appropriates discretionary surplus reserve fund in accordance with the resolution of the shareholders.





## 34 RESERVES (CONTINUED)

### (c) General reserve

From 1 July 2012, pursuant to the “Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)” issued by the MOF on 20 March 2012, the Group is required to set aside a general reserve through its profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets by 31 December 2019.

### (d) Fair value reserve

	2019	2018
As at 1 January	1,122,587	(165,519)
Changes in fair value recognised in fair value reserve	48,820	1,345,120
Transfer to profit or loss upon disposal	(1,012,297)	372,354
Less: income tax	240,869	(429,368)
Subtotal	(722,608)	1,288,106
As at 31 December	399,979	1,122,587

### (e) Provision reserve

	2019	2018
As at 1 January	5,311	7,337
Changes in fair value recognised in provision reserve	3,872	(2,701)
Less: income tax	(968)	675
As at 31 December	8,215	5,311



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 34 RESERVES (CONTINUED)

#### (f) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

#### (g) Retained earnings

As at 31 December 2019, the retained earnings included the statutory surplus reserve of RMB5.91 million (31 December 2018: RMB5.45 million), appropriated by the subsidiaries and attributable to the Bank, of which RMB0.46 million (2018: RMB0.76 million) was appropriated by the subsidiaries for the year then ended. The statutory surplus reserve in retained earnings which is contributed by subsidiaries cannot be further distributed.

### 35 PROFIT DISTRIBUTION

(i) In accordance with the resolution of the Bank's Board of directors meeting on 27 March 2020, the proposed profit distribution plan for the year ended 31 December 2019 is as follows:

- Appropriate RMB544.13 million to the discretionary surplus reserve fund;
- Appropriate RMB277.78 million to the general reserve.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(ii) In accordance with the resolution of the Bank's 2018 Annual General Meeting held on 31 May 2019, the shareholders approved the following profit distribution plan for the year ended 31 December 2018 is as follows:

- Appropriate RMB512.64 million to the discretionary surplus reserve fund;
- Appropriate RMB825.55 million to the general reserve;
- Declare cash dividends of RMB1.20 per ten shares before tax and in aggregation of RMB695.60 million to all shareholders.



## 36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### (a) Cash and cash equivalents comprise:

	31 December 2019	31 December 2018
Cash on hand	877,084	702,533
Deposits with central bank other than restricted deposits	28,421,050	31,572,455
Deposits with banks and other financial institutions with original maturity of three months or less	19,795,064	5,273,301
Placements with banks and other financial institutions with original maturity of three months or less	8,200,000	2,400,000
Financial assets held under resale agreements with original maturity of three months or less	18,026,510	2,145,860
	<u>18,026,510</u>	<u>2,145,860</u>
Total	<u>75,319,708</u>	<u>42,094,149</u>

### (b) Reconciliation of liabilities arising from financing activities:

	Debt securities issued (Note 30)	Interest payable arising from debt securities issued (Note 30)	Total
As at 1 January 2019	186,050,363	516,862	186,567,225
Changes from financing cash flows:			
Net proceeds from new debt securities issued	243,939,710	–	243,939,710
Repayment of debt securities issued	(349,361,306)	–	(349,361,306)
Interest paid on debt securities issued	–	(5,505,846)	(5,505,846)
Total changes from financing cash flows	<u>(105,421,596)</u>	<u>(5,505,846)</u>	<u>(110,927,442)</u>
Other changes:			
Interest expenses (Note 3)	–	5,353,271	5,353,271
Total other changes	<u>–</u>	<u>5,353,271</u>	<u>5,353,271</u>
As at 31 December 2019	<u>80,628,767</u>	<u>364,287</u>	<u>80,993,054</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)****(b) Reconciliation of liabilities arising from financing activities: (continued)**

	Debt securities issued <i>(Note 30)</i>	Interest payable arising from debt securities issued <i>(Note 30)</i>	Total
As at 1 January 2018	140,920,240	222,257	141,142,497
Changes from financing cash flows:			
Net proceeds from new debt securities issued	628,363,600	–	628,363,600
Repayment of debt securities issued	(583,261,377)	–	(583,261,377)
Interest paid on debt securities issued	–	(7,655,455)	(7,655,455)
Total changes from financing cash flows	45,102,223	(7,655,455)	37,446,768
Other changes:			
Interest expenses <i>(Note 3)</i>	–	7,950,060	7,950,060
Issuing cost of debt securities	27,900	–	27,900
Total other changes	27,900	7,950,060	7,977,960
As at 31 December 2018	186,050,363	516,862	186,567,225



## 37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

### (a) Relationship of related parties

#### (i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

#### Share percentage in the Bank:

	31 December 2019	31 December 2018
Evergrande Group (Nanchang) Co., Ltd.	36.40%	17.28%
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	5.45%	8.28%
Liaoning Huibao International Investment Group Co., Ltd.	4.55%	6.90%
Xinhu Zhongbao Co., Ltd.	3.41%	5.18%
Founder Securities Co., Ltd.	3.41%	5.18%
Liaoning Huafeng Investment Co., Ltd.	1.14%	1.73%

#### Main condition of major shareholders:

Company Name	Registered Address	Main business	Company nature	Legal Representative
Evergrande Group (Nanchang) Co., Ltd.	Nanchang	Industrial investment; investment management	Limited Liability Company	Zhong Wenyan
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	Shenyang	Management and operation of asset	Limited Liability Company	Li Jianwei
Liaoning Huibao International Investment Group Co., Ltd.	Shenyang	Investment management; exploitation and sales of real estate	Limited Liability Company	Cai Fei
Xinhu Zhongbao Co., Ltd.	Jiaxing	Industrial investment; exploitation and sales of real estate	Company Limited by Shares	Lin Junbo
Founder Securities Co., Ltd.	Changsha	Share broking; asset management	Company Limited by Shares	Shi Hua
Liaoning Huafeng Investment Co., Ltd.	Shenyang	Project investment and project management	Limited Liability Company	Bao Lijun

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(a) Relationship of related parties (continued)****(i) Major shareholders (continued)**

Registered capital of major shareholders:

Company Name	Currency	31 December 2019	31 December 2018
Evergrande Group (Nanchang) Co., Ltd.	RMB	99,984,980	53,984,000
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	RMB	10,000,000	10,000,000
Liaoning International Investment Group Co., Ltd.	RMB	80,000	80,000
Xinhu Zhongbao Co., Ltd.	RMB	8,599,000	8,599,000
Founder Securities Co., Ltd.	RMB	8,232,000	8,232,000
Liaoning Huafeng Investment Co., Ltd.	RMB	50,000	50,000

**(ii) Subsidiaries of the Bank**

The detailed information of the Bank's subsidiaries 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 37(a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 31(b)).



## 37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (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 between the Bank and major shareholders

##### (1) Deposits from customers

	31 December 2019	31 December 2018
Founder Securities Co., Ltd.	281,851	–
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	26,437	48,734
Evergrande Group (Nanchang) Co., Ltd.	22,451	16
Liaoning Huibao International Investment Group Co., Ltd.	1,310	2,434
Xinhu Zhongbao Co., Ltd.	17	14
Liaoning Huafeng Investment Co., Ltd.	12	41
Total	<u>332,078</u>	<u>51,239</u>

##### (2) Guarantees received

	31 December 2019	31 December 2018
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	889,000	977,500
Liaoning Huibao International Investment Group Co., Ltd.	411,663	275,000
Xinhu Zhongbao Co., Ltd.	263,160	340,600
Liaoning Huafeng Investment Co., Ltd.	–	24,730
Total	<u>1,563,823</u>	<u>1,617,830</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(b) Related party transactions and balances (continued)****(i) Transactions between the Bank and major shareholders (continued)****(3) Interest expense**

	2019	2018
Evergrande Group (Nanchang) Co., Ltd.	25,456	–
Founder Securities Co., Ltd.	2,091	–
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	236	140
Liaoning Huafeng Investment Co., Ltd.	14	1
Liaoning Huibao International Investment Group Co., Ltd.	10	7
Xinhu Zhongbao Co., Ltd.	3	5
	<hr/>	<hr/>
Total	27,810	153

**(ii) Transactions between the Bank and subsidiaries**

	31 December 2019	31 December 2018
Balances at the end of the year:		
Deposits from banks and other financial institutions	3,035,787	180,885
Placements from banks and other financial institutions	–	100,000
	<hr/>	<hr/>
Transactions during the year:		
Interest income	1,664	767
Interest expense	88,694	1,534





## 37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

### (b) Related party transactions and balances (continued)

#### (iii) Transactions between the Bank and other related parties

	31 December 2019	31 December 2018
Balances at the end of the year:		
Loans and advances to customers	8,779,104	9,236,545
Financial assets measured at amortised cost	13,781,046	15,342,955
Deposits from customers	32,974,483	18,166,929
Bank acceptances	331,609	60
Guarantees received	18,604,400	30,830,350
	2019	2018
Transactions during the year:		
Interest income	1,598,821	1,663,958
Interest expense	166,221	122,033
Fee and commission income	166	–

### (c) Key management personnel

#### (i) Key management personnel remuneration

	2019	2018
Salaries and other emoluments	18,300	19,155
Discretionary bonuses	19,302	19,413
Contributions to pension schemes	1,724	1,721
Total	39,326	40,289



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### (c) Key management personnel (continued)

##### (ii) Loans and advances to directors, supervisors and officers

At 31 December 2019 and 2018, there is no loans and advances to directors, supervisors and officers of the Group pursuant to section 383(1) of Hong Kong Companies Ordinance.

##### (iii) Transactions between the Bank and key management personnel

	31 December 2019	31 December 2018
Balances at the end of the year:		
Deposits from customers	17,895	12,940
Loans and advances to customers	660	526
	2019	2018
Transactions during the year:		
Interest income	5	3
Interest expense	384	345

### 38 SEGMENT REPORTING

#### (a) Business Segment

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

##### **Corporate banking**

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, and remittance and settlement services.

## 38 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (continued)

#### ***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.

#### ***Treasury business***

This segment covers the Group's treasury business including inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The treasury segment also covers management of the Group's overall liquidity position, including issuance of debts.

#### ***Others***

Others 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 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)***38 SEGMENT REPORTING (CONTINUED)****(a) Business Segment (continued)****Others**

	Year ended 31 December 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	12,143,578	(3,772,591)	7,978,865	–	16,349,852
Internal net interest (expense)/income	(526,342)	5,505,150	(4,978,808)	–	–
Net interest income	11,617,236	1,732,559	3,000,057	–	16,349,852
Net fee and commission income/(expense)	666,031	512,529	(23,124)	–	1,155,436
Net trading gains	–	–	768,010	–	768,010
Net gains arising from investments	–	–	4,312,876	1,200	4,314,076
Net foreign exchange losses	(1,557)	–	(1,605,259)	–	(1,606,816)
Other operating income	10,244	1,002	–	15,463	26,709
Operating income	12,291,954	2,246,090	6,452,560	16,663	21,007,267
Operating expenses	(3,279,316)	(937,671)	(405,628)	(8,750)	(4,631,365)
Impairment losses on assets	(9,257,567)	(1,230,064)	254,431	–	(10,233,200)
Profit before tax	(244,929)	78,355	6,301,363	7,913	6,142,702
Other segment information					
– Depreciation and amortisation	445,579	134,910	13,209	–	593,698
– Capital expenditure	713,342	215,983	21,147	–	950,472



## 38 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (continued)

#### *Others (continued)*

	31 December 2019				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	451,258,537	67,967,756	498,124,927	-	1,017,351,220
Deferred tax assets					<u>4,129,576</u>
Total assets					<u><u>1,021,480,796</u></u>
Segment liabilities/total liabilities	<u>439,629,918</u>	<u>222,615,326</u>	<u>279,769,841</u>	<u>343,726</u>	<u>942,358,811</u>
Credit commitments	<u>168,023,972</u>	<u>6,897,886</u>	<u>-</u>	<u>-</u>	<u>174,921,858</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)***38 SEGMENT REPORTING (CONTINUED)****(a) Business Segment (continued)*****Others (continued)***

	Year ended 31 December 2018				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	9,150,230	(4,198,382)	7,465,716	–	12,417,564
Internal net interest income/(expense)	113,301	5,053,014	(5,166,315)	–	–
Net interest income	9,263,531	854,632	2,299,401	–	12,417,564
Net fee and commission income/(expense)	251,711	382,008	(7,020)	–	626,699
Net trading gains	–	–	1,814,010	–	1,814,010
Net gains arising from investments	–	–	3,855,555	15,730	3,871,285
Net foreign exchange losses	–	–	(2,883,141)	–	(2,883,141)
Other operating income	11,265	1,406	6,445	19,933	39,049
Operating income	9,526,507	1,238,046	5,085,250	35,663	15,885,466
Operating expenses	(2,457,192)	(939,394)	(543,408)	(5,221)	(3,945,215)
Impairment losses on assets	(5,264,230)	(96,217)	(1,040,802)	–	(6,401,249)
Profit before tax	<u>1,805,085</u>	<u>202,435</u>	<u>3,501,040</u>	<u>30,442</u>	<u>5,539,002</u>
Other segment information					
– Depreciation and amortisation	<u>280,828</u>	<u>109,559</u>	<u>12,955</u>	–	<u>403,342</u>
– Capital expenditure	<u>215,003</u>	<u>83,879</u>	<u>9,918</u>	–	<u>308,800</u>



## 38 SEGMENT REPORTING (CONTINUED)

### (a) Business Segment (continued)

#### *Others (continued)*

	31 December 2018				Total
	Corporate banking	Retail banking	Treasury business	Others	
Segment assets	402,792,427	37,496,567	542,991,388	–	983,280,382
Deferred tax assets					<u>2,152,558</u>
Total assets					<u><u>985,432,940</u></u>
Segment liabilities/total liabilities	<u>360,087,016</u>	<u>167,537,690</u>	<u>400,633,103</u>	<u>145,647</u>	<u>928,403,456</u>
Credit commitments	<u>168,013,533</u>	<u>3,450,469</u>	<u>–</u>	<u>–</u>	<u>171,464,002</u>

### (b) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and seven subsidiaries located in Shenyang of Liaoning Province, Baoshan of Shanghai and Ningbo of Zhejiang Province respectively.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***38 SEGMENT REPORTING (CONTINUED)****(b) Geographical information (continued)**

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, Shenyang Liaozhong and Shengjing Consumer;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.

	Operating income	
	2019	2018
North east China	18,853,579	13,818,965
North China	1,351,132	1,682,020
Others	802,556	384,481
<b>Total</b>	<b>21,007,267</b>	<b>15,885,466</b>

	Non-current assets <i>(Note i)</i>	
	31 December 2019	31 December 2018
North east China	5,265,244	5,082,828
North China	281,612	307,646
Others	36,737	46,304
<b>Total</b>	<b>5,583,593</b>	<b>5,436,778</b>

Note:

- (i) Non-current assets include property and equipment, intangible assets, long-term deferred expense and land use rights.



## 39 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 Bank in terms of risk management and oversees the Group's risk management functions through Risk Control and Consumer Rights Protection 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 Control and Consumer Rights Protection 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.

### (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 setting the Group's risk management strategy 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 all kinds of credit risk in various businesses are properly identified, assessed, calculated and monitored. The Credit Approval Department is responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department, the Investment Banking Department and the Financial Institutions Department carry out credit businesses according to the Group's risk management policies and procedures.

Based on whether there is significant increase in credit risk and whether the asset has suffered credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively. The expected credit loss 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:



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 RISK MANAGEMENT (CONTINUED)

#### (a) Credit risk (continued)

##### ***Credit business (continued)***

- Probability of default (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.
- Exposure at default (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.
- Loss given default (LGD) refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. Loss given default varies due 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 years. 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 years. The results of calculation for each year 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 probability of default is to deduce the marginal probability of default by using supervisory formula or conditional probability formula.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different due to different types of products.

- In respect of the financial assets 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.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the balance sheet date by the credit conversion factor (CCF).
- The Group determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.
- As to financial assets classified as guarantees, the Group determines the loss given default (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 credit-based financial assets, the Group usually determines loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

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.



## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (continued)

#### *Credit business (continued)*

Forward-looking information included in the expected credit loss model is as follows:

- Both the assessment of 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 gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.
- Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.

#### *Treasury Business*

The Group's treasury business are exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

#### *(i) 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 the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 41(a).

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (continued)*****Treasury Business (continued)******(ii) Loans and advances to customers***

Loans and advances to customers were analysed as follows as at 31 December 2019:

	31 December 2019	31 December 2018
Gross balance of loans and advances to customers		
– ECL over the next 12 months	431,583,015	348,833,928
– Lifetime ECL – not credit-impaired loans	7,080,721	6,016,102
– Lifetime ECL – credit-impaired loans	18,538,639	21,747,330
	<u>457,202,375</u>	<u>376,597,360</u>
Add: Interest receivable		
– ECL over the next 12 months	2,052,316	1,839,265
	<u>2,052,316</u>	<u>1,839,265</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(5,480,833)	(3,640,867)
– Lifetime ECL – not credit-impaired loans	(1,429,810)	(1,200,134)
– Lifetime ECL – credit-impaired loans	(5,968,527)	(5,517,585)
	<u>(12,879,170)</u>	<u>(10,358,586)</u>
Net balance		
– ECL over the next 12 months	428,154,498	347,032,326
– Lifetime ECL – not credit-impaired loans	5,650,911	4,815,968
– Lifetime ECL – credit-impaired loans	12,570,112	16,229,745
	<u>446,375,521</u>	<u>368,078,039</u>



## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (continued)

#### *Treasury Business (continued)*

#### (ii) *Loans and advances to customers (continued)*

##### (1) ECL over the next 12 months loans

	31 December 2019	31 December 2018
Corporate loans and advances	374,698,036	323,599,659
Personal loans and advances	56,884,979	25,234,269
Total gross balance	431,583,015	348,833,928

##### (2) Lifetime ECL – not credit-impaired loans

	31 December 2019			
	Not overdue	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	2,084,856	580,132	4,296,895	6,961,883
Personal loans and advances	68	23,831	94,939	118,838
Total gross balance	2,084,924	603,963	4,391,834	7,080,721

	31 December 2018			
	Not overdue	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	30,000	3,543,656	2,420,826	5,994,482
Personal loans and advances	4,900	–	16,720	21,620
Total gross balance	34,900	3,543,656	2,437,546	6,016,102

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (continued)*****Treasury Business (continued)******(ii) Loans and advances to customers (continued)*****(2) Lifetime ECL – not credit-impaired loans (continued)**

Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired was analysed as follows:

	31 December 2019	31 December 2018
Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired	7,796,112	3,894,552

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.

**(3) Lifetime ECL – credit-impaired loans**

	31 December 2019	31 December 2018
Corporate loans and advances	18,030,192	21,550,993
Personal loans and advances	508,447	196,337
<b>Total gross balance</b>	<b>18,538,639</b>	<b>21,747,330</b>
<b>% of total loans and advances</b>	<b>4.05%</b>	<b>5.77%</b>
Allowance for impairment losses		
– Corporate loans and advances	5,668,384	5,409,112
– Personal loans and advances	300,143	108,473
<b>Total</b>	<b>5,968,527</b>	<b>5,517,585</b>
Fair value of collateral held against credit-impaired loans and advances	21,052,014	16,227,881

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.



## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (continued)

#### *Treasury Business (continued)*

#### (iii) *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		
Neither overdue nor impaired		
– grade A to AAA	38,135,771	20,824,797
– grade B to BBB	36,630	11,000,415
– grade C to CCC	1,146,777	1,014,430
- Unrated ( <i>Note (i)</i> )	8,790,163	84,519
	<hr/>	<hr/>
Subtotal	48,109,341	32,924,161
Add: interest receivable	39,202	731,836
Less: provision for impairment losses	(131,938)	(9,884)
	<hr/>	<hr/>
Total	<u>48,016,605</u>	<u>33,646,113</u>

*Note:*

(i) All unrated amounts were pledged by government debt securities or policy banks debt securities.

#### (iv) *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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(a) Credit risk (continued)*****Treasury Business (continued)******(iv) Debt securities investments (continued)***

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

	31 December 2019	31 December 2018
Neither overdue nor impaired		
– Government	68,376,387	69,262,427
– Policy banks	88,802,787	92,872,616
– Banks and other financial institutions	3,101,708	8,008,823
– Corporate	5,058,261	36,372,511
	<hr/>	<hr/>
Subtotal	165,339,143	206,516,377
Impairment loss	(11,532)	(15,090)
	<hr/>	<hr/>
Net balance	165,327,611	206,501,287
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>





## 39 RISK MANAGEMENT (CONTINUED)

### (a) Credit risk (continued)

#### *Treasury Business (continued)*

(v) *Financial assets measured at amortised cost*

	31 December 2019	31 December 2018
Gross balance of financial assets measured at amortised cost		
– ECL over the next 12 months	219,948,608	256,829,918
– Lifetime ECL – not credit-impaired investments	1,200,000	4,500,000
– Lifetime ECL – credit-impaired investments	5,098,668	964,586
	<u>226,247,276</u>	<u>262,294,504</u>
Add: Interest receivable		
– ECL over the next 12 months	3,126,235	3,253,400
	<u>3,126,235</u>	<u>3,253,400</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(828,138)	(1,322,900)
– Lifetime ECL – not credit-impaired investments	(165,454)	(785,637)
– Lifetime ECL – credit-impaired investments	(1,030,953)	(289,376)
	<u>(2,024,545)</u>	<u>(2,397,913)</u>
Net balance		
– ECL over the next 12 months	222,246,705	258,760,418
– Lifetime ECL – not credit-impaired investments	1,034,546	3,714,363
– Lifetime ECL – credit-impaired investments	4,067,715	675,210
	<u>227,348,966</u>	<u>263,149,991</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 39 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 Control Committee to supervise the market risk management conducted by the senior management. The Asset and Liability Management Department of the Bank is responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines, providing various data on market risks and other technical support. The Risk Management Department is responsible for overall market risk management.

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.



## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (i) *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.

#### (1) *Repricing risk*

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Financial Institutions 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(b) Market risk (continued)****(i) Interest rate risk (continued)****(1) 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	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits with central bank	90,533,151	989,841	89,543,310	-	-	-
Deposits with banks and other financial institutions	21,104,213	31,794	20,531,178	541,241	-	-
Placements with banks and other financial institutions	8,198,954	651	8,198,303	-	-	-
Financial assets held under resale agreements	18,713,438	6,757	18,252,088	454,593	-	-
Loans and advances to customers (Note (i))	446,375,521	2,052,316	252,220,027	92,996,347	62,938,682	36,168,149
Financial investments (Note (iii))	417,492,192	9,137,581	120,529,389	73,691,883	126,872,140	87,261,199
Others	19,063,327	15,683,654	533,529	2,467,237	377,751	1,156
<b>Total assets</b>	<b>1,021,480,796</b>	<b>27,902,594</b>	<b>509,807,824</b>	<b>170,151,301</b>	<b>190,188,573</b>	<b>123,430,504</b>
<b>Liabilities</b>						
Borrowings from central bank	(6,793,977)	(93,977)	-	(6,700,000)	-	-
Deposits from banks and other financial institutions	(96,837,332)	(383,103)	(70,547,561)	(25,906,668)	-	-
Placements from banks and other financial institutions	(6,589,301)	(30,937)	(5,270,007)	(1,288,357)	-	-
Financial assets sold under repurchase agreements	(60,117,133)	(69,887)	(59,845,204)	(202,042)	-	-
Deposits from customers	(655,070,994)	(13,642,803)	(304,847,230)	(79,442,070)	(257,138,882)	(9)
Debt securities issued	(80,993,054)	(364,287)	(25,838,763)	(9,890,004)	(28,900,000)	(16,000,000)
Others	(35,957,020)	(8,741,671)	(3,702,662)	(23,174,279)	(337,252)	(1,156)
<b>Total liabilities</b>	<b>(942,358,811)</b>	<b>(23,326,665)</b>	<b>(470,051,427)</b>	<b>(146,603,420)</b>	<b>(286,376,134)</b>	<b>(16,001,165)</b>
<b>Asset-liability gap</b>	<b>79,121,985</b>	<b>4,575,929</b>	<b>39,756,397</b>	<b>23,547,881</b>	<b>(96,187,561)</b>	<b>107,429,339</b>



## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (i) Interest rate risk (continued)

##### (1) Repricing risk (continued)

	31 December 2018					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
<b>Assets</b>						
Cash and deposits with central bank	97,573,501	1,373,041	96,200,460	–	–	–
Deposits with banks and other financial institutions	29,098,503	728,945	6,068,598	22,300,960	–	–
Placements with banks and other financial institutions	2,400,914	1,674	2,399,240	–	–	–
Financial assets held under resale agreements	2,146,696	1,217	2,145,479	–	–	–
Loans and advances to customers/(Note (i))	368,078,039	1,839,265	328,614,488	31,235,115	5,077,313	1,311,858
Financial investments (Note (ii))	474,765,776	2,104,685	139,095,040	130,905,073	85,013,527	117,647,451
Others	11,369,511	9,198,433	676,118	1,137,672	356,031	1,257
<b>Total assets</b>	<b>985,432,940</b>	<b>15,247,260</b>	<b>575,199,423</b>	<b>185,578,820</b>	<b>90,446,871</b>	<b>118,960,566</b>
<b>Liabilities</b>						
Borrowings from central bank	(41,718,868)	(58,868)	(36,660,000)	(5,000,000)	–	–
Deposits from banks and other financial institutions	(80,993,681)	(354,887)	(34,518,743)	(46,120,051)	–	–
Placements from banks and other financial institutions	(42,821,263)	(131,720)	(39,508,953)	(3,180,590)	–	–
Financial assets sold under repurchase agreements	(32,309,138)	(32,969)	(32,074,853)	(201,316)	–	–
Deposits from customers	(524,940,548)	(10,773,551)	(256,704,734)	(134,285,588)	(123,176,666)	(9)
Debt securities issued	(186,567,225)	(516,862)	(49,872,030)	(89,078,333)	(28,900,000)	(18,200,000)
Others	(19,052,733)	(3,692,547)	(163,911)	(14,851,230)	(343,788)	(1,257)
<b>Total liabilities</b>	<b>(928,403,456)</b>	<b>(15,561,404)</b>	<b>(449,503,224)</b>	<b>(292,717,108)</b>	<b>(152,420,454)</b>	<b>(18,201,266)</b>
<b>Asset-liability gap</b>	<b>57,029,484</b>	<b>(314,144)</b>	<b>125,696,199</b>	<b>(107,138,288)</b>	<b>(61,973,583)</b>	<b>100,759,300</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 39 RISK MANAGEMENT (CONTINUED)

#### (b) Market risk (continued)

##### (i) Interest rate risk (continued)

##### (1) Repricing risk (continued)

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months (inclusive)" as at 31 December 2019 included overdue amounts (net of provision for impairment losses) of RMB17,902 million (31 December 2018: RMB24,688 million).
- (ii) As at 31 December 2019, financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.
- (iii) As at 31 December 2018, financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.



## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (i) Interest rate risk (continued)

##### (2) Interest rate sensitivity analysis

	31 December 2019 Increase/(decrease)	31 December 2018 Increase/(decrease)
Change in profit after taxation		
Up 100 bps parallel shift in yield curves	289,700	458,086
Down 100 bps parallel shift in yield curves	(289,700)	(458,086)
	31 December 2019 Increase/(decrease)	31 December 2018 Increase/(decrease)
Change in equity		
Up 100 bps parallel shift in yield curves	(897,845)	(959,863)
Down 100 bps parallel shift in yield curves	1,004,166	1,088,948

The sensitivity analysis above is based on simplified scenarios. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 39 RISK MANAGEMENT (CONTINUED)

#### (b) Market risk (continued)

##### (i) Interest rate risk (continued)

##### (2) Interest rate sensitivity analysis (continued)

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid 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;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

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





## 39 RISK MANAGEMENT (CONTINUED)

### (b) Market risk (continued)

#### (ii) 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)
<b>Assets</b>				
Cash and deposits with central bank	90,151,256	339,560	42,335	90,533,151
Deposits with banks and other financial institutions	12,880,457	2,204,316	6,019,440	21,104,213
Placements with banks and other financial institutions	8,198,954	–	–	8,198,954
Financial assets held under resale agreements	18,713,438	–	–	18,713,438
Loans and advances to customers	444,307,517	1,576,314	491,690	446,375,521
Financial investments (Note (j))	417,492,192	–	–	417,492,192
Others	16,744,132	1,612,981	706,214	19,063,327
<b>Total assets</b>	<b>1,008,487,946</b>	<b>5,733,171</b>	<b>7,259,679</b>	<b>1,021,480,796</b>
<b>Liabilities</b>				
Borrowings from central bank	(6,793,977)	–	–	(6,793,977)
Deposits from banks and other financial institutions	(93,767,757)	(3,069,528)	(47)	(96,837,332)
Placements from banks and other financial institutions	(4,117,937)	(2,471,364)	–	(6,589,301)
Financial assets sold under repurchase agreements	(60,117,133)	–	–	(60,117,133)
Deposits from customers	(649,298,276)	(5,005,106)	(767,612)	(655,070,994)
Debt securities issued	(80,993,054)	–	–	(80,993,054)
Others	(30,153,614)	(135,009)	(5,668,397)	(35,957,020)
<b>Total liabilities</b>	<b>(925,241,748)</b>	<b>(10,681,007)</b>	<b>(6,436,056)</b>	<b>(942,358,811)</b>
<b>Net position</b>	<b>83,246,198</b>	<b>(4,947,836)</b>	<b>823,623</b>	<b>79,121,985</b>
Off-balance sheet credit commitments	169,370,110	4,283,805	1,267,943	174,921,858



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(b) Market risk (continued)****(ii) Currency risk (continued)**

	31 December 2018			
	RMB	USD	Others	Total
		(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
<b>Assets</b>				
Cash and deposits with central bank	97,145,881	311,759	115,861	97,573,501
Deposits with banks and other financial institutions	27,449,084	1,315,897	333,522	29,098,503
Placements with banks and other financial institutions	2,400,914	–	–	2,400,914
Financial assets held under resale agreements	2,146,696	–	–	2,146,696
Loans and advances to customers	363,151,107	3,568,749	1,358,183	368,078,039
Financial investments (Note (i))	474,765,776	–	–	474,765,776
Others	9,215,442	250,466	1,903,603	11,369,511
Total assets	976,274,900	5,446,871	3,711,169	985,432,940
<b>Liabilities</b>				
Borrowings from central bank	(41,718,868)	–	–	(41,718,868)
Deposits from banks and other financial institutions	(80,993,634)	–	(47)	(80,993,681)
Placements from banks and other financial institutions	(12,611,720)	(28,822,354)	(1,387,189)	(42,821,263)
Financial assets sold under repurchase agreements	(32,309,138)	–	–	(32,309,138)
Deposits from customers	(522,094,148)	(590,912)	(2,255,488)	(524,940,548)
Debt securities issued	(186,567,225)	–	–	(186,567,225)
Others	(17,217,342)	(1,792,518)	(42,873)	(19,052,733)
Total liabilities	(893,512,075)	(31,205,784)	(3,685,597)	(928,403,456)
Net position	82,762,825	(25,758,913)	25,572	57,029,484
Off-balance sheet credit commitments	165,101,258	4,730,096	1,632,648	171,464,002

Note:

- (i) As at 31 December 2019, financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.
- (ii) As at 31 December 2018, financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.



### 39 RISK MANAGEMENT (CONTINUED)

#### (b) Market risk (continued)

##### (ii) Currency risk (continued)

	31 December 2019 Increase/(decrease)	31 December 2018 Increase/(decrease)
Change in profit after taxation and equity		
Up 100 bps parallel shift in yield curves	(4,434)	(28,121)
Down 100 bps parallel shift in yield curves	4,434	28,121

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;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; 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 profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 39 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 centrally manages the Bank's liquidity risk at the head office through a liquidity risk governance structure consisting of Board of Directors, Board of Supervisors, senior management, as well as the liquidity risk management structure consisting of the Asset and Liability Management Committee, Asset and Liability Management Department and Risk Management Department at the head office:

- The Asset and Liability Management Committee is the Bank's liquidity risk management body that is responsible for developing, and regularly assessing and monitoring the implementation of liquidity risk management policies and measures;
- As the leading department in liquidity risk management, the Asset and Liability Management Department is responsible for developing and implementing the relevant system; identifying, measuring and monitoring the liquidity risk and the implementation of limitations; performing stress testing, risk analysis and reporting; as well as organizing the daily management of the liquidity risk by business departments ;
- The Risk Management Department includes liquidity risk in a comprehensive risk management system, initiates ideas on limitation management of the liquidity risk, and arranges for performance evaluation.

The Group manages liquidity risk by managing the term structure of assets and liabilities, as well as dynamically monitoring liquidity indicators such as loan-to-deposit ratio, liquidity ratio, liquidity coverage ratio, excess reserves ratio, inter-bank loan to saving ratio, credit quality ratio, liquidity gap ratio, etc. The Group forecasts liquidity weekly, analyses liquidity monthly, and performs stress testing of liquidity risk quarterly.

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.



## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

#### (i) 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 (Note (ii))	Repayable on demand (Note (ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
<b>Assets</b>								
Cash and deposits with central bank	61,122,260	29,330,142	-	-	80,749	-	-	90,533,151
Deposits with banks and other financial institutions	-	17,078,030	3,251,044	233,081	542,058	-	-	21,104,213
Placements with banks and other financial institutions	-	-	8,198,954	-	-	-	-	8,198,954
Financial assets held under resale agreements	-	-	18,023,696	231,212	458,530	-	-	18,713,438
Loans and advances to customers	15,874,038	5,458,125	19,554,865	48,622,443	204,564,458	110,767,157	41,534,435	446,375,521
Financial investments (Note (i))	9,693,672	-	6,199,263	67,917,343	71,616,296	133,092,468	128,973,150	417,492,192
Others	12,072,030	320,574	1,838,007	432,548	4,021,261	377,751	1,156	19,063,327
Total assets	98,762,000	52,186,871	57,065,829	117,436,627	281,283,352	244,237,376	170,508,741	1,021,480,796
<b>Liabilities</b>								
Borrowings from central bank	-	-	-	-	(6,793,977)	-	-	(6,793,977)
Deposits from banks and other financial institutions	-	(15,713,193)	(33,968,940)	(21,152,695)	(26,002,504)	-	-	(96,837,332)
Placements from banks and other financial institutions	-	-	(3,828,226)	(1,462,528)	(1,298,547)	-	-	(6,589,301)
Financial assets sold under repurchase agreements	-	-	(43,230,494)	(16,684,362)	(202,277)	-	-	(60,117,133)
Deposits from customers	-	(240,515,792)	(27,186,269)	(38,589,573)	(81,390,107)	(267,389,244)	(9)	(655,070,994)
Debt securities issued	-	-	(12,747,177)	(13,095,563)	(10,250,314)	(28,900,000)	(16,000,000)	(80,993,054)
Others	-	(2,312,286)	(4,119,172)	(5,225,519)	(23,385,205)	(672,306)	(242,532)	(35,957,020)
Total liabilities	-	(258,541,271)	(125,080,278)	(96,210,240)	(149,322,931)	(296,961,550)	(16,242,541)	(942,358,811)
Long/(short) position	98,762,000	(206,354,400)	(68,014,449)	21,226,387	131,960,421	(52,724,174)	154,266,200	79,121,985
Notional amount of derivatives	-	-	26,436,988	27,349,043	77,553,474	52,898,354	100,000	184,337,859



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

## 39 RISK MANAGEMENT (CONTINUED)

## (c) Liquidity risk (continued)

## (i) Maturity analysis (continued)

	31 December 2018							Total
	Indefinite (Note(ii))	Repayable on demand (Note(ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	
<b>Assets</b>								
Cash and deposits with central bank	65,066,292	32,274,988	-	36,894	195,327	-	-	97,573,501
Deposits with banks and other financial institutions	-	2,202,980	1,206,879	2,814,669	22,873,975	-	-	29,098,503
Placements with banks and other financial institutions	-	-	2,400,914	-	-	-	-	2,400,914
Financial assets held under resale agreements	-	-	2,146,696	-	-	-	-	2,146,696
Loans and advances to customers	19,831,248	4,622,081	13,801,290	38,137,902	141,896,008	122,633,137	27,156,373	368,078,039
Financial investments (Note (i))	7,299,486	7,818,115	12,960,647	86,105,924	93,836,575	92,446,143	174,298,886	474,765,776
Others	8,379,552	221,614	654,826	90,440	1,665,791	356,031	1,257	11,369,511
Total assets	<u>100,576,578</u>	<u>47,139,778</u>	<u>33,171,252</u>	<u>127,185,829</u>	<u>260,467,676</u>	<u>215,435,311</u>	<u>201,456,516</u>	<u>985,432,940</u>
<b>Liabilities</b>								
Borrowings from central bank	-	-	(36,711,803)	-	(5,007,065)	-	-	(41,718,868)
Deposits from banks and other financial institutions	-	(6,098,465)	(8,808,596)	(19,763,597)	(46,323,023)	-	-	(80,993,681)
Placements from banks and other financial institutions	-	-	(34,312,728)	(5,297,901)	(3,210,634)	-	-	(42,821,263)
Financial assets sold under repurchase agreements	-	-	(31,932,939)	(174,677)	(201,522)	-	-	(32,309,138)
Deposits from customers	-	(183,600,265)	(50,549,572)	(27,933,391)	(137,099,760)	(125,757,551)	(9)	(524,940,548)
Debt securities issued	-	-	(23,271,819)	(26,615,963)	(89,579,443)	(28,900,000)	(18,200,000)	(186,567,225)
Others	-	(1,892,951)	(1,483,621)	(158,677)	(15,073,952)	(343,788)	(99,744)	(19,052,733)
Total liabilities	<u>-</u>	<u>(191,591,681)</u>	<u>(187,071,078)</u>	<u>(79,944,206)</u>	<u>(296,495,399)</u>	<u>(155,001,339)</u>	<u>(18,299,753)</u>	<u>(928,403,456)</u>
Long/(short) position	<u>100,576,578</u>	<u>(144,451,903)</u>	<u>(153,899,826)</u>	<u>47,241,623</u>	<u>(36,027,723)</u>	<u>60,433,972</u>	<u>183,156,763</u>	<u>57,029,484</u>
Notional amount of derivatives	<u>-</u>	<u>-</u>	<u>71,849,665</u>	<u>49,574,825</u>	<u>242,725,845</u>	<u>52,298,960</u>	<u>100,000</u>	<u>416,549,295</u>



## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

#### (i) *Maturity analysis (continued)*

Notes:

- (i) As at 31 December 2019, financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost. 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) As at 31 December 2018, financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost. 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”.
- (iii) 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. For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance not impaired but overdue within one month is included in “repayable on demand”.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(c) Liquidity risk (continued)****(ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities**

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					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(6,925,399)	-	-	(6,925,399)	-	-
Deposits from banks and other financial institutions	(97,560,848)	(49,690,017)	(21,284,663)	(26,586,168)	-	-
Placements from banks and other financial institutions	(6,633,776)	(3,832,597)	(1,468,270)	(1,332,909)	-	-
Financial assets sold under repurchase agreements	(60,140,756)	(43,251,729)	(16,686,181)	(202,846)	-	-
Deposits from customers	(681,658,308)	(267,699,410)	(40,431,855)	(82,833,766)	(290,693,268)	(9)
Debt securities issued	(87,953,007)	(12,876,950)	(13,505,035)	(12,328,022)	(31,904,000)	(17,339,000)
Other financial liabilities	(35,351,170)	(6,347,741)	(5,144,948)	(23,206,999)	(381,702)	(269,780)
<b>Total non-derivative financial liabilities</b>	<b>(976,223,264)</b>	<b>(383,698,444)</b>	<b>(98,520,952)</b>	<b>(153,416,109)</b>	<b>(322,978,970)</b>	<b>(17,608,789)</b>





## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

#### (ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities (continued)

	31 December 2018					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from central bank	(41,857,903)	(36,690,611)	-	(5,167,292)	-	-
Deposits from banks and other financial institutions	(82,395,638)	(14,893,380)	(19,887,405)	(47,614,853)	-	-
Placements from banks and other financial institutions	(42,951,285)	(34,342,188)	(5,332,531)	(3,276,566)	-	-
Financial assets sold under repurchase agreements	(33,796,942)	(33,796,942)	-	-	-	-
Deposits from customers	(525,755,526)	(229,359,511)	(29,794,093)	(138,283,919)	(128,317,993)	(10)
Debt securities issued	(198,466,732)	(23,777,508)	(27,207,437)	(94,607,987)	(32,447,840)	(20,425,960)
Other financial liabilities	(18,802,145)	(1,640,363)	(1,266,319)	(14,765,692)	-	(1,129,771)
<b>Total non-derivative financial liabilities</b>	<b>(944,026,171)</b>	<b>(374,500,503)</b>	<b>(83,487,785)</b>	<b>(303,716,309)</b>	<b>(160,765,833)</b>	<b>(21,555,741)</b>

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

### 39 RISK MANAGEMENT (CONTINUED)

#### (c) Liquidity risk (continued)

##### (iii) Analysis on contractual undiscounted cash flows of derivatives

The Group's derivatives that will be settled on a net basis include:

- Interest rate swaps

The Group's derivatives that will be settled on a gross basis include:

- Currency swaps
- Foreign exchange forwards
- Precious metal derivatives

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period.

	31 December 2019					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
<b>Derivatives settled on net basis</b>						
Interest rate swaps	40,362	(88)	(5)	(49)	40,504	–
<b>Derivatives settled on gross basis</b>						
Currency swaps and foreign exchange forwards						
– cash outflow	(39,290,639)	(7,161,537)	(11,678,072)	(20,451,030)	–	–
– cash inflow	58,986,150	20,938,535	14,448,480	23,599,135	–	–
Precious metal derivatives						
– cash outflow	(27,448,601)	(382,379)	(3,348,840)	(23,717,382)	–	–
– cash inflow	31,581,398	190,421	3,939,210	27,451,767	–	–



## 39 RISK MANAGEMENT (CONTINUED)

### (c) Liquidity risk (continued)

#### (iii) Analysis on contractual undiscounted cash flows of derivatives

	31 December 2018					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
<b>Derivatives settled on net basis</b>						
Interest rate swaps	(24,035)	(1,898)	(9,473)	(9,735)	(2,929)	-
<b>Derivatives settled on gross basis</b>						
Currency swaps and foreign exchange forwards						
- cash outflow	(165,587,874)	(64,023,658)	(16,472,747)	(83,030,817)	(2,060,652)	-
- cash inflow	164,852,020	62,670,923	16,502,932	83,619,205	2,058,960	-
Precious metal derivatives						
- cash outflow	(15,918,789)	-	-	(15,918,789)	-	-
- cash inflow	14,608,390	-	-	14,608,390	-	-



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 39 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 built “Three Lines of Defense for Risk Management” mainly involving business departments, the Compliance Department and the Internal Audit Department in risk management, and established a reporting mechanism between the Compliance Department and business departments, as well as between the head office and branches.

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:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas 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 centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;
- 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.



## 39 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. 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 demand.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(e) Capital management (continued)**

The Group calculates the capital adequacy ratios as at 31 December 2019 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) issued by the former CBRC in 2012 and relevant requirements promulgated by the former CBRC as follows:

	<i>Note</i>	31 December 2019	31 December 2018
Total core tier-one capital			
– Share capital		8,796,680	5,796,680
– Qualifying portion of capital reserve		26,931,360	11,855,505
– Surplus reserve		7,166,927	6,110,162
– General reserve		13,398,535	12,571,882
– Fair value reserve		399,979	1,122,587
– Provision reserve		8,215	5,311
– Retained earnings		21,873,822	19,009,618
– Qualifying portions of non-controlling interests		83,341	33,468
– Others		(19,986)	(13,877)
		<hr/>	<hr/>
Core tier-one capital		78,638,873	56,491,336
Core tier-one capital deductions		(192,308)	(118,219)
		<hr/>	<hr/>
Net core tier-one capital		78,446,565	56,373,117
Other tier-one capital		–	–
		<hr/>	<hr/>
Net tier-one capital		78,446,565	56,373,117
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Tier-two capital			
– Qualifying portions of tier-two capital instruments issued		16,000,000	18,200,000
– Surplus provision for loan impairment		4,874,532	3,917,068
		<hr/>	<hr/>
Net tier-two capital		20,874,532	22,117,068
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Net capital base		99,321,097	78,490,185
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Total risk weighted assets	39(e)(i)	683,238,647	661,889,166
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
Core tier-one capital adequacy ratio		11.48%	8.52%
Tier-one capital adequacy ratio		11.48%	8.52%
Capital adequacy ratio		14.54%	11.86%



## 39 RISK MANAGEMENT (CONTINUED)

### (e) Capital management (continued)

*Notes:*

- (i) 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.
- (ii) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the former CBRC 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 2018.

## 40 FAIR VALUE

### (a) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 40 FAIR VALUE (CONTINUED)

#### (a) Methods and assumptions for measurement of fair value (continued)

The Group adopts the following methods and assumptions when evaluating fair values:

**(i) Debt securities investments**

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

**(ii) Receivables and other non-derivative financial assets**

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

**(iii) Debt securities issued and other non-derivative financial liabilities**

Fair values of debt securities issued are based on their quoted market prices 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 the reporting period.

**(iv) Derivative financial instruments**

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.





## 40 FAIR VALUE (CONTINUED)

### (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			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Derivative financial assets				
– currency derivatives	–	119,680	–	119,680
– interest rate swaps	–	390,678	–	390,678
– precious metal derivatives	–	2,869,317	–	2,869,317
Financial assets at fair value through profit or loss				
– debt instruments	–	383,136	–	383,136
– investment funds	37,493,234	–	–	37,493,234
– others	–	–	118,815,506	118,815,506
Financial assets at fair value through other comprehensive income				
– debt instruments	–	29,132,935	–	29,132,935
– equity instruments	–	–	4,318,415	4,318,415
Total	<u>37,493,234</u>	<u>32,895,746</u>	<u>123,133,921</u>	<u>193,522,901</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
– debt instruments	–	(26,520,878)	–	(26,520,878)
Derivative financial liabilities				
– currency derivatives	–	(208,428)	–	(208,428)
– interest rate swaps	–	(350,316)	–	(350,316)
– precious metal derivatives	–	(135,729)	–	(135,729)
Total	<u>–</u>	<u>(27,215,351)</u>	<u>–</u>	<u>(27,215,351)</u>

During the year ended 31 December 2019, there were no significant transfers between instruments in Level 1 and Level 2.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***40 FAIR VALUE (CONTINUED)****(b) Financial instruments recorded at fair value (continued)**

	31 December 2018			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Derivative financial assets				
– currency derivatives	–	1,247,873	–	1,247,873
– interest rate swaps	–	433,617	–	433,617
– precious metal derivatives	–	489,588	–	489,588
Financial assets at fair value through profit or loss				
– debt instruments	–	1,434,344	–	1,434,344
– investment funds	34,480,163	–	–	34,480,163
– others	–	–	115,776,178	115,776,178
Financial assets at fair value through other comprehensive income				
– debt instruments	–	57,852,925	–	57,852,925
– equity instruments	–	–	2,072,175	2,072,175
Total	<u>34,480,163</u>	<u>61,458,347</u>	<u>117,848,353</u>	<u>213,786,863</u>
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss	–	(14,601,560)	–	(14,601,560)
Derivative financial liabilities				
– currency derivatives	–	(282,226)	–	(282,226)
– interest rate swaps	–	(476,400)	–	(476,400)
Total	<u>–</u>	<u>(15,360,186)</u>	<u>–</u>	<u>(15,360,186)</u>

During the year ended 31 December 2018, there were no significant transfers between instruments in Level 1 and Level 2.



## 40 FAIR VALUE (CONTINUED)

### (c) Level 2 fair value measurement

A majority of the debt instruments classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, the most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters. Financial liabilities at fair value through profit or loss mainly includes the financial liabilities related to precious metals, of which the fair value is determined based on the closing price provided by Shanghai Gold Exchange.

### (d) Fair value of financial assets and liabilities not carried at fair value

(i) Cash and deposits with central bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, borrowings from central bank and financial investments measured as amortised cost.

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

#### (ii) *Loans and advances to customers*

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

#### (iii) *Financial assets measured at amortised cost*

The fair values of financial assets measured at amortised cost are estimated on the basis of pricing models or discounted cash flows in the absence of any other relevant observable market data if the market value is not available.

#### (iv) *Deposits from customers*

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

#### (v) *Debt securities issued*

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***40 FAIR VALUE (CONTINUED)****(d) Fair value of financial assets and liabilities not carried at fair value (continued)****(v) Debt securities issued (continued)**

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised cost and debt securities issued:

	31 December 2019				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Financial assets measured at amortised cost	227,348,966	230,444,264	–	136,043,657	94,400,607
<b>Financial liabilities</b>					
Debt securities issued					
– tier two capital bonds and financial bonds	45,264,287	44,613,385	–	44,613,385	–
– certificates of interbank deposit	35,728,767	35,110,869	–	35,110,869	–
Total	80,993,054	79,724,254	–	79,724,254	–

	31 December 2018				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
<b>Financial assets</b>					
Financial assets measured at amortised cost	263,149,991	265,209,228	–	154,190,678	111,018,550
<b>Financial liabilities</b>					
Debt securities issued					
– tier two capital bonds and financial bonds	52,244,737	52,206,828	–	52,206,828	–
– certificates of interbank deposit	134,322,488	133,220,023	–	133,220,023	–
Total	186,567,225	185,426,851	–	185,426,851	–



## 41 COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

The Group's credit commitments take the form of bank acceptances, 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 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	146,246,742	153,887,487
Letters of guarantees	6,897,886	5,760,968
Letters of credit	11,159,555	8,365,078
Unused credit card commitments	10,617,675	3,450,469
Total	<u>174,921,858</u>	<u>171,464,002</u>

The Group may be exposed to credit risk in all the above credit businesses. 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	<u>64,396,019</u>	<u>76,399,414</u>

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC. 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 (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)****(c) Operating lease commitments**

As at 31 December 2018, the future minimum lease payments under non-cancellable operating leases for properties of the Group are as follows:

	31 December 2018
Within one year (inclusive)	111,613
After one year but within five years (inclusive)	432,763
After five years	<u>140,561</u>
Total	<u><u>684,937</u></u>

**(d) Capital commitments**

As at 31 December 2019 and 2018, the authorised capital commitments of the Group are as follows:

	31 December 2019	31 December 2018
Contracted but not paid for	450,529	468,077
Approved but not contracted for	<u>3,912</u>	<u>10,567</u>
Total	<u><u>454,441</u></u>	<u><u>478,644</u></u>

**(e) Outstanding litigations and disputes**

As at 31 December 2019 and 2018, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.



## 41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

### (f) Pledged assets

	31 December 2019	31 December 2018
Investment securities	114,300,413	146,158,436
Discounted bills	7,698,929	395,972
Total	<u>121,999,342</u>	<u>146,554,408</u>

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 31 December 2019 and 2018, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

## 42 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)****(a) Structured entities sponsored by third party institutions in which the Group holds an interest (continued)**

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 31 December 2019 and 2018 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		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	131,976,963	131,976,963	131,976,963
Investment management products under trust scheme	<u>76,775,572</u>	<u>76,775,572</u>	<u>76,775,572</u>
Total	<u><u>208,752,535</u></u>	<u><u>208,752,535</u></u>	<u><u>208,752,535</u></u>

	31 December 2018		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	131,211,637	131,211,637	131,211,637
Investment management products under trust scheme	87,960,574	87,960,574	87,960,574
Wealth management products issued by financial institutions	<u>10,485,410</u>	<u>10,485,410</u>	<u>10,485,410</u>
Total	<u><u>229,657,621</u></u>	<u><u>229,657,621</u></u>	<u><u>229,657,621</u></u>

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





## 42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

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

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

During the year ended 31 December 2019, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB569.75 million (2018: RMB361.70 million).

As at 31 December 2019, the amount of assets held by unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB61,328 million (31 December 2018: RMB52,286 million).

During the year ended 31 December 2019, the aggregated amount of non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2019, but matured before 31 December 2019, is RMB41,505 million (2018: RMB52,087 million).

## 43 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are principal-guaranteed wealth management products. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the principal-guaranteed wealth management products, however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the aggregate economic interests of the Group in the structured entities is high. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2019, the principal-guaranteed wealth management products managed and consolidated by the Group amounted to RMB3,238 million (31 December 2018: RMB4,766 million). These wealth management products mainly invested in deposits with banks and other financial institutions and debt securities. The financial impact of these principal-guaranteed wealth management product on the Group's financial performance is not significant.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(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 RMB2,415 million (31 December 2018: RMB3,251 million).

### 45 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

#### (a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised 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 39(a) for the explanation of the assumptions and estimation used in measuring ECL.

#### (b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.



## 45 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### (c) Income taxes

Determining income tax provisions involves judgment 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 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 judgment 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.

### (d) 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 judgments are exercised over the asset's, related operating income and 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 related operating income and expenses based on reasonable and supportable assumption.

### (e) Depreciation and amortisation

Property and equipment, intangible assets and right-of-use 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 the reporting period. 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)*

### 45 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

#### (f) Consolidation of structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement.

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the structured entities by exercising its power.

### 46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

Effective for accounting periods  
beginning on or after

Amendments to IFRS 3, Definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8, Definition of material	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.



## 47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	31 December 2019	31 December 2018
<b>Assets</b>			
Cash and deposits with central bank		90,325,709	97,428,197
Deposits with banks and other financial institutions		23,129,212	28,653,661
Placements with banks and other financial institutions		8,198,922	2,501,648
Derivative financial assets		3,379,675	2,171,078
Financial assets held under resale agreements		18,713,438	2,146,696
Loans and advances to customers		443,267,933	367,354,164
Financial investments:			
Financial assets at fair value through profit or loss		156,691,876	151,690,685
Financial assets at fair value through other comprehensive income		33,451,350	59,925,100
Financial assets measured at amortised cost		227,317,837	263,118,957
Investments in subsidiaries	21	326,157	326,157
Property and equipment		5,684,107	5,248,272
Deferred tax assets		4,097,371	2,136,574
Other assets		5,802,478	1,762,790
<b>Total assets</b>		<b>1,020,386,065</b>	<b>984,463,979</b>
<b>Liabilities</b>			
Borrowings from central bank		6,793,977	41,718,868
Deposits from banks and other financial institutions		97,577,446	81,172,529
Placements from banks and other financial institutions		6,151,956	42,821,263
Financial liabilities at fair value through profit or loss		26,520,878	14,601,560
Derivative financial liabilities		694,473	758,626
Financial assets sold under repurchase agreements		60,117,133	32,309,138
Deposits from customers		654,537,752	524,422,922
Income tax payable		1,595,564	65,352
Debt securities issued		80,993,054	186,567,225
Other liabilities		6,889,743	3,608,147
<b>Total liabilities</b>		<b>941,871,976</b>	<b>928,045,630</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)**

	<i>Note</i>	31 December 2019	31 December 2018
<b>Equity</b>			
Share capital	33	8,796,680	5,796,680
Capital reserve	34	26,931,360	11,855,505
Surplus reserve	34	7,166,927	6,110,162
General reserve	34	13,390,472	12,564,922
Fair value reserve	34	399,979	1,122,587
Provision reserve	34	8,215	5,311
Deficit on remeasurement of net defined benefit liability	34	(19,986)	(13,877)
Retained earnings	34	21,840,442	18,977,059
		<u>78,514,089</u>	<u>56,418,349</u>
Total equity		<u>78,514,089</u>	<u>56,418,349</u>
Total liabilities and equity		<u>1,020,386,065</u>	<u>984,463,979</u>

Approved and authorised for issue by the board of directors on 27 March 2020.

**Qiu Huofa***Chairman of Board of Directors***Xiao Ruiyan***President***Bao Hong***General Manager of Accounting Department*

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## 48 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting as disclosed in Note 35.
- (b) The Coronavirus Disease 2019 ("COVID-19") outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

The Group has been closely monitoring the impact of the developments on the Group's businesses and has put in place contingency measures. These contingency measures include: assessing the quality of loans and receivables and liaising with high-risk borrowers; negotiating with borrowers on loans payment schedule, etc. The Group will keep the contingency measures under review as the situation evolves.

As for the business of the Group, as of the reporting date, no significant adverse impact of the COVID-19 outbreak has been found. The actual impacts may differ from these estimates as situation continues to evolve and further information may become available.



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

### 1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

#### (a) Liquidity coverage ratio

	As at 31 December 2019	Average for the year ended 31 December 2019	As at 31 December 2018	Average for the year ended 31 December 2018
Liquidity coverage ratio (RMB and foreign currency)	150.66%	166.71%	137.10%	133.49%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the China Banking Regulatory Commission (the former "CBRC") and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF").

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratio as at 30 June and 31 December.

#### (b) Leverage ratio

	31 December 2019	31 December 2018
Leverage ratio	6.50%	4.81%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) 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 is calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF.





## 2 CURRENCY CONCENTRATIONS

	31 December 2019			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	5,733,171	5,917,943	1,341,736	12,992,850
Spot liabilities	<u>(10,681,007)</u>	<u>(460,447)</u>	<u>(5,975,609)</u>	<u>(17,117,063)</u>
Net long position	<u>(4,947,836)</u>	<u>5,457,496</u>	<u>(4,633,873)</u>	<u>(4,124,213)</u>

	31 December 2018			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	5,446,871	2,734,011	977,158	9,158,040
Spot liabilities	<u>(31,205,784)</u>	<u>(2,711,111)</u>	<u>(974,486)</u>	<u>(34,891,381)</u>
Net long position	<u>(25,758,913)</u>	<u>22,900</u>	<u>2,672</u>	<u>(25,733,341)</u>



## UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

### 3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims dominated in foreign currency on third parties in Mainland China as international claims.

International claims include loans and advances to customers, deposits with central bank, deposits and placements with banks and other financial institutions, and investments in debt securities.

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.

	As at 31 December 2019			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	381,895	6,443,190	2,129,566	8,954,651
North and South America	–	1,202,308	–	1,202,308
Europe	–	578,258	–	578,258
<b>Total</b>	<b>381,895</b>	<b>8,223,756</b>	<b>2,129,566</b>	<b>10,735,217</b>

	As at 31 December 2018			Total
	Official sector	Banks and other financial institutions	Non-bank private sector	
Asia Pacific	427,620	565,739	4,926,932	5,918,291
North and South America	–	1,072,166	–	1,072,166
Europe	–	13,514	–	13,514
<b>Total</b>	<b>427,620</b>	<b>1,649,419</b>	<b>4,926,932</b>	<b>7,003,971</b>



#### 4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS

	31 December 2019	31 December 2018
Northeast China	13,774,299	18,157,038
North China	8,857,666	11,072,813
Others	1,759,000	2,190,130
Total	24,390,965	31,419,981

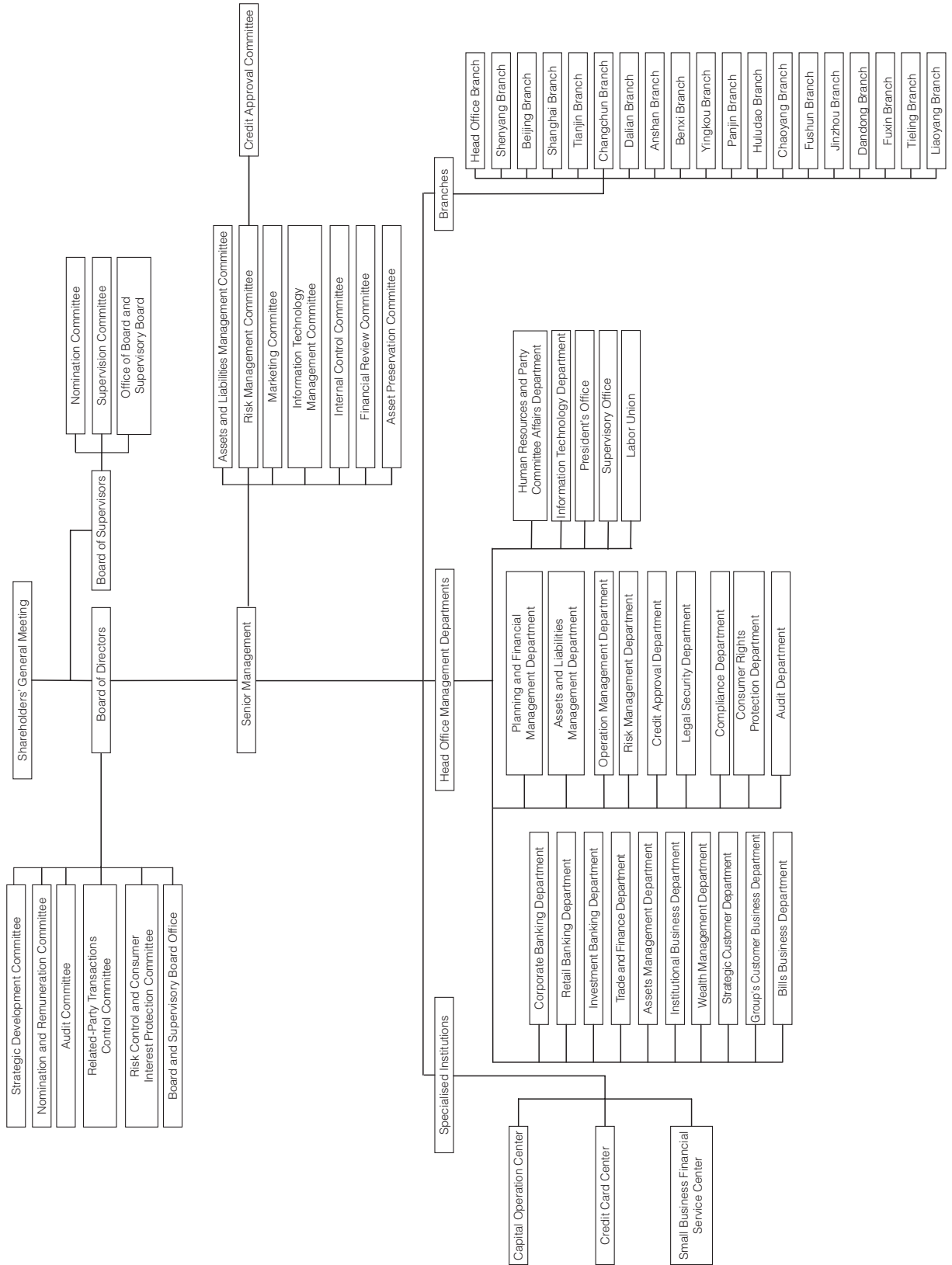
#### 5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS

	31 December 2019	31 December 2018
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	6,337,310	7,605,560
– between 6 months and 1 year (inclusive)	3,483,764	12,141,398
– over 1 year	7,964,166	1,384,087
Total	17,785,240	21,131,045
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	1.39%	2.02%
– between 6 months and 1 year (inclusive)	0.76%	3.22%
– over 1 year	1.74%	0.37%
Total	3.89%	5.61%



# ORGANISATIONAL CHART

## ORGANIZATIONAL STRUCTURE OF SHENGJING BANK UPON OPTIMIZATION AND ADJUSTMENT



Chapter 19 The Statistical Statements of all Operating Institutions of Shengjing Bank

# THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK



As at 31 December 2019, the Bank has a total of 206 operating institutions, including one institution with legal person status, three specialised institutions, 18 branches, 177 branches and seven small and micro sub-branches, details of which are set out as follows:

Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
Head Office	Shengjing Bank Co., Ltd.	No. 109, Beizhan Road, Shenhe District, Shenyang City	024-22535633	110013	024-22535633
Beijing Municipality	Beijing Branch of Shengjing Bank Co., Ltd.	Tower D, Oriental Media Centre, No. 4, Guanghua Road, Chaoyang District, Beijing Municipality	010-85570028	100026	010-85570028
	Beijing Zhongguancun Sub-Branch of Shengjing Bank Co., Ltd.	SOHO, No. 8, Haidian North 2nd Street, Haidian District, Beijing Municipality	010-59718592	100080	010-59718592
	Beijing Guanyuan Sub-Branch of Shengjing Bank Co., Ltd.	Building 1 (Building 5), Yard 9, Chegongzhuang Street, Xicheng District, Beijing Municipality	010-85251177	100044	010-85251177
	Beijing Wukesong Sub-Branch of Shengjing Bank Co., Ltd.	Wukesong Shop, Lan Se Gang Wan Shopping Center, No. 69, Fuxing Road, Haidian District, Beijing Municipality	010-88199290	100039	010-88199290
	Beijing Shunyi Sub-Branch of Shengjing Bank Co., Ltd.	Room 102, Floor 1, Tower 1, No 2, Zhanqian East Street, Shunyi District, Beijing Municipality	010-61426812	101300	010-61426812
	Beijing Daxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 26 (100m south of Daxing Branch of Beijing Primary School), Section 3, Xingye Street, Daxing District, Beijing Municipality	010-65820066	102600	010-65820066
	Beijing Shijingshan Sub-Branch of Shengjing Bank Co., Ltd.	No.2 (North Gate of Yuanyang Qinshanshui), Yunquan Xili Zone 1, Shijingshan District, Beijing Municipality	010-68636855	100040	010-68636855
	Beijing Wangjing Sub-Branch of Shengjing Bank Co., Ltd.	Floor 2, Zone D, Tower A of Wangjing Lvdi Center, Chaoyang District, Beijing Municipality	010-64391577	100102	010-64391577
	Beijing Tongzhou Sub-Branch of Shengjing Bank Co., Ltd.	Phsae II of Lvdi Central Square, Xinhua North Road, Tongzhou District, Beijing Municipality	010-60568778	101100	010-69513102



# THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
Tianjin City	Tianjin Branch of Shengjing Bank Co., Ltd.	Shopping Mall of Building 1, Wanshun Hot Spring Garden, Huangpu South Road, Hexi District, Tianjin City	022-28379999	300201	022-28379999
	Tianjin Huayuan Sub-Branch of Shengjing Bank Co., Ltd.	No. 150-04 and No. 150-206, Yinshui Road, Huanyuan Industrial Zone	022-58815628	300384	022-58815628
	Tianjin Binhai Sub-Branch of Shengjing Bank Co., Ltd.	No. 21-18, 2nd Street, Tianjin Development Zone	022-59835260	300457	022-59835260
	Tianjin Beichen Sub-Branch of Shengjing Bank Co., Ltd.	Unit 101, Building 4, Beichen Tower, Beichen District	022-58687610	300400	022-58687610
	Tianjin Xiqing Sub-Branch of Shengjing Bank Co., Ltd.	No. 12-22, Jinfeng Road, Xiqing District	022-58335695	300380	022-58335695
	Tianjin Hedong Sub-Branch of Shengjing Bank Co., Ltd.	No. 1 & 2, Floor 1, No. 70, Huachang Road, Hedong District	022-24410278	300011	022-24410278
	Tianjin Hebei Sub-Branch of Shengjing Bank Co., Ltd.	No. 20, Wangchuanchang 5th Road, Hebei District, Tianjin City	022-58885920	300150	022-58885920
	Tianjin Heping Sub-Branch of Shengjing Bank Co., Ltd.	No. 5, Xikang Road, Building 1 & 2, Hekang Mingdi, Heping District, Tianjin City	022-59956312	300051	022-59956312
	Tianjin Dongli Sub-Branch of Shengjing Bank Co., Ltd.	Room 3-110, Guangfu Business Center, Dongli District, Tianjin City	022-84965926	300301	022-84965926
	Tianjin Nankai Sub-Branch of Shengjing Bank Co., Ltd.	Floor 1, Nanfang Building, Northwest of the intersection of Anshan West Road and West Lake Village Street, Nankai District, Tianjin City	022-83698133	300073	022-83698133
Tianjin Jingtian Apartment Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	Zone 5-5-101A, Jingtian Apartment, Jiarongli Street, Beichen District, Tianjin City	022-83904179	300134	022-83904179	
Shanghai Municipality	Shanghai Branch of Shengjing Bank Co., Ltd.	Room 102, 103, 202, No. 1452, Hongqiao Road, Changning District, Shanghai Municipality	021-32097936	200050	021-32097936
	Shanghai Putuo Sub-Branch of Shengjing Bank Co., Ltd.	Room A8005-A8006, No. 1108, Zhenbei Road, Putuo District, Shanghai Municipality	021-60290531	200333	021-60290531



Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Shanghai Songjiang Sub-Branch of Shengjing Bank Co., Ltd.	Floor 1 & 2, No. 2, 4, 6, 8 & 10, Changxin Garden, Lane 1855, Sixian Road, Songjiang District, Shanghai Municipality	021-67828575	201620	021-67828575
	Shanghai Pudong Sub-Branch of Shengjing Bank Co., Ltd.	No. 968, Pudong Avenue, Putong New District, Shanghai Municipality	021-60191765	200135	021-60191765
	Shanghai Changning Anlong Sub-Branch of Shengjing Bank Co., Ltd.	No. 759, Longan Road, Changning District, Shanghai Municipality	021-60791282	200336	021-60791282
	Shanghai Xuhui Sub-Branch of Shengjing Bank Co., Ltd.	Shop 107/108, Floor 1 & Shop 210/209, Floor 2, No. 75, Tianlin East Road, Xuhui District, Shanghai Municipality	021-61270576	200235	021-61270576
	Shanghai Huangpu Sub-Branch of Shengjing Bank Co., Ltd.	Unit 02, Floor 1, No. 689, Guangdong Road, Huangpu District, Shanghai Municipality	021-33316501	200001	021-33316501
	Shanghai Jing'an Sub-Branch of Shengjing Bank Co., Ltd.	Room 102, Building No. 1, No.555, Nanjing West Road, Jing'an District, Shanghai Municipality	021-52897927	200041	021-52897927
	Shanghai Yangpu Sub-Branch of Shengjing Bank Co., Ltd.	No. 166, 168, 170, Guoquan East Road, Yangpu District, Shanghai Municipality	021-55960686	200433	021-55960686
Changchun City	Changchun Branch of Shengjing Bank Co., Ltd.	No. 61, Gongnong Avenue, Chaoyang District, Changchun City, Jilin Province	0431-81958888	130000	0431-81958888
	Changchun Nanhu Avenue Sub-Branch of Shengjing Bank Co., Ltd.	No. 1999, Nanhu Avenue, Nanguan District, Changchun City	0431-81928705	130000	0431-81928705
	Changchun Xi'an Avenue Sub-Branch of Shengjing Bank Co., Ltd.	No. 8, Xi'an Avenue, Chaoyang District, Changchun City	0431-89828555	130000	0431-89828555
	Changchun Xiangyun of Shengjing Bank Co., Ltd.	No. 1438, Xiangyun Street, Lvyuan District, Changchun City	0431-89297707	130000	0431-89297707
	Changchun Yongchun Sub-Branch of Shengjing Bank Co., Ltd.	No. 88, 4th Road, Nanguan District, Changchun City, Jilin Province	0431-82008676	130000	0431-82008676



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Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Changchun Ziyou Avenue Sub-Branch of Shengjing Bank Co., Ltd.	Block C, Yatai Haoyuan Community, No. 1008, Ziyou Avenue, Chaoyang District, Changchun City, Jilin Province	0431-82008660	130000	0431-82008660
	Changchun Dongsheng Sub-Branch of Shengjing Bank Co., Ltd.	No. 1999, Jilin Avenue, Erdao District, Changchun City	0431-81970381	132000	0431-81970381
	Jilin City Sub-Branch of Shengjing Bank Co., Ltd.	No. 2, Songjiang East Road, Changyi District, Jilin City, Jilin Province	0432-62673888	130000	0432-62673888
	Changchun CETDZ Sub-Branch of Shengjing Bank Co., Ltd.	No. 1138 & 1156, Weixing Road, Changchun Economic and Technological Development Zone, Jilin Province	0431-82008770	130000	0431-82008770
	Changchun Jingyang Sub-Branch of Shengjing Bank Co., Ltd.	No. 3310, Jingyang Avenue, Changchun Automobile Economic and Technological Development Zone, Jilin City	0431-82008706	130000	0431-82008706
	Changchun Quan Lou Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 18, Chongqing Hutong, Nanguan District, Changchun City, Changchun Province	0431-89828555	130000	0431-89828555
Liaoning Province	Shenyang Branch of Shengjing Bank Co., Ltd.	No. 2 A, Wu'ai Street, Shenhe District, Shenyang City	024-83256969	110001	024-83256978
	Shenyang Shenhe Sub-Branch of Shengjing Bank Co., Ltd.	No. 2, Zhong Jie Road, Shenhe District, Shenyang City	024-84842085	110011	024-24869730
	Shenyang Shangyuan Sub-Branch of Shengjing Bank Co., Ltd.	No. 34-A, Shangyuan Road, Dadong District, Shenyang City	024-88326157	110041	024-88326157
	Shenyang Changqing Sub-Branch of Shengjing Bank Co., Ltd.	Gate 6, 7, 8 & 9, No. 17-25, Changqing South Street, Hunnan District, Shenyang City	024-31263205	110013	024-31263205
	Shenyang Xiaoxi Road Sub-Branch of Shengjing Bank Co., Ltd.	Unit 1, Floor 1, Tower B, No. 59-1, Qingnian Street, Shenhe District, Shenyang City	024-22956813	110014	024-22956813
	Shenyang Wenyi Road Sub-Branch of Shengjing Bank Co., Ltd.	No. 2, Wu'ai Street, Shenhe District, Shenyang City	024-83962659	110013	024-83962659
	Shenyang Zhongshan Sub-Branch of Shengjing Bank Co., Ltd.	No. 206, Zhongshan Road, Shenhe District, Shenyang City	024-22852026	110013	024-22852872





Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Shenyang Zhenxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 181A, South 5th Road, Heping District, Shenyang City	024-23244929	110006	024-23244929
	Shenyang Donghuan Sub-Branch of Shengjing Bank Co., Ltd.	Gate 4 & 5, No. 37, Shentie Road, Dadong District, Shenyang City	024-22712154	110044	024-22712154
	Shenyang Nanliu Sub-Branch of Shengjing Bank Co., Ltd.	No. 16, South 8th Road, Heping District, Shenyang City	024-23508046	110001	024-23508046
	Shenyang Zhaogong Sub-Branch of Shengjing Bank Co., Ltd.	No. 3, Block 35, No. 26-A, North 2nd West Road, Tiexi District, Shenyang City	024-23830881	110026	024-23830881
	Shenyang Minzhu Sub-Branch of Shengjing Bank Co., Ltd.	No. 78, Heping North Street, Heping District, Shenyang City	024-23261166	110001	024-23261166
	Shenyang Xinshijie Sub-Branch of Shengjing Bank Co., Ltd.	Gate 5&6, No.7-19, South Sanhao Street, Heping District, Shenyang City	024-82562359	110057	024-82562359
	Shenyang Binhe Sub-Branch of Shengjing Bank Co., Ltd.	No. 92, Da'nán Street, Shenhe District, Shenyang City	024-24120717	110011	024-24809998
	Shenyang Hengxin Sub-Branch of Shengjing Bank Co., Ltd.	No. 51, Re'nao Road, Shenhe District, Shenyang City	024-31290373	110011	024-31290373
	Shenyang Jinsha Sub-Branch of Shengjing Bank Co., Ltd.	No. 187, Daxi Road, Shenhe District, Shenyang City	024-22973779	110013	024-22973779
	Shenyang Zhongxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 10, Zhongxing Street, Heping District, Shenyang City	024-23218962	110001	024-23218962
	Shenyang Wu'ai Market Sub-Branch of Shengjing Bank Co., Ltd.	No. 65, Re'nao Road, Shenhe District, Shenyang City	024-24816598	110013	024-24816598
	Shenyang Wanquan Sub-Branch of Shengjing Bank Co., Ltd.	No. 35, Changqing Street, Shenhe District, Shenyang City	024-24212158	110015	024-24212158
	Shenyang 204 Sub-Branch of Shengjing Bank Co., Ltd.	No. 14, Liming 5th Street, Dadong District, Shenyang City	024-88417845	110043	024-88417845
	Shenyang Jiahe Sub-Branch of Shengjing Bank Co., Ltd.	Gate 7, No. 1, Fangming Street, Shenhe District, Shenyang City	024-24627163	110015	024-24627163
	Shenyang Dongmao Road Sub-Branch of Shengjing Bank Co., Ltd.	Gate 2 & 3, No. 18A-42, Dongling Road, Shenhe District, Shenyang City	024-88421161	110136	024-88421161
	Shenyang North Station Sub-Branch of Shengjing Bank Co., Ltd.	No. 27, Huigong East 1st Street, Shenhe District, Shenyang City	024-88522942	110013	024-88522942



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Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Shenyang Jiaoyu Sub-Branch of Shengjing Bank Co., Ltd.	No. 55, 2nd Longitude Street, Shenhe District, Shenyang City	024-22840330	110068	024-22840330
	Shenyang Yinhe Sub-Branch of Shengjing Bank Co., Ltd.	No. 180, Xiaonan Street, Shenhe District, Shenyang City	024-24187108	110013	024-24187108
	Shenyang Songling Sub-Branch of Shengjing Bank Co., Ltd.	No. 88, Huanghe North Street, Yuhong District, Shenyang City	024-86520786	110144	024-86520786
	Shenyang Nujiang Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1-1, 1-2, 1-3, 1-4, No. 36-7, Beigu Mountain Road, Yuhong District, Shenyang City	024-86515855	110031	024-86515855
	Shenyang Huanghe Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1, No. 111, Huanghe South Street, Huanggu District, Shenyang City, Liaoning Province	024-82555819	110031	024-82555819
	Shenyang Taishan Sub-Branch of Shengjing Bank Co., Ltd.	Gate 5,6&7, No. 7-4, Yalu River East Street, Huanggu District, Shenyang City	024-86629596	110144	024-86629596
	Shenyang Nenjiang Sub-Branch of Shengjing Bank Co., Ltd.	No.100, Nenjiang Street, Huanggu District, Shenyang City	024-86250963	110031	024-86250963
	Shenyang Wuyi Sub-Branch of Shengjing Bank Co., Ltd.	No. 58, Liaohe Street, Huanggu District, Shenyang City	024-86840414	110031	024-86840414
	Shenyang Xianggong Sub-Branch of Shengjing Bank Co., Ltd.	No. 215, Huashan Road, Huanggu District, Shenyang City	024-86749732	110035	024-86749732
	Shenyang Dabeiguan Sub-Branch of Shengjing Bank Co., Ltd.	No. 42, Dabeiguan Street, Dadong District, Shenyang City	024-88565286	110041	024-88565286
	Shenyang Yuhong Sub-Branch of Shengjing Bank Co., Ltd.	No. 10, Huanghai Road, Yuhong District, Shenyang City	024-25305689	110141	024-25301499
	Shenyang Tiecheng Sub-Branch of Shengjing Bank Co., Ltd.	Gate 3&4, Building 3, No. 25-1, Zhaoxing Jiayuan Community, Zhaogong South Street, Tiexi District, Shenyang City	024-25717902	110024	024-25717901
	Shenyang Shuangxi Sub-Branch of Shengjing Bank Co., Ltd.	No. 88, Zhonggong South Street, Tiexi District, Shenyang City	024-25787387	110024	024-25787387
	Shenyang Zhangshi Sub-Branch of Shengjing Bank Co., Ltd.	No. 212, Shenliao Road, Shenyang Economic and Technological Development Zone, Shenyang City	024-25280910	110023	024-25280910



Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Shenyang Economic and Technological Development Zone Sub-Branch of Shengjing Bank Co., Ltd.	No. 21-A-5, Central Street, Shenyang Economic and Technological Development Zone, Shenyang City, Liaoning Province	024-62836296	110142	024-62836296
	Shenyang Liaozhong Sub-Branch of Shengjing Bank Co., Ltd.	No. 106, Zhengfu Road, Liaozhong Town, Liaozhong District, Shenyang City	024-87880580	110200	024-87880580
	Shenyang Xinmin Sub-Branch of Shengjing Bank Co., Ltd.	No. 3, Zhongxing East Road, Xinmin City, Liaoning Province	024-27855999	110300	024-27855959
	Shenyang Hemu Road Sub-Branch of Shengjing Bank Co., Ltd.	No. 15, Jinqiao Road, Dadong District, Shenyang City	024-24321474	110042	024-24321474
	Shenyang Dongbei Avenue Sub-Branch of Shengjing Bank Co., Ltd.	Gate6&7, No. 262, Dongbei Avenue, Dadong District, Shenyang City	024-88217598	110044	024-88212840
	Shenyang Bajiazi Sub-Branch of Shengjing Bank Co., Ltd.	Gate 7, No. 22, Dongling West Road, Dadong District, Shenyang City	024-88441405	110043	024-88441405
	Shenyang Dadong Road Sub-Branch of Shengjing Bank Co., Ltd.	No. 116, Dongshuncheng Street, Shenhe District, Shenyang City	024-24845070	110041	024-24845070
	Shenyang Huixin Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 10-92, Puhe North Road, Shenbei New District, Shenyang City, Liaoning Province	024-83256855	110136	024-83256855
	Shenyang Zhenghao Sub-Branch of Shengjing Bank Co., Ltd.	No. 68, Pangjiang Street, Dadong Street, Shenyang City	024-24352501	110041	024-24352501
	Shenyang Jilong Sub-Branch of Shengjing Bank Co., Ltd.	Gate 4, No. 68, Dadong Road, Dadong District, Shenyang City	024-24321649	110041	024-24321649
	Shenyang Liaoshen Sub-Branch of Shengjing Bank Co., Ltd.	No.1, Liaoshen 2nd Street, Dadong District, Shenyang City	024-88113032	110041	024-88113032
	Shenyang Dongshuncheng Sub-Branch of Shengjing Bank Co., Ltd.	No. 2, Dongshuncheng Road, Shenhe District, Shenyang City	024-24867743	110014	024-24867743
	Shenyang Quanyuan Sub-Branch of Shengjing Bank Co., Ltd.	No. 7, Fengle 2nd Street, Shenhe District, Shenyang City	024-24829409	110167	024-24829409
	Shenyang Huashan Sub-Branch of Shengjing Bank Co., Ltd.	No. 76, Harbin Road, Heping District, Shenyang City	024-22501048	110002	024-22501048
	Shenyang Xinhe Sub-Branch of Shengjing Bank Co., Ltd.	No. 98, Shashan Street, Heping District, Shenyang City	024-23304214	110005	024-23304214
	Shenyang Lingdong Sub-Branch of Shengjing Bank Co., Ltd.	Gate12&13, No.28, Tieshan Road, Huanggu District, Shenyang City	024-31513441	110032	024-31513441



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	Shenyang Huaxin Sub-Branch of Shengjing Bank Co., Ltd.	Gate 2, No. 12, Huashan Road, Huanggu District, Shenyang City	024-86413380	110031	024-86413380
	Shenyang Sanhao Sub-Branch of Shengjing Bank Co., Ltd.	No. 87 A-1, South Sanhao Street, Heping District, Shenyang City	024-22503048	110004	024-22503048
	Shenyang Shenyang Road Sub-Branch of Shengjing Bank Co., Ltd.	Gate 21, No. 15-5, Shenyang Road, Hunnan New District, Shenyang City	024-62346152	110180	024-62346152
	Shenyang Huoju Sub-Branch of Shengjing Bank Co., Ltd.	No. 262 A, Shifu Avenue, Shenhe District, Shenyang City	024-22790353	110013	024-22790353
	Shenyang West Tower Sub-Branch of Shengjing Bank Co., Ltd.	No. 42, West Tower Street, Heping District, Shenyang City	024-22524303	110053	024-22524303
	Shenyang Keji Sub-Branch of Shengjing Bank Co., Ltd.	Gate 2, No. 318, Qingnian Street, Heping District, Shenyang City	024-23997390	110001	024-23842504
	Shenyang Nanhu Sub-Branch of Shengjing Bank Co., Ltd.	No. 21 A-1, Sanhao Street, Heping District, Shenyang City	024-23895215	110001	024-23895215
	Shenyang Dongquan Sub-Branch of Shengjing Bank Co., Ltd.	No. 16, Quanyuan 1st Road, Shenhe District, Shenyang City	024-24233911	110015	024-24233911
	Shenyang Dongxing Sub-Branch of Shengjing Bank Co., Ltd.	Gates 11-12, No. 429 Da'nán Street, Shenhe District, Shenyang City	024-24516360	110016	024-24516360
	Shenyang Heping Sub-Branch of Shengjing Bank Co., Ltd.	No. 96, Taiyuan South Street, Heping District, Shenyang City	024-23528647	110001	024-23528647
	Shenyang Nanjing Street Sub-Branch of Shengjing Bank Co., Ltd.	No. 45, Nanjing South Street, Heping District, Shenyang City	024-23523225	110001	024-23523225
	Shenyang Shengli Sub-Branch of Shengjing Bank Co., Ltd.	No. 14 and 16, Changbai 4th Street, Heping District, Shenyang City	024-23523044	110166	024-23523044
	Shenyang Tianhe Sub-Branch of Shengjing Bank Co., Ltd.	Unit 101 & 102, No. 5, Zhongshan Road, Heping District, Shenyang City	024-83465328	110002	024-83465328
	Shenyang Beishi Sub-Branch of Shengjing Bank Co., Ltd.	No. 218, Shifu Avenue, Heping District, Shenyang City	024-62502761	110002	024-62502762
	Shenyang Hetai Sub-Branch of Shengjing Bank Co., Ltd.	Gate 3, No. 107, Nanjing North Street, Heping District, Shenyang City	024-22870771	110002	024-22870771
	Shenyang Taiyuan Sub-Branch of Shengjing Bank Co., Ltd.	No. 92, Shengli South Street, Heping District, Shenyang City	024-22704016	110002	024-22704016
	Shenyang Medical University Sub-Branch of Shengjing Bank Co., Ltd.	No.155, Nanjing North Street, Heping District, Shenyang City	024-83282796	110002	024-83282796



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	Shenyang Hongxia Sub-Branch of Shengjing Bank Co., Ltd.	No. 38, North 5th Longitude Street, Heping District, Shenyang City	024-62250304	110003	024-62250304
	Shenyang Nanshi Sub-Branch of Shengjing Bank Co., Ltd.	No. 7, South 3rd Longitude Street, Shenhe District, Shenyang City	024-22710606	110013	024-22710606
	Shenyang Shenshui Sub-Branch of Shengjing Bank Co., Ltd.	No.496, Changbai Street, Heping District, Shenyang City	024-31910800	110001	024-31910800
	Shenyang Baogong Sub-Branch of Shengjing Bank Co., Ltd.	No. 15, Baogong South Street, Tiexi District, Shenyang City	024-25655584	110027	024-25655584
	Shenyang Xinggong Sub-Branch of Shengjing Bank Co., Ltd.	No. 108, Xinggong North Street, Tiexi District, Shenyang City	024-25851590	110013	024-25851590
	Shenyang Baoxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 29, Xinghua North Street, Tiexi District, Shenyang City	024-25112720	110027	024-25112720
	Shenyang Tengfei Sub-Branch of Shengjing Bank Co., Ltd.	No. 57, Tengfei 1st Street, Tiexi District, Shenyang City	024-25931567	110027	024-25931567
	Shenyang Tiexi Sub-Branch of Shengjing Bank Co., Ltd.	No. 31, Jianshe Middle Road, Tiexi District, Shenyang City	024-25866380	110021	024-25866380
	Shenyang Mazhuang Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1, No. 19, Mazhuang Street, Tiexi District, Shenyang City	024-25728349	110023	024-25728349
	Shenyang Xinghua Sub-Branch of Shengjing Bank Co., Ltd.	No. 14, Yanhua Street, Tiexi District, Shenyang City	024-25964572	110021	024-25964572
	Shenyang Jianshe Avenue Sub-Branch of Shengjing Bank Co., Ltd.	No. 8, Jianshe Middle Road, Tiexi District, Shenyang City	024-25866380	110021	024-25866380
	Shenyang Yunfeng Sub-Branch of Shengjing Bank Co., Ltd.	No. 98, Xishuncheng Street, Shenhe District, Shenyang City	024-22535655	110013	024-22535655
	Shenyang Jingxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 178, Xingshun Street, Tiexi District, Shenyang City	024-85400343	110023	024-85400343
	Shenyang Xingshun Sub-Branch of Shengjing Bank Co., Ltd.	(Gate 1) (Gate 2) (Gate 3) (Gate 4) (Gate 5) (Gate 6), No.23-1, North 2nd Middle Road, Tiexi District, Shenyang City	024-81054378	110023	024-81054378
	Shenyang Huaxiang Sub-Branch of Shengjing Bank Co., Ltd.	Gate 4-5, No. 18, Huaxiang Road, Tiexi District, Shenyang City	024-25890701	110023	024-25890701
	Shenyang Yaming Sub-Branch of Shengjing Bank Co., Ltd.	No. 100, Kunshan Middle Road, Huanggu District, Shenyang City	024-86860739	110031	024-86852023



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	Shenyang Tawan Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1-2, No. 142, Kunshan West Road, Huanggu District, Shenyang City	024-86722014	110031	024-86722014
	Shenyang Yalu River Sub-Branch of Shengjing Bank Co., Ltd.	Gate 11, No. 63, Yalu River Street, Huanggu District, Shenyang City	024-86620510	110031	024-86620510
	Shenyang Beihuan Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1, No. 78, North Changjiang Street, Yuhong District, Shenyang City	024-86166201	110034	024-86166201
	Shenyang Changjiang Sub-Branch of Shengjing Bank Co., Ltd.	No. 59, Changjiang Street, Huanggu District, Shenyang City	024-86297739	110031	024-86297739
	Shenyang Ningshan Sub-Branch of Shengjing Bank Co., Ltd.	No. 64, Ningshan Middle Road, Huanggu District, Shenyang City	024-86240034	110031	024-86240034
	Shenyang Dongling Sub-Branch of Shengjing Bank Co., Ltd.	No. 105A, Wanliutang Road, Shenhe District, Shenyang City	024-24200020	110015	024-24200020
	Shenyang Fengle Sub-Branch of Shengjing Bank Co., Ltd.	Gate 4, No. 72, Wenhua East Road, Shenhe District, Shenyang City	024-24222193	110015	024-24222193
	Shenyang Free Trade Zone Sub-Branch of Shengjing Bank Co., Ltd.	Room 128, Floor 1, Block D, No. 109-4, Quanyun North Road, Hunnan District, Shenyang City	024-83766268	110000	024-83766268
	Shenyang Hepan New Town Sub-Branch of Shengjing Bank Co., Ltd.	Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City	024-24564183	110000	024-24564183
	Shenyang Sujiatun Sub-Branch of Shengjing Bank Co., Ltd.	No. 60, Fengyang Road, Sujiatun District, Shenyang City	024-89811137	110101	024-89811137
	Shenyang Changbai Sub-Branch of Shengjing Bank Co., Ltd.	A1 & 2, No. 62, Changbai West Road, Heping District, Shenyang City	024-23732950	110001	024-23732950
	Shenyang Fengyang Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1 and 53, No. 107, Fengyang Road, Sujiatun, Shenyang City	024-89825773	110101	024-89825773
	Shenyang Shenbei New District Sub-Branch of Shengjing Bank Co., Ltd.	No. 32, Yinhe Street, Shenbei New District, Shenyang City	024-89603292	110129	024-89603292
	Shenyang Daoyi Sub-Branch of Shengjing Bank Co., Ltd.	Gate 3 & 4, No. 55-5, Daoyi North Street, Shenbei New District, Shenyang City	024-89798932	110121	024-89798932
	Shenyang Kangping Sub-Branch of Shengjing Bank Co., Ltd.	No.300 Central Street, Kangping Town, Kangping County, Shenyang City	024-87335672	110500	024-87335672



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	Shenyang Faku Sub-Branch of Shengjing Bank Co., Ltd.	Shops 105, 106, 107, 108 & 109, Building 6, No. 41, Bianmen Street, Faku Town, Faku County, Shenyang City	024-31109066	110400	024-31109066
	Dalian Branch of Shengjing Bank Co., Ltd.	No. 160, Jiefang Road, Zhongshan District, Dalian City, Liaoning Province	0411-82566666	110127	0411-82566666
	Dalian Development Zone Sub-Branch of Shengjing Bank Co., Ltd.	No. 37-1, Liaohe West Road, Dalian Economic and Technological, Liaoning Province	0411-87571166	116600	0411-87571166
	Dalian Wafangdian Sub-Branch of Shengjing Bank Co., Ltd.	No. 559-7, 8 & 9, Zhufeng Street, Wenlan Street Office, Wafangdian City, Liaoning Province	0411-85552255	116300	0411-85552255
	Dalian Wusi Square Sub-Branch of Shengjing Bank Co., Ltd.	No. 10, Wusi Square, Shahekou District, Dalian City, Liaoning Province	0411-84652233	116000	0411-84652233
	Dalian Xinghai Sub-Branch of Shengjing Bank Co., Ltd.	No. 582, Zhongshan Road, Shahekou District, Dalian City, Liaoning Province	0411-88144433	116000	0411-88144433
	Anshan Tiedong Sub-Branch of Shengjing Bank Co., Ltd.	No. 5-A, Hunan Street, Tiedong District, Anshan City	0412-5939998	125000	0412-5939998
	Anshan Tiexi Sub-Branch of Shengjing Bank Co., Ltd.	No. 178-S1, S2, S3 & S4, No. 178, Jiudao Street, Tiexi District, Anshan City	0412-8592299	114000	0412-8592299
	Anshan Haicheng Sub-Branch of Shengjing Bank Co., Ltd.	No. 4, Building 6-1, Baihui Xiangshan Estate, Dongguan Community, Haizhou Administrative Zone, Haicheng City, Liaoning Province	0412-3666766	114000	0412-3666766
	Anshan Xinxing Sub-Branch of Shengjing Bank Co., Ltd.	4-S1&4-S2, North Shengli Road, Lishan District, Anshan City, Liaoning Province	0412-5916280	114000	0412-5916280
	Anshan Shengli Sub-Branch of Shengjing Bank Co., Ltd.	No. 9-11, 9-12, Wuyi Road, Tiedong District, Anshan City	0412-5939993	114000	0412-5939993



# THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Fushun Branch of Shengjing Bank Co., Ltd.	Room 2, 3 & 4, No. 57-7, Linjiang East Road, Shuncheng District, Fushun City, Liaoning Province	024-53903666	113006	024-53903666
	Fushun Xinfu Sub-Branch of Shengjing Bank Co., Ltd.	Shop 2, Building 2, Wugong Street, Xinfu District, Fushun City, Liaoning Province	024-53965666	113008	024-53965666
	Fushun Wanghua Sub-Branch of Shengjing Bank Co., Ltd.	Shop 1 & 2, Building 23, West Section, Leifeng Road, Wanghua District, Fushun City, Liaoning Province	024-53978966	113001	024-53978966
	Fushun Dongzhou Sub-Branch of Shengjing Bank Co., Ltd.	First Floor of Room 5 and First & Second Floor of Room 6, Non-residential Two-Floor Unit, No. 3, Dongzhou North Street, Dongzhou District, Fushun City, Liaoning Province	024-53784333	113004	024-53784333
	Fushun Yong'antai Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 102, Unit 2, Building 5, Beitaififth Street, Xinfu District, Fushun City, Liaoning Province	024-53986333	113008	024-53986333
	Benxi Branch of Shengjing Bank Co., Ltd.	No. 4, Dongming Road, Pingshan District, Benxi City (Central Street, Pingshan District)	024-43106888	117000	024-43106888
	Benxi Mingshan Sub-Branch of Shengjing Bank Co., Ltd.	No. 102, Jiefang North Road, Xinfeng Street, Mingshan District, Benxi City	024-45580666	117000	024-45580666
	Benxi Shengli Road Sub-Branch of Shengjing Bank Co., Ltd.	Building 57, Shengli Road, Mingshan District, Benxi City	024-42966688	117000	024-42966688
	Benxi Pingshan Sub-Branch of Shengjing Bank Co., Ltd.	No. 8, Building 31-6, Pingshan Road, Pingshan District, Benxi City, Liaoning Province	024-42666999	117000	024-42666999
	Benxi County Sub-Branch of Shengjing Bank Co., Ltd.	No. 331, Changjiang Road, Xiaoshi Town, Benxi Manchu Autonomous County, Liaoning Province	024-43336111	117000	024-43336111
	Dandong Branch of Shengjing Bank Co., Ltd.	No. 70, Qingnian Street, Zhenxing District, Dandong City	0415-2946666	118000	0415-2946666





Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Dandong Donggang Sub-Branch of Shengjing Bank Co., Ltd.	No. 30, Jinxiu Jiayuan Community, Dadong Administrative Zone, Donggang County-level City, Dandong City, Liaoning Province	0415-2596666	118300	0415-2596666
	Jinzhou Branch of Shengjing Bank Co., Ltd.	No. 43-1, Area B of Lingyunli Manhattan, Taihe District, Jinzhou City	0416-2110900	121000	0416-2110900
	Jinzhou Yan'an Road Sub-Branch of Shengjing Bank Co., Ltd.	No. 1-1, Jindi Jiayuan Community, Section 3, Yan'an Road, Guta District, Jinzhou City, Liaoning Province	0416-2110950	121000	0416-2110950
	Jinzhou Jiefang Road Sub-Branch of Shengjing Bank Co., Ltd.	No. 8, 9, Section 171, Hangzhou Street, Linghe District, Jinzhou City, Liaoning Province	0416-2110988	121000	0416-2110988
	Jinzhou Central Avenue Sub-Branch of Shengjing Bank Co., Ltd.	No. 26-52 & 26-53, Section 3, Jiefang Road, Guta District, Jinzhou City, Liaoning Province	0416-2110998	121000	0416-2110998
	Yingkou Branch of Shengjing Bank Co., Ltd.	No. 17, Riyue Avenue, Yingkou Economic and Technological Development Zone, Liaoning Province	0417-6818666	115007	0417-6818666
	Yingkou Dashiqiao Sub-Branch of Shengjing Bank Co., Ltd.	No. 28 (Yandongli of Junmin Street), Hada Middle Road, Dashiqiao City	0417-5826677	115100	0417-5826677
	Yingkou Shifu Sub-Branch of Shengjing Bank Co., Ltd.	No. 1-A-A-1, Huibin Road, Zhanqian District, Yingkou City	0417-4887700	115000	0417-4887700
	Yingkou Huimin Sub-Branch of Shengjing Bank Co., Ltd.	No. 21, Riyue Avenue, Yingkou Economic and Technological Development Zone, Liaoning Province	0417-6166642	115007	0417-6166642
	Yingkou Xuefu Sub-Branch of Shengjing Bank Co., Ltd.	No. 9-A4, North Xuefu Road, Zhanqian District, Yingkou City	0417-2922345	115000	0417-2922345
	Yingkou Gaizhou Sub-Branch of Shengjing Bank Co., Ltd.	Unit 2, Building 10, Longsheng Huayuan, Xinxing Community, Xicheng Street Office, Gaizhou City, Liaoning Province	0417-7331666	115200	0417-7331666



# THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Yingkou Kunlun Sub-Branch of Shengjing Bank Co., Ltd.	No. 8-2, South Section, Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province	0417-6166600	115007	0417-6166600
	Fuxin Branch of Shengjing Bank Co., Ltd.	Gate 12, 14, 16, 18, 20, 22, No. 86, Zhonghua Road, Haizhou District, Fuxin City	0418-5699999	123000	0418-5699999
	Fuxin Fumeng County Sub-Branch of Shengjing Bank Co., Ltd.	No. 26-1-1-4, Building 26, Wenhua Road, Qiangmin Community, Fumeng County, Fuxin City, Liaoning Province	0418-3590999	123100	0418-3590999
	Liaoyang Branch of Shengjing Bank Co., Ltd.	No. 155, Wensheng Road, Baita District, Liaoyang City, Liaoning Province	0419-3736789	111000	0419-3736789
	Liaoyang Hongwei Sub-Branch of Shengjing Bank Co., Ltd.	Outlet on First Floor, No. 28, Jiankang Road, Hongwei District, Liaoyang City, Liaoning Province	0419-3679345	111003	0419-3679345
	Tieling Branch of Shengjing Bank Co., Ltd.	No. 18 1-1, Yinzhou Road, Yinzhou District, Tieling City, Liaoning Province	024-72276666	112000	024-72276666
	Tieling Yinzhou Sub-Branch of Shengjing Bank Co., Ltd.	Shop 1, Zone C East, Building 22, No. 11, Huiyuan Community, Chaihe Street, Yinzhou District, Tieling City, Liaoning Province	024-76696666	112000	024-76696666
	Tieling Diaobingshan Sub-Branch of Shengjing Bank Co., Ltd.	Beijindu Comprehensive Building, Trade Town east of Diaobingshan Street, Diaobingshan County-level City, Tieling City, Liaoning Province	024-76516666	112700	024-76516666
	Chaoyang Branch of Shengjing Bank Co., Ltd.	No. 401, 102, 202 & 302 of G4 Outlet, Phase I Dongdu Jiayuan, North Street, Shuangta District, Chaoyang City	0421-3999916	122000	0421-3999903
	Chaoyang Shuangta Sub-Branch of Shengjing Bank Co., Ltd.	No. 70, Section 4, Youyi Street, Shuangta District, Chaoyang City	0421-3606777	122000	0421-3606777
	Chaoyang Jianping Sub-Branch of Shengjing Bank Co., Ltd.	No. 59, Renmin Road, Jianping County, Chaoyang City, Liaoning Province	0421-7868787	124000	0421-7868787



Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Chaoyang Longcheng Sub-Branch of Shengjing Bank Co., Ltd.	No. 69-1 & 69-2, Section 5, Wenhua Road, Longcheng District, Chaoyang City, Liaoning Province	0421-3895566	122000	0421-3895566
	Panjin Branch of Shengjing Bank Co., Ltd.	No. 136, Xinglongtai Street, Xinglongtai District, Panjin City	0427-3290900	124000	0427-3290900
	Panjin Development Zone Sub-Branch of Shengjing Bank Co., Ltd.	No. 236, Taishan Road, Xinglongtai District, Panjin City	0427-3267099	124000	0427-3267099
	Panjin Liaohe Oil Field Sub-Branch of Shengjing Bank Co., Ltd.	Business Outlet No. 1-3 & 1-4, Xinyihe Community, Xinglongtai Street, Xinglongtai District, Panjin City	0427-3291099	124000	0427-3291099
	Panjin Panshan Sub-Branch of Shengjing Bank Co., Ltd.	Room 102, Floor 1, Venture Building, No. 8, Fuqian Street, Panshan County, Panjin City, Liaoning Province	0427-3712199	124000	0427-3712199
	Panjin Shuangtaizi Sub-Branch of Shengjing Bank Co., Ltd.	No. 156, Shengli Street, Shuangtaizi District, Panjin City, Liaoning Province	0427-3710880	124000	0427-3710880
	Panjin Leyuan Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 41-1, Leyuan Road, Xinglongtai District, Panjin City, Liaoning Province	0427-6590799	124000	0427-6590799
	Panjin Jinxiang Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 182-10-6, Xinglongtai Street, Xinglongtai District, Panjin City, Liaoning Province	0427-7860290	124000	0427-7860290
	Huludao Branch of Shengjing Bank Co., Ltd.	Building L & Building B, No. 145, Longwan Street, Longgang District, Huludao City, Liaoning Province	0429-3023018	125000	0429-3023018
	Huludao Lianshan Sub-Branch of Shengjing Bank Co., Ltd.	Building A, No. 5, Lianshan Street, Lianshan District, Huludao City, Liaoning Province	0429-3077666	125000	0429-3077666
	Huludao Longgang Sub-Branch of Shengjing Bank Co., Ltd.	No. 28, Longwan Street, Longgang District, Huludao City	0429-3122000	125000	0429-3122000
	Huludao Xingcheng Sub-Branch of Shengjing Bank Co., Ltd.	Bihai Yaju Community, Diaoyutai Street Office, Xingcheng City, Liaoning Province	0429-5677766	125000	0429-5677766



# THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

Geographical Region	Full name of institutions in the business license	Business Address	Telephone	Postcode	Fax
	Huludao Suizhong Sub-Branch of Shengjing Bank Co., Ltd.	No. 11, Section 2, Central Road, Suizhong County, Huludao City, Liaoning Province	0429-3258001	125000	0429-3258001
	Huludao East Xingcheng Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 28, Guangchang West Road, Xingcheng County-level City, Huludao City, Liaoning Province	0429-5813355	125000	0429-5813355
	Huludao Dongcheng Sub-Branch of Shengjing Bank Co., Ltd.	Building A, B, C, No. 3-5, Fumin Street, Lianshan District, Huludao City, Liaoning Province	0429-3220707	125000	0429-3220707
	Huludao Jianchang Sub-Branch of Shengjing Bank Co., Ltd.	Shop 3, 4, 5 & 6 Eastward, South of Tianxing commercial & residential community, East Guangming Street (originally people' armed forces), Jianchang County, Huludao City, Liaoning Province	0429-3305858	125000	0429-3305858
	Credit Card Center of Shengjing Bank Co., Ltd.	Floor 39, Building 1, Xindi Center, No. 10, Youhao Street, Shenhe District, Shenyang City	024-23323777-1048	110013	024-23323777-1048
	Capital Operation Center of Shengjing Bank Co., Ltd.	No. 15, Baogong South Street, Tiexi District, Shenyang City, Liaoning Province	024-80108668	110000	024-80108668
	Small Business Financial Service Center of Shengjing Bank Co., Ltd.	No. 60, Fengyang Road, Sujiatun District, Shenyang City	024-86108301	110101	024-86108301



## DEFINITION

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

“Articles of Association”	the articles of association of the Bank, as amended from time to time
“Bank”, the “Company”, “Shengjing Bank”, or “We”	Shengjing Bank Co., Ltd. (盛京銀行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with 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
“CBIRC Liaoning Bureau”	China Banking and Insurance Regulatory Commission Liaoning Bureau
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Shares”	overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Latest Practicable Date”	14 April 2020, being the latest practicable date prior to the printing of this report for the purpose of ascertaining certain information contained in this report
“Listing Date”	29 December 2014, the date on which dealings in the H Shares first commenced on the Hong Kong Stock Exchange



## DEFINITION

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macau Special Administrative Region of the PRC
“PBOC” or “Central Bank”	the People’s Bank of China
“PRC”	the People’s Republic of China, and for the purpose of this report only, excluding Hong Kong, Macau and Taiwan
“Reporting Period”	the year ended 31 December 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Shareholder(s)”	the shareholder(s) of the Bank
“Shares”	the Domestic Shares and the H Shares
“Shenyang Hengxin”	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恒信國有資產經營集團有限公司, formerly known as 瀋陽恒信國有資產經營有限公司), a company incorporated in the PRC on 10 April 2002
“State Council”	the State Council of the PRC
“Supervisor(s)”	the supervisor(s) of the Bank
“%”	per cent.



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🌐 [www.shengjingbank.com.cn](http://www.shengjingbank.com.cn)



Official Website



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